

中国太平洋保险（集团）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)

2021 Annual Report

(Trading Symbol: CPIC)

Contents

Important information	2
Corporate information and definitions	4
Business overview	7
Chairman's statement	13
Operating results	18
Highlights of accounting and operation data	18
Review and analysis of operating results	20
Embedded value	64
Corporate governance	73
Report of the Board of Directors and significant events	73
Changes in the share capital and shareholders' profile	88
Directors, supervisors, senior management and employees	92
Corporate governance	108
Documents available for inspection	144

Cautionary Statements:

Certain statements included in this report, including future plans and development strategies, are not historical facts and are "forward-looking". Forward-looking statements are based upon various assumptions, including, without limitation, the management's examination of historical operating trends, data contained in its records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and which are beyond its control, and the Company may not achieve or accomplish these expectations, beliefs or projections. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results to differ from or fail to meet expectations expressed or implied by, such forward-looking statements. None of the Company or its management can guarantee or give any assurance to investors regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. Investors and other related parties are advised to be mindful of the risk, and be aware of the difference between the Company's plans or projections and its commitments.

Such forward-looking statements speak only as at the date on which they are made and are not intended to give any assurances as to future results. You are advised to exercise caution and should not rely on the forward-looking statements in this report.

Important information

I. The board of directors, the board of supervisors, the directors, the supervisors and the senior management of the Company warrant that the contents of this annual report are true, accurate and complete and that there is no false representation, misleading statement or material omission in this report; and they severally and jointly accept responsibility for the contents of this report.

II. The Company's 2021 Annual Report was considered and approved at the 15th session of the 9th board of directors on 25 March 2022, which 15 directors were required to attend and all of them attended in person. For the purposes of the United Kingdom's Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.1.12(3), each of the directors of the Company named in "Directors, supervisors and senior management" of this report, to the best of his or her knowledge, confirm that: (1) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and (2) the annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

III. PricewaterhouseCoopers Zhong Tian LLP audited the 2021 financial statements of the company and issued the standard unqualified auditor's report.

IV. Mr. KONG Qingwei (person in charge of the Company), Mr. ZHANG Yuanhan (principal in charge of accounting and chief actuary) and Ms. XU Zhen (head of the Accounting Department) warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.

V. The profit distribution for 2021 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.0 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of

dividend in aggregate will be RMB9,620,341,455. The remaining retained profits will be carried forward to 2022. No capital reserve was transferred to the share capital during the year. The above-said profit distribution plan is to be approved at the shareholders' general meeting.

VI. The Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and other Group specific risks. For details, please refer to the Section "Corporate governance" of this report.

VII. There were no funds misappropriated by major shareholders or related parties of the Company.

VIII. The Company did not provide external guarantees in violation of the prescribed decision-making procedures.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
BOARD OF DIRECTORS

Corporate information and definitions

Legal Name in Chinese:

中国太平洋保险（集团）股份有限公司 (“中国太保”)

Legal Name in English:

CHINA PACIFIC INSURANCE (GROUP) CO., LTD. (“CPIC”)

Legal Representative: KONG Qingwei

Board Secretary: SU Shaojun

Securities Representative: PAN Feng

Contact for Shareholder Inquiries: Investor Relations Dept. of the Company

Tel: +86-21-58767282

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Address: 1 South Zhongshan Road, Huangpu, Shanghai, PR China

Registered Office: 1 South Zhongshan Road, Huangpu, Shanghai, PR China

Office Address: 1 South Zhongshan Road, Huangpu, Shanghai, PR China

Postal Code: 200010

Website: <http://www.cpic.com.cn>

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):

China Securities, Shanghai Securities and Securities Times

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

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

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

Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 中国太保

Stock Code for A Share: 601601

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

Stock Name for H Share: 中國太保

Stock Code for H Share: 02601

Stock Exchange for GDR Listing: London Stock Exchange

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

Trading symbol for GDR: CPIC

Accountant (A Share): PricewaterhouseCoopers Zhong Tian LLP

Office of Domestic Accountant: 42/F, New Bund Center, 588 Dongyu Road, Pudong New Area, Shanghai, PR China

Signing Certified Public Accountants: PENG Runguo, ZHANG Jiong

Accountant (H Share): PricewaterhouseCoopers (Certified Public Accountants and Registered PIE Auditor)

Office address: 22/F, Prince's Building, Central, Hong Kong

Accountant (GDR): PricewaterhouseCoopers Zhong Tian LLP

Office of Domestic Accountant: 42/F, New Bund Center, 588 Dongyu Road, Pudong New Area, Shanghai, PR China

Signing Certified Public Accountants: PENG Runguo, ZHANG Jiong

Definitions

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

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

Business overview

Group Operating Results

Unit: RMB million

	Between January and December in 2021 /as at 31 December 2021	Between January and December in 2020 /as at 31 December 2020	Between January and December in 2019 /as at 31 December 2019	2021vs 2020 (%)	2020vs2019 (%)
Group operating income	440,643	422,182	385,489	4.4	9.5
Group OPAT ^{notes 1,2}	35,346	31,140	27,878	13.5	11.7
Group EV	498,309	459,320	395,987	8.5	16.0
Group AuM	2,601,537	2,436,080	2,043,078	6.8	19.2
Total investment yield (%)	5.7	5.9	5.4	(0.2pt)	0.5pt
Dividend per share (RMB yuan) ^{note 3}	1.0	1.3	1.2	(23.1)	8.3
Net assets per share (RMB yuan) ^{note 1}	23.57	22.37	19.69	5.4	13.6
Number of Group customers ('000) ^{notes 4,5}	168,393	148,938	139,976	13.1	6.4

Notes:

1. Attributable to shareholders of the parent.
2. 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.
3. Subject to SGM approval. Dividends for 2020 included an annual dividend of RMB1.2 per share and a 30th Anniversary special dividend of RMB0.1 per share.
4. Number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.
5. Figures as of the end of 2019 and 2020 have been restated.

Key indicators

Unit: RMB million

GWPs – CPIC Life 211,685 -0.1% GWPs – CPIC P/C 152,643 +3.3% Group operating income 440,643 +4.4%	Group embedded value 498,309 +8.5%
NBV margin of life business 23.5% -15.4pt NBV of life business 13,412 -24.8%	Combined ratio of P/C business^{note 3} 99.1% +0.1pt
Group total investment yield 5.7% -0.2pt Group net investment yield 4.5% -0.2pt Growth rate of Group investments' net asset value^{note 1} 5.4% -2.0pt	Group OPAT attributable to shareholders of the parent 35,346 +13.5%
Group net profit attributable to shareholders of the parent 26,834 +9.2%	CPIC Life 218% CPIC P/C 288% Group comprehensive solvency margin ratio 266% -22pt
Group number of customers^{note 2} ('000) 168,393 +19,455	Annual cash dividend^{note 4} RMB1.0 /share (tax included)

Notes:

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

2. Figures as at the end of the previous year have been restated.

3. Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.

4. Subject to SGM approval.

Core Competitiveness

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

Focus

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

Prudence

We are committed to prudent business operation, upholding “protection for people” as the central insurance value proposition. We boast a professional and competent board of directors, an experienced management team and a group-centralised platform of management, with

modernised corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. Leveraging the advantage of a diversified, international and professional board of directors, we put in place a modern, international corporate governance system which is market-oriented and rule-based. We have also put in place industry-leading risk, compliance and internal control systems, with a smart risk control platform, which ensures sustained and healthy development of the Company.

Innovation

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

Responsibility

Committed to our responsibility to employees, customers, shareholders and society, we vigorously participate in national initiatives, serve the needs of the real economy and peoples’ aspirations for a better life. We make full use of insurance to fulfil our social responsibilities, pioneering in the fight against the pandemic, in boosting rural invigoration and the relief effort during flooding. We promote the brand image of “Responsible, Smart and Caring” CPIC Service, established the 4-level “Service Officers” institution, and deepened the closed-loop management of customer experience. We implement ESG philosophies, improve the ESG governance system, promote sustainable insurance, responsible investment and green operation to contribute to the low-carbon social and economic development. We care for people’s well-being, vigourously participating in the building of China’s social security system.

We conduct charitable activities as part of our branding, showing care for the vulnerable and underprivileged communities. At the same time, we strive to generate sound returns to our shareholders so that they can benefit from the growth of the Company.

Honours and awards

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

- For its excellent health management service, CPIC Health won the “Guardian Star” Excellent Service Case Award in the 3rd People's Good Insurance Case Awards sponsored by the People's Daily Online.
- Changjiang Pension was designated as the “2021 Outstanding Pension Insurance Company in Asia” in the “Asian Financial Competitiveness in the 21st Century Awards” organized by the 21st Century Business Herald.
- Gengdi Weishi, an insurance programme of CPIC Anxin Agricultural, won the “2021 Excellent Insurance Product Ark Award” jointly granted by the People's Daily and the Securities Times.

Chairman's statement

Dear shareholders:

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

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

P/C insurance continued to enhance capabilities for sustainable development. In the face of multiple challenges of automobile insurance comprehensive reform, reshaping of the supply chain, and rising risk of climate change, we deepened the closed-loop business management based on customer segmentation, further enhanced capabilities of direct customer engagement and acquisition, and boosted differentiated business management, with continued improvement in on-line ratio of individual customers and auto insurance renewal rate; for corporate clients, we made further progress in professional capacity-building specific to

industries and areas, leading in industry. We responded to the flooding in He'nan in a timely manner, and offered professional and efficient claims service, winning recognition of the society.

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

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

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

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

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

Financial regulation also requires enhanced business management and increased compliance on the part of insurers.

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

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

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

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

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

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

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

Now is early spring, a season of hope. In spite of COVID resurgence, and the many challenges facing the international community and global economic recovery, we still believe

that over time, the pursuit of peace and development will remain the common aspirations of all mankind. In the recently-concluded Winter Olympics, we watched the fireworks display with a theme of “One World, One Family”, which sent a resonating message around the world about building a human community with a shared future and the power of unity. As the official partner of the 2022 Hangzhou Asian Games, CPIC will always stand side by side with our customers, “Heart to heart, @future”, work up courage and strive for new breakthroughs in high-quality development.

KONG Qingwei
Chairman of the Board of Directors
CPIC Group

Operating results

Highlights of accounting and operation data

I. Key accounting data and financial indicators of the Company as at period ends

Unit: RMB million

Key accounting data	2021	2020	Changes (%)	2019
Operating income	440,643	422,182	4.4	385,489
Profit before tax	30,796	29,238	5.3	27,966
Net profit ^{note}	26,834	24,584	9.2	27,741
Net profit net of non-recurring profit or loss ^{note}	26,699	24,569	8.7	22,915
Net cash flows from operating activities	108,407	108,063	0.3	111,795
	31 December 2021	31 December 2020	Changes (%)	31 December 2019
Total assets	1,946,164	1,771,004	9.9	1,528,333
Equity ^{note}	226,741	215,224	5.4	178,427

Note: Attributable to shareholders of the parent.

Unit: RMB

Key accounting indicators	2021	2020	Changes (%)	2019
Basic earnings per share ^{note 1}	2.79	2.63	6.1	3.06
Basic earnings per share net of non-recurring profit or loss ^{note 1}	2.78	2.63	5.7	2.53
Diluted earnings per share ^{note 1}	2.79	2.63	6.1	3.06
Weighted average return on equity (%) ^{note 1}	12.2	12.6	(0.4pt)	16.9
Weighted average return on equity net of non-recurring profit or loss (%) ^{note 1}	12.1	12.5	(0.4pt)	14.0
Net cash flows per share from operating activities ^{note 2}	11.27	11.55	(2.4)	12.34
	31 December 2021	31 December 2020	Changes (%)	31 December 2019
Net assets per share ^{note 1}	23.57	22.37	5.4	19.69

Notes:

1. Attributable to shareholders of the parent.

2. Calculated by the weighted average number of ordinary shares in issue.

Unit: RMB million

Key accounting data by quarter	For the three months from 1 January to 31 March 2021	For the three months from 1 April to 30 June 2021	For the three months from 1 July to 30 September 2021	For the three months from 1 October to 31 December 2021
Operating income	151,263	101,249	98,422	89,709
Net profit ^{note}	8,547	8,757	5,382	4,148
Net profit net of non-recurring profit or loss ^{note}	8,483	8,701	5,387	4,128
Net cash flows from operating activities	36,055	23,049	15,642	33,661

Note: Attributable to shareholders of the parent.

II. Non-recurring items

Unit: RMB million

Non-recurring items	2021
Gains on disposal of non-current assets	10
Government grants recognised in current profit or loss	206
Custody fees of entrusted operation	71
Other net non-operating income and expenses other than aforesaid items	(94)
Effect of income tax relating to non-recurring profit or loss	(57)
Net non-recurring profit or loss attributable to non-controlling interests	(1)
Total	135

Note: As an integrated insurance group, investment is one of the major businesses of the Group. Therefore, the non-recurring items do not include fair value gains/(losses) from financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, etc., as well as investment income from the disposal of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss and available-for-sale financial assets, etc.

III. Other key financial and regulatory indicators

Unit: RMB million

Indicators	31 December 2021/ 2021	31 December 2020/ 2020
The Group		
Investment assets ^{note 1}	1,812,069	1,648,007
Investment yield (%) ^{note 2}	5.7	5.9
CPIC Life		
Net premiums earned	203,447	203,848
Growth rate of net premiums earned (%)	(0.2)	(0.2)
Net claims	49,413	55,934
Surrender rate (%) ^{note 3}	1.7	1.2
CPIC P/C		
Net premiums earned	128,803	121,835
Growth rate of net premiums earned (%)	5.7	16.5
Net claims	81,959	71,894
Unearned premium reserves	67,328	63,706
Claim reserves	50,724	40,772
Combined ratio (%) ^{note 4}	99.0	99.0
Loss ratio (%) ^{note 5}	69.6	61.4

Notes:

1. Investment assets include cash at bank and on hand, etc.

2. Total investment yield = (investment income + gains / (losses) arising from changes in fair value + rental income from investment properties - charge of impairment losses on investment assets - interest expenses from securities sold under agreements to repurchase) / average investment assets, excluding foreign exchange gain or loss. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

3. Surrender rate = surrenders for the period / (opening balance of life insurance reserves + opening balance of long-term health insurance reserves + gross written premiums for long-term insurance).

4. Combined ratio = (claims-claims recoveries from reinsurers + changes in insurance contract reserves - insurance contract reserves recovered from reinsurers + expenses for reinsurance assumed + taxes and surcharges for insurance business + commission and brokerage expenses + operating and administrative expenses for insurance business - expenses recoveries from reinsurers + changes in insurance premium reserves + asset impairment losses of receivables) / net premiums earned.

5. Loss ratio = (claims-claims recoveries from reinsurers + changes in insurance contract reserves - insurance contract reserves recovered from reinsurers + changes in insurance premium reserves) / net premiums earned.

IV. Discrepancy between the financial results prepared under PRC GAAP and HKFRS

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

Review and analysis of operating results

Business overview

I. Key businesses

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

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

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

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

Unit: RMB million

Balance sheet items	31 December 2021	31 December 2020	Changes (%)	Main reason for the changes
Cash at bank and on hand	32,545	20,878	55.9	Timing difference
Reinsurance receivables	11,091	8,180	35.6	Growth in insurance business and timing difference
Deferred income tax assets	1,998	845	136.4	Increase in deductible temporary differences
Reinsurance payables	7,638	5,501	38.8	Change in insurance business and timing difference
Income statement items	2021	2020	Changes (%)	Main reason for the changes
Premiums from reinsurance assumed	3,398	4,890	(30.5)	Change in insurance business
Net change in unearned premium reserves	(2,313)	(5,684)	(59.3)	Change in insurance business
Share of profits of associates and joint ventures	799	512	56.1	Increase in investment income
Gains arising from changes in fair value	1,163	81	1,335.8	Change in market value of financial assets held for trading
Exchange losses	(417)	(1,428)	(70.8)	Fluctuation of exchange rate
Surrenders	(22,330)	(14,421)	54.8	Growth in insurance business and increase in surrender
Insurance contract reserves recovered from reinsurers	2,737	1,021	168.1	Change in insurance business
Expenses for reinsurance assumed	(239)	(1,336)	(82.1)	Change in insurance business
Other comprehensive income/(loss)	(2,727)	9,616	(128.4)	Change in fair value for available-for-sale financial assets due to capital market fluctuation

Performance overview

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

I. Performance highlights

During the reporting period, Group operating income amounted to RMB440.643 billion, of which, gross written premiums (GWPs) reached RMB366.782 billion, a growth of 1.3% compared with that of 2020. Group net profit^{note 1} reached RMB26.834 billion, up by 9.2%, with Group OPAT^{notes 1,2} of RMB35.346 billion, a growth of 13.5%. Group EV amounted to RMB498.309 billion, an increase of 8.5% from the end of 2020. Of this, value of in-force business^{note 3} reached RMB211.096 billion, up by 4.5%. Life insurance business delivered RMB13.412 billion in new

business value (NBV), down by 24.8% compared with that of 2020, with an NBV margin of 23.5%, down by 15.4pt. Property and casualty insurance business^{note 4} recorded a combined ratio of 99.1%, up by 0.1pt. Growth rate of Group investments' net asset value^{note 5} went down by 2.0pt to 5.4%. As of the end of the reporting period, Group total number of customers^{note 6} amounted to 168.39 million, an increase of 19.45 million from the end of 2020.

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

- CPIC Life GWPs amounted to RMB211.685 billion, down by 0.1%. Of this, regular-pay new business from the agency channel grew by 11.6%.
- CPIC Life realised RMB13.412 billion in NBV, down by 24.8%, with an NBV margin of 23.5%, down by 15.4pt.
- OPAT of life insurance reached RMB28.265 billion, up by 9.2%; the residual margin of life insurance amounted to RMB348.272 billion, down by 0.8% from the end of 2020.

Property and casualty business^{note 4} reported a largely stable combined ratio, with improved business quality and rapid top-line growth of non-auto business.

- The combined ratio was 99.1%, up by 0.1pt. Of this, expense ratio stood at 29.3%, down by 8.2pt, and loss ratio 69.8%, up by 8.3pt.
- GWPs amounted to RMB154.611 billion, an increase of 3.3%. Of this, non-auto business grew by 16.8% and accounted for 40.6% of total property and casualty insurance GWPs, up by 4.7pt.
- Automobile insurance enhanced customer retention to push for a shift of growth drivers. Non-auto business achieved underwriting profitability, with emerging business lines such as health, agricultural and liability insurance maintaining rapid development.

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

- The share of fixed income investments stood at 75.7%, down by 2.6pt from the end of 2020; that of equity investments 21.2%, up by 2.4pt, and of this, core equity investments^{note 7} accounted for 11.1% of total investment assets, an increase of 0.9pt from the end of 2020.
- Growth rate of Group investments' net asset value^{note 5} reached 5.4%, down by 2.0pt from 2020. Total investment yield was 5.7%, down by 0.2pt, with net investment yield of 4.5%, down by 0.2pt.
- Group AuM amounted to RMB2,601.537 billion, an increase of 6.8% from the end of 2020. Of this, third-party AuM amounted to RMB789.468 billion, an increase of 0.2%.

Notes:

1. Attributable to shareholders of the parent.
2. 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.

3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.
5. Figures for the same period of the previous year have been restated.
6. Figures as at the end of the previous year have been restated.
7. Stocks and equity funds included.

II. Key performance indicators

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

Notes:

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

applicants and insureds are the same person, they shall be deemed as one customer.
5. Figures as at the end of the previous year have been restated.

Life/health insurance business

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

I. CPIC Life

(I) Business analysis

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

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

1. Analysis by channels

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

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

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

(1) Agency channel

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

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

quality control, and upgrade the agency force in an all-around way.

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

(2) Bancassurance channel

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

(3) Group channel

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

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

2. Analysis by product types

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

In 2021, we further diversified product offering, launched "Jindian Rensheng", an upgraded whole-life CI product under the New CI Definitions with comprehensive cover against multiple illnesses, through the entire treatment cycle and during the full lifetime of customers; there was

also the debut of “Haoshi Chengshuang”, a whole-life CI product integrating health management and elderly care, balancing between retirement savings and health protection. These new products acquired more than 500,000 individual customers, with over RMB90 billion in total SA. In the meantime, we continued to deepen deployment in health management and elderly care, rolling out 10 retirement communities in 9 cities, and of them, those in Chengdu and Dali already went operational. CPIC Blue Passports, a health management programme, covered nearly 18 million customers cumulatively.

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

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

Information of the top five products in 2021

		Unit: RMB million		
For 12 months ended 31 December				
Ranking	Name	Type	GWPs	Main channel
1	Jin You Ren Sheng Whole Life A (2014) 金佑人生终身寿险（分红型）A款（2014版） Xin Xiang Shi Cheng (anniversary celebration)	Participating	15,531	Agency channel
2	Endowment 鑫享事诚（庆典版）两全保险产品	Traditional	7,200	Agency channel
3	Jin Nuo Ren Sheng Critical Illness (2018) 金诺人生重大疾病保险（2018版）	Traditional	7,199	Agency channel
4	Group medical insurance for major disease of rural and urban residents (A) 城乡居民大病团体医疗保险（A型）	Traditional	6,113	Group channel
5	Jin You Ren Sheng Whole Life A (2017) 金佑人生终身寿险（分红型）A款（2017版）	Participating	6,101	Agency channel

3. Policy persistency ratio

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

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

Notes:

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

4. Top 10 regions for GWPs

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

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

(II) Financial analysis

Unit: RMB million			
For 12 months ended 31 December	2021	2020	Changes (%)
Net premiums earned	203,446	203,848	(0.2)
Investment income ^{note 1}	82,418	75,548	9.1
Exchange losses	(50)	(89)	(43.8)
Other operating income	1,852	2,283	(18.9)
Gains on disposal of assets	9	4	125.0
Other income	25	45	(44.4)
Operating income	287,700	281,639	2.2
Surrenders	(22,330)	(14,421)	54.8
Claims	(54,190)	(59,577)	(9.0)
Less: claims recoveries from reinsurers	4,777	3,644	31.1
Net change in insurance contract reserves	(143,123)	(132,775)	7.8

Commission and brokerage expenses	(17,174)	(21,359)	(19.6)
Operating and administrative expenses	(14,780)	(15,037)	(1.7)
Other expenses ^{note2}	(21,586)	(21,743)	(0.7)
Operating expenses	(268,406)	(261,268)	2.7
Operating profit	19,294	20,371	(5.3)
Net of non-operating income and expenses	(34)	(72)	(52.8)
Income tax	(355)	(1,657)	(78.6)
Net profit	18,905	18,642	1.4

Notes:

1. Investment income includes investment income and gains/(losses) arising from change in fair value on financial statements.
2. Other expenses include policyholder dividends, expenses for reinsurance assumed, expenses recoveries from reinsurers, interest expenses, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period was RMB82.418 billion, up by 9.1%, mainly because of increase in gains from securities trading and interest income on bond investments.

Claims amounted to RMB54.190 billion, down by 9.0%, mainly as a result of reduced maturity benefit payment.

			Unit: RMB million
For 12 months ended 31 December	2021	2020	Changes (%)
Claims	54,190	59,577	(9.0)
Traditional	18,359	15,627	17.5
Long-term health	10,363	7,902	31.1
Participating	23,675	34,071	(30.5)
Universal	71	60	18.3
Tax-deferred pension	-	-	/
Short-term accident and health	12,085	9,819	23.1
Claims	54,190	59,577	(9.0)
Indemnity	12,085	9,819	23.1
Payment upon maturity and survival	14,294	24,745	(42.2)
Payment of annuity	14,642	14,530	0.8
Payment upon death, injury or medical treatment	13,169	10,483	25.6

Commission and brokerage expenses for the reporting period amounted to RMB17.174 billion, down by 19.6%, mainly due to the change to new business mix.

			Unit: RMB million
For 12 months ended 31 December	2021	2020	Changes (%)
Commission and brokerage expenses	17,174	21,359	(19.6)
Traditional	13,346	15,843	(15.8)
Long-term health	6,941	8,353	(16.9)
Participating	1,916	3,054	(37.3)
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	1,912	2,462	(22.3)

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

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

II. CPIC Health

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

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

Property and casualty insurance

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

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

I. CPIC P/C

(I) Business analysis

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

1. Analysis by lines of business

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

(1) Automobile insurance

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

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

line ratio.

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

(2) Non-automobile insurance

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

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

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

Agricultural insurance seized opportunities of the Rural Invigoration Strategy, continuously pushed for "expansion of coverage, diversification of product offering and improvement of standards", vigorously participated in the trials of full cost indemnity insurance and income protection insurance of the 3 staple food crops to safeguard national food security. It enhanced innovation in products, technology and service, supported the development of local speciality agriculture to contribute to the modernisation of the countryside and agriculture and higher

income of farmers. In 2021, the business line delivered RMB10.363 billion in GWPs, up by 19.8%, with a combined ratio of 99.6%, maintaining stable business operation.

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

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

(3) Key financials of major business lines

Unit: RMB million

For 12 months ended 31 December 2021

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

2. Top 10 regions for GWPs

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

Unit: RMB million

For 12 months ended 31 December

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

(II) Financial analysis

			Unit: RMB million
For 12 months ended 31 December	2021	2020	Changes (%)
Net premiums earned	128,803	121,835	5.7
Investment income ^{note 1}	7,793	6,834	14.0
Exchange losses	(54)	(249)	(78.3)
Other operating income	289	225	28.4
Gains on disposal of assets	2	2	-
Other income	45	31	45.2
Operating income	136,878	128,678	6.4
Claims	(92,721)	(81,908)	13.2
Less: claims recoveries from reinsurers	10,762	10,014	7.5
Net change in insurance contract reserves	(7,683)	(3,010)	155.2
Changes in insurance premium reserves	(18)	105	(117.1)
Commission and brokerage expenses	(13,509)	(18,277)	(26.1)
Operating and administrative expenses	(29,750)	(33,689)	(11.7)
Other expenses ^{note 2}	4,205	5,004	(16.0)
Operating expenses	(128,714)	(121,761)	5.7
Operating profit	8,164	6,917	18.0
Net of non-operating income and expenses	38	(29)	(231.0)
Income tax	(1,850)	(1,679)	10.2
Net profit	6,352	5,209	21.9

Notes:

1. Investment income includes investment income and gains/(losses) arising from changes in fair value on financial statements.
2. Other expenses include expenses for reinsurance assumed, expense recoveries from reinsurers, interest expense, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period amounted to RMB7.793 billion, up by 14.0%, mainly as a result of seizing equity market opportunities while improving asset-liability matching.

Claims reached RMB92.721 billion, up by 13.2%, mainly as a result of business growth, higher loss ratio due to the impact of automobile insurance comprehensive reform and a low base in claims frequency from last year at the height of the pandemic.

			Unit: RMB million
For 12 months ended 31 December	2021	2020	Changes (%)
Claims	92,721	81,908	13.2
Automobile insurance	61,406	56,071	9.5
Non-automobile insurance	31,315	25,837	21.2

Commission and brokerage expenses amounted to RMB13.509 billion, down by 26.1% and representing 8.9% of total GWPs, down by 3.5pt, largely due to decrease in commission rates of automobile insurance after the comprehensive reform.

For 12 months ended 31 December	2021	2020	Unit: RMB million Changes (%)
Commission and brokerage expenses	13,509	18,277	(26.1)
Automobile insurance	7,278	12,384	(41.2)
Non-automobile insurance	6,231	5,893	5.7

Operating and administrative expenses amounted to RMB29.750 billion, a decrease of 11.7%, and accounting for 19.5% of GWPs, down by 3.3pt from 2020.

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

II. CPIC Anxin Agricultural

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

III. CPIC HK

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

Asset management

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

I. Group AuM

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

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

II. Group in-house investment assets

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

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

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

(I) Group consolidated investment portfolios

Unit: RMB million

	31 December 2021	Share (%)	Share change from the end of 2020 (pt)	Changes (%)
Group investment assets (total)	1,812,069	100.0	-	10.0
By investment category				
Fixed income investments	1,370,861	75.7	(2.6)	6.2
— Debt securities	691,369	38.2	(1.1)	6.6
— Term deposits	196,519	10.8	(0.9)	1.8
— Debt investment plans	230,829	12.7	1.3	23.1
— Wealth management products ^{note 1}	142,312	7.9	(1.7)	(9.8)
— Preferred shares	32,000	1.8	(0.1)	-
— Other fixed income investments ^{note 2}	77,832	4.3	(0.1)	8.1
Equity investments	384,506	21.2	2.4	23.9
— Equity funds	46,218	2.6	0.1	12.9
— Bond funds	23,743	1.3	0.1	24.1
— Stocks	154,355	8.5	0.8	21.3
— Wealth management products ^{note 1}	2,470	0.1	-	70.8
— Preferred shares	12,519	0.7	(0.1)	(4.7)
— Other equity investments ^{note 3}	145,201	8.0	1.5	34.1
Investment properties	7,514	0.4	(0.1)	(4.5)
Cash, cash equivalents and others	49,188	2.7	0.3	25.3
By investment purpose				
Financial assets at fair value through profit or loss ^{note 4}	12,612	0.7	-	-
Available-for-sale financial assets	645,381	35.6	(0.6)	8.3
Held-to-maturity financial assets	396,428	21.9	1.9	20.4
Long-term equity investments	26,984	1.5	-	10.4
Loans and other investments ^{note 5}	730,664	40.3	(1.3)	6.6

Notes:

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

1. By investment category

As of the end of the reporting period, the share of debt securities was 38.2%, a drop of 1.1pt from the end of 2020. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored banks made up 22.1% of total investment assets, up by 4.6pt from the end of 2020. With this, the average duration on fixed income assets reached 7.1 years, extended by 0.9 years versus the end of 2020. Moreover, 99.1% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-

1 or above. Of this, the share of AAA reached 93.4%. We boasted a professional internal credit-rating team and sound credit risk management systems covering the entire debt securities investment process, namely, before, during and after the investment. We continued to improve the Group-wise integrated credit-rating management system, evaluated the credit-ratings of both the debt and debt issuers and identified the credit risk based on our internal credit-rating systems, while considering other factors such as macroeconomic conditions, and external credit-ratings in order to make well-informed investment decisions. At the same time, to proactively control the credit risk of the stock of bond holdings, we followed a uniform and standardised set of regulations and procedures, combining both regular and unscheduled follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors with good diversification effect; we set great store by credit risk management, strictly controlling the exposure to the real estate sector, and carefully select targets to ensure that the risk is manageable. Overall, the debt issuers of our investments all reported sound financial strength, with credit risk under control.

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

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

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

Mix and distribution of yields of non-public financing instruments

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

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

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, AFS financial assets increased by 8.3% from the end of 2020, mainly as a result of increased investments in listed and private stocks. HTM financial assets grew by 20.4%, mainly due to increased investments in government bonds. Long-term equity investments grew by 10.4% from the end of 2020, mainly due to increased investments in associates and structured entities. Loans and other investments rose by 6.6%, largely attributable to increased allocation in debt investment plans.

(II) Group consolidated investment income

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

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

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

Unit: RMB million

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

Notes:

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

(III) Total investment yield on a consolidated basis

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

Notes:

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

III. Third-party AuM

(I) CPIC AMC

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

In alternative investments, while stepping up credit risk control, it continued to support key national initiatives and the development of the real economy. It adopted a business strategy focusing on enhancing credit-worthiness while pro-actively adjusting business mix, with new debt investment schemes boasting higher credit-ratings. New projects were mainly in infrastructure-related sectors such as communications & transport, energy, and urban

construction, with reduced exposure to commercial property. In 2021, the company provided RMB8.4 billion in financing to major infrastructural projects including the subway systems in Ji'nan, Wuhan, Zhengzhou, the Yellow River Bridge in Ji'nan, and the Highway between Shanghai and Shaanxi. To promote the development of Central and Western China, and in response to the national strategy of “closing gaps in infrastructure”, it registered 10 debt investment schemes in He'nan, Hubei and Sichuan, raising a total of RMB32.9 billion. In 2021, it registered a total of 29 alternative investment products involving an amount of RMB72.3 billion.

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

(II) Changjiang Pension

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

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

Customer resource management

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

I. Individual customer

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

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

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

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

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

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

II. Group customer

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

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

ESG

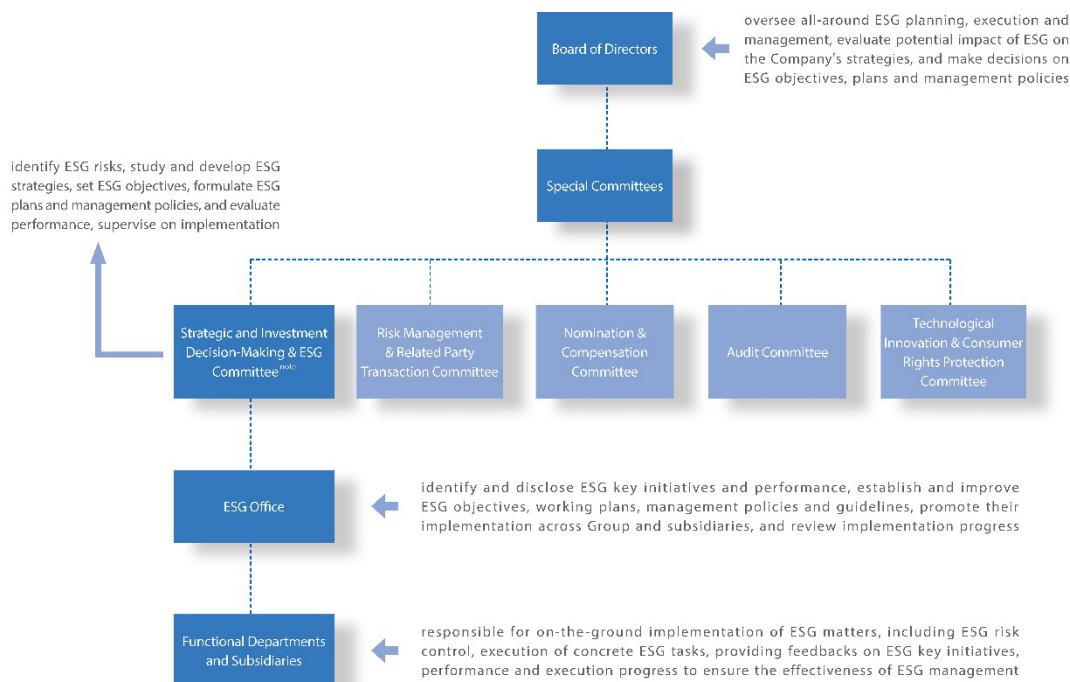
I. ESG vision

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

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

II. ESG governance

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



III. ESG practice

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

Sustainable insurance



We officially signed into PSI in 2021, becoming the second enterprise in mainland China to sign PSI. We made progress in innovation of insurance products and services to support the building of a clean and efficient energy system, reduce energy consumption and pollution, and mitigate climate change risks. We developed multiple weather-index insurance and catastrophe

insurance products, built scientific modelling for evaluation of catastrophe risk; offered cover against environmental pollution worth over RMB9.6 billion in SA to more than 6,000 companies; underwrote over RMB50 billion in SA for hydro-power, nearly RMB100 billion for photovoltaic, and participated in 8 domestic offshore wind power projects; wrote water quality liability insurance for the Taipu River and conducted, on a regular basis, water quality analysis; carried out cooperation of “carbon quotas + pledge as collateral + insurance” and launched China’s first guarantee insurance product for loans against pledge of carbon quotas; underwrote wildlife liability insurance in Yunnan, with CPIC P/C Yunnan Branch becoming the only insurance partner of the 15th Conference of the Parties (COP) of the UN Convention on Biological Diversity.

Responsible investment



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

Green operation



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

Supporting national initiatives



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

Social medical and pension insurance



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

Rural invigoration



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

Insurance, which covered nearly 400,000 vulnerable people in more than 1,000 counties, with cumulative SA exceeding RMB23 trillion, and cumulative pay-out of RMB1.339 billion.

Donations



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

Consumer rights protection



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

Corporate governance



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

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

For details please refer to the section "Corporate Governance" of this report.

Employee rights and development



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

We strive to provide a comfortable work-place environment for employees. We formulated Rules on Management of Work-places, Provisional Regulations on Ban of Smoking and other policies relating to work-place safety, work-place hygiene and smoking control; conducted inspection of work-place safety and environment to identify and resolve gaps; provided caring and insurance programmes, and employees and their family members may access "CPIC Family

Doctor”, a health management platform, for family doctors service, live-stream medical consulting, health management and outpatient appointment booking.

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

Risk management



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

Anti-corruption



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

Data security



We drafted a series of policies on data security, including Provisional Regulations on Data Security, Rules on Management of Customer Information, Negative List of Cyber-security, Negative List of Customer Data, Rules on Management of Data Leakage, and Operational Standards on Graded Protection of IT Systems, which set out explicit stipulations on

confidentiality, completeness and usability of customer information. We adopted targeted measures in data collection, storage, transmission, use and destruction. In 2021, we received no administrative penalty due to breaches of customer information policies.

Supply chain management



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

Analysis of specific items

I. Consolidated income statement

Unit: RMB million			
For 12 months ended 31 December	2021	2020	Main reasons for the changes
CPIC Life	18,905	18,642	Increase in investment income
CPIC P/C	6,352	5,209	Increase in investment income
CPIC Group and eliminations, etc.	1,577	733	Effect of exchange (losses)/gains
Net profit attributable to shareholders of the parent	26,834	24,584	Increase in investment income

II. Liquidity analysis

(I) Cash flow statement

			Unit: RMB million
For 12 months ended 31 December	2021	2020	Changes (%)
Net cash flows from operating activities	108,407	108,063	0.3
Net cash flows used in investing activities	(66,094)	(136,068)	(51.4)
Net cash flows (used in)/from financing activities	(31,371)	21,448	(246.3)
Effects of exchange rate changes on cash and cash equivalents	(82)	(1,222)	(93.3)
Net increase/(decrease) in cash and cash equivalents	10,860	(7,779)	(239.6)

Net cash flows from operating activities increased by 0.3% for the year ended 31 December 2021, amounted to RMB108.407 billion, mainly attributable to rise in net increase in policyholders' deposits and investments contract liabilities.

Net cash flows used in investing activities decreased by 51.4% for the year ended 31 December 2021, amounted to RMB66.094 billion, mainly attributable to increase in cash received from disposal of investments.

Net cash flows of financing activities changed from inflows for the year ended 31 December 2020 to outflows during the same period of 2021, mainly attributable to decrease in cash received from capital contributions and rise in decrease in securities sold under agreements to repurchase, net.

(II) Gearing ratio

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

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

(III) Liquidity analysis

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

Our liquidity mainly comes from premiums, net investment income, sales or maturity of financial

assets and cash from financing activities. The demand for liquidity primarily arises from surrenders, reduction in sum assured or other forms of earlier termination of insurance contracts, insurance claims or benefit pay-outs, payment of dividends to shareholders and cash required for daily operation.

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

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

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

III. Items concerning fair value accounting

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

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

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 2021/ 2021	31 December 2020/ 2020	Changes (%)	Main reasons
Total assets	1,946,164	1,771,004	9.9	Business expansion
Total liabilities	1,713,759	1,550,169	10.6	Business expansion
Total equity	232,405	220,835	5.2	Profit for the period and fair value change on AFS financial assets
Operating profit	30,794	29,377	4.8	Business expansion
Net profit attributable to shareholders of the parent	26,834	24,584	9.2	Increase in investment income

VI. Solvency

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

Unit: RMB million

	31 December 2021	31 December 2020	Reasons for change
CPIC Group			
Core capital	496,620	500,766	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	506,620	510,766	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	190,794	177,288	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	260	282	
Comprehensive solvency margin ratio (%)	266	288	
CPIC Life			
Core capital	368,570	377,203	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	368,570	377,203	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	168,912	155,860	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	218	242	
Comprehensive solvency margin ratio (%)	218	242	
CPIC P/C			
Core capital	47,808	44,208	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets

Actual capital	57,808	54,208	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	20,072	19,672	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	238	225	
Comprehensive solvency margin ratio (%)	288	276	
CPIC Health			
Core capital	1,286	1,294	Profit for the period and change of fair value of investment assets
Actual capital	1,286	1,294	Profit for the period and change of fair value of investment assets
Minimum required capital	934	949	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	138	136	
Comprehensive solvency margin ratio (%)	138	136	
CPIC Anxin Agricultural			
Core capital	2,863	1,821	Profit for the period, capital increase, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	2,863	1,821	Profit for the period, capital increase, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	673	614	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	425	297	
Comprehensive solvency margin ratio (%)	425	297	

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

VII. Sensitivity analysis

Sensitivity analysis of price risk

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

Unit: RMB million

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

Notes:

1. After policyholder participation.

2. Equity assets do not include bond funds, money market funds, wealth management products, preferred shares and other equity investments, etc.

VIII. Insurance contract reserves

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

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

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

Unit: RMB million

	31 December 2020	Increase in the period	Decrease in the period			31 December 2021
			Claims	Early termination	Others	
CPIC Life						
Unearned premium reserves	4,100	17,713	-	-	(18,638)	3,175
Claim reserves	5,287	12,811	(12,086)	-	-	6,012
Life insurance reserves	1,010,194	171,401	(31,609)	(20,364)	-	1,129,622
Long-term health insurance reserves	98,789	39,461	(10,496)	(1,966)	-	125,788
CPIC P/C						
Unearned premium reserves	63,706	152,643	-	-	(149,021)	67,328
Claim reserves	40,772	102,673	(92,721)	-	-	50,724

IX. Reinsurance business

In 2021, premiums ceded to reinsurers are shown below:

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

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

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

As at the end of 2021, reinsurers' share of insurance contract reserves are set out below:

	31 December 2021	31 December 2020	Unit: RMB million Changes (%)
CPIC Life			
Reinsurers' share of unearned premium reserves	864	1,206	(28.4)
Reinsurers' share of claim reserves	495	379	30.6
Reinsurers' share of life insurance reserves	1,910	1,812	5.4
Reinsurers' share of long-term health insurance reserves	12,120	11,126	8.9
CPIC P/C			
Reinsurers' share of unearned premium reserves	7,821	7,692	1.7
Reinsurers' share of claim reserves	9,123	6,853	33.1

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

X. Main subsidiaries & associates and equity participation

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

Unit: RMB million

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

	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.					
Changjiang Pension Insurance Co., Ltd. ^{note 3}	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	6,312	4,175	765
Pacific Asset Management Co., Ltd. ^{note 3}	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	4,660	3,914	532
Pacific Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance	1,700	99.7%	10,356	1,410	125

	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.					
China Pacific Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.	1,080	66.8%	5,241	2,740	84
CPIC Fund Management Co., Ltd. ^{note 4}	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	771	609	91

Notes:

- 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 to the Financial Statements.
- Figures for Group shareholding include direct and indirect shareholdings.
- As per Circular on Implementing New Accounting Standards on Financial Instruments by the Ministry of Finance and CBIRC (Caikuai [2020] No.22), Changjiang Pension and CPIC AMC began to implement new accounting standards pertaining to financial instruments as set out in Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (Caikuai [2017] No.7) and other new accounting standards on financial instruments on 1 January 2021. Figures listed in the table are based on the new accounting standards.
- As per Circular on Implementing Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (2017) and Other Related New Accounting Standards by Fund Management Firms issued by the Accounting Department and the Department of Securities and Fund Supervision of CSRC, CPIC Fund began to implement new accounting standards pertaining to financial instruments on 1 January 2020. Figures listed in the table are based on the new accounting standards.

XI. Top five customers

During the reporting period, the top 5 customers accounted for approximately 0.6% of the Company's GWPs, 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.

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

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

Outlook

I. Market environment and business plan

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

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

II. Major risks and mitigating measures

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

defaults will materially impact insurance and asset management business.

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

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

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

forestall major risks and ensure stable business operation and healthy solvency levels. Ultimately, risk management will become a binding requirement, playing a more important part throughout business operation and striking the balance between business growth and risk control.

Embedded value

To: China Pacific Insurance (Group) Company Limited

Board of Directors

Independent Actuarial Review Opinion on Embedded Value

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

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

Scope of work

WTW's scope of work comprised:

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

Opinion

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

- The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions have been set with regard to current market information.

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

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

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

For and on behalf of WTW

Lingde Hong, FSA, CCA

February 25th, 2022

2021 Embedded Value Annual Report of CPIC Group

I Background

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

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

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

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

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

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

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

Unit: RMB million		
Valuation Date	31 December 2021	31 December 2020
Group Adjusted Net Worth	287,213	257,378
Adjusted Net Worth of CPIC Life	161,880	135,898
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	227,624	217,617
Cost of Required Capital Held for CPIC Life	(12,861)	(12,167)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	214,763	205,451
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	211,096	201,942
Group Embedded Value	498,309	459,320
CPIC Life Embedded Value	376,643	341,348
Valuation Date	31 December 2021	31 December 2020
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	15,518	20,058
Cost of Required Capital Held	(2,107)	(2,217)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	13,412	17,841

Notes:

1: Figures may not be additive due to rounding

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

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

III Key Valuation Assumptions

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

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

1. Risk Discount Rate

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

2. Investment Returns

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

3. Mortality

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

4. Morbidity

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

5. Lapse and Surrender Rates

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

6. Expense

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

7. Policyholder Dividend

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

8. Tax

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

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

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

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

Unit: RMB million

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

V Analysis of change in embedded value

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

Unit: RMB million

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

11	Embedded Value of the life business at 31 December 2021	376,643	
12	Adjusted net worth of businesses other than CPIC Life as at 31 December 2020	127,820	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	16,710	
14	Shareholder dividends	(12,506)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	57	Reflects the change in value of assets not valued on a market value basis
16	Adjusted net worth of businesses other than CPIC Life as at 31 December 2021	132,080	
17	Minority interests relating to equity and market value adjustments	(10,415)	Minority interests on Embedded Value as at 31 December 2021
18	Group Embedded Value as at 31 December 2021	498,309	
19	Embedded Value as at 31 December 2021 per share (RMB)	51.80	

Note: Figures may not be additive due to rounding

VI Sensitivity Analysis

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

Alternative sensitivity scenarios are shown for the following:

- Risk discount rate "+ / - 50 basis points"
- Investment return "+ / - 50 basis points"
- Mortality "+ / - 10%"
- Morbidity "+10%"
- Lapse and surrender rates "+ / - 10%"
- Expenses "+10%"

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

Unit: RMB million

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

Corporate governance

Report of the Board of Directors and significant events

I. Results and distributions

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

Therefore, the profit distribution for 2021 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.0 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of dividend in aggregate will be RMB9,620,341,455. The remaining retained profits will be carried forward to 2022. No capital reserve was transferred to the share capital during the year.

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

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

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

Dividend distributions for the past three years are as follows:

Year of dividend distribution	Cash dividend (including tax) ^{note(1)}	Net profit attributable to the dividend distribution year ^{note(2)}	Unit: RMB million
			Payout ratio (%) (3) = (1)/(2)
2021	9,620	26,834	35.9
2020	12,506	24,584	50.9
2019	10,874	27,741	39.2

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

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

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

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

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

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (PRC), in respect of the dividends received by eligible investors who invest in the Company's GDRs listed on LSE, the Company will withhold and pay income tax at the rate of 10%. Citibank and National Association, as the nominal holders of domestic underlying A Shares corresponding to GDRs, receive the cash dividends distributed by the Company. If the dividend incomes obtained by GDR Investors are entitled to the treatment as stipulated/agreed in relevant tax treaties, applications for tax credit can be submitted on their own to the competent tax authorities according to regulations.

II. Fulfillment of the undertakings

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

III. Appointment of auditors

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

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

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

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

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

IV. Change in accounting estimates

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

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

V. Material litigations and arbitrations

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

VI. Penalties and subsequent rectification

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

VII. Fulfilment of obligations

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

VIII. Capital occupation

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

IX. Guarantee contracts

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

X. Share option scheme

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

XI. Related party Transactions

Daily related party transactions

In the ordinary course of business, at fair market price, the Company and its holding subsidiaries conducted daily transactions, including bond trading, securities investment funds, bond pledge-style repo, trust products, asset management products and other daily transactions related to fund utilisation and financial products business with multiple counterparties, and daily related party transactions related to reinsurance business with Swiss Reinsurance Company Ltd (“Swiss Re”). The 8th and 11th sessions of the Board respectively approved daily related party transactions related to fund utilisation and financial products sales business under the annual estimated cap of 2021 and the daily related party transactions related to reinsurance business under the estimated cap of the second half of 2021 of the Company and its holding subsidiaries, and each single transaction was not required to be submitted separately to the board of directors or the shareholders’ general meeting for consideration and approval any more. The categorized summary of the daily related party transactions related to fund utilisation, financial products sales business, and reinsurance business for the year of 2021 is as follows:

Unit: RMB million

No.	Related Parties	Content of Transaction	Estimated Cap of Daily Related Party Transactions in 2021	Actual Amount as of 31 December 2021	Percentage (%) of the Amount of Transactions of the Same Type
1	Hwabao WP Fund Management Co., Ltd.	Transaction of Fund Subscription and Redemption	3,000	819	0.14%
2	Haitong Securities Company Limited	Bond Trading	6,000	5	0.00%
3	Swiss Re	Reinsurance business	5,700 ^{note 1}	1,900 ^{note 2}	7.62%

Notes:

1. It is the estimated cap of daily related party transactions between CPIC P/C, CPIC Life, CPIC Anxin Agricultural, CPIC Health and Swiss Re of the second half of 2021 (from 1 July 2021 to 31 December 2021).
2. It is the actual amount of daily related party transactions between CPIC P/C, CPIC Life, CPIC Anxin Agricultural, CPIC Health and Swiss Re from 1 July 2021 to 31 December 2021.

The above-mentioned related party transactions related to daily operations were settled in cash, which were carried out by the Company in the ordinary course of business in accordance with normal commercial terms, and would not affect the independence of the Company. The above-mentioned daily related party transactions did not exceed the amount approved by the board

of directors and the shareholders' general meeting, and were summarized in categories and disclosed in the annual report of the Company pursuant to the Listing Rules of the SSE and other regulatory provisions.

XII. Material contracts

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

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

XIII. Performance of duties by the Board of Directors

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

XIV. Principal business

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

XV. Reserves

Details for reserves (including general reserves, other comprehensive income and retained profits) are shown in notes VII-35,36,37,38 and 60 to the financial statements.

XVI. Property and equipment and investment properties

Details for property and equipment and investment properties are shown in notes VII-15, 16 and 14 to the financial statements.

XVII. Financial summary

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

XVIII. Use of Proceeds Received from Issuance of GDRs

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

Total proceeds raised	Proceeds unused as at the beginning of the reporting period	The intended use of proceeds raised	Proceeds used during the reporting period	Proceeds unused at the end of the reporting period	Plan for use of the unused funds
USD 1,965,361,921.60	USD 1,945,356,114.87	(1) 70% or more of the net proceeds will be used for gradually developing the Group’s businesses overseas, in the form of equity investments, partnerships and alliances, and mergers and acquisitions in both developed and emerging markets, supporting core insurance business growth;	-	USD 1,704,570,965.27	(i) Approximately USD50.4 million will be used to invest in CICFH New Dynamics Investment SPC and further participate in the privatization of New Frontier Health Corporation(新风医疗集团)in New York Stock Exchange ^{note 1} ; (ii) Approximately USD125 million will be used to subscribe the
		(2) Up to 30%, or the remainder of the net proceeds,	-		

		will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities;			newly issued preferred A shares of New Frontier Vitality Limited (新风健康集团) ^{note 1} ;
		If the Company deems that the plan in any particular areas described above to be unachievable, the corresponding intended portion of the proceeds will be used to replenish its capital and for general corporate purposes.	Approximately USD 253,258,736.88 (RMB 1,615,969,000, 12.9% of the total net proceeds) was used as capital increase in CPIC health.		(iii) Less than USD150 million will be used to subscribe the fund interests of HTCP CAPITAL LPF (泰保新经济有限合伙基金) ^{note 2} ;
					(iv) The remaining will be used in line with the Company's business development and market situation.

Notes:

1. In January 2022, the Company participated in the privatization of New Frontier Health Corporation (新风医疗集团) at New York Stock Exchange and subscribed the newly issued preferred A shares of New Frontier Vitality Limited (新风健康集团). Relevant payment has been made for this transaction.
2. In December 2021, the Board considered and approved the fund interest subscription of HTCP CAPITAL LPF (泰保新经济有限合伙基金). Up to the date of this report, the Company has not signed any legally binding agreements.

XIX. Events after the balance sheet date

Events after the balance sheet date are shown in note XVII to the financial statements.

XX. Bank borrowings

The Company had no bank borrowings other than the bond issued by CPIC P/C, and securities sold under agreements to repurchases of its investment business. For details of the bond issuance, please refer to note VII-32 to the financial statements.

XXI. Charitable and other donations

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

XXII. Share capital and sufficient public float

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

Based on the information that is publicly available and within the knowledge of the directors as at the latest practicable date prior to the printing of this report, since 12 January 2011, not less

than 25% of the total issued share capital of the Company was held in public hands and not less than 15% of the H share capital of the Company was held in public hands, which is consistent with the requirements under Hong Kong Listing Rules to maintain a minimum public float.

XXIII. Management contract

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

XXIV. Directors, supervisors and senior management

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

XXV. Directors' and supervisors' interests in competing business

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

XXVI. Directors' and supervisors' service contracts and remunerations

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

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

XXVII. Special committees of the board of directors

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

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

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

XXIX. Directors' and supervisors' rights to subscribe for shares or bonds

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

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

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

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

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

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

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

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

Notes:

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

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

(L) denotes a long position

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

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

(L) denotes a long position

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

Name of controlled subsidiary	Number of shares
上海国际集团（香港）有限公司	6,428,400 (L)

(L) denotes a long position

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

Name of controlled subsidiary	Number of shares
Trident Merger, LLC	1,339,562 (L)
BlackRock Investment Management, LLC	636,762 (L)
BlackRock Investment Management, LLC	702,800 (L)
BlackRock Holdco 2, Inc.	138,662,552 (L) 992,200 (S)
BlackRock Financial Management, Inc.	136,361,386 (L) 795,600 (S)
BlackRock Financial Management, Inc.	2,301,166 (L) 196,600 (S)
BlackRock Holdco 4, LLC	85,188,005 (L) 775,800 (S)
BlackRock Holdco 6, LLC	85,188,005 (L) 775,800 (S)
BlackRock Delaware Holdings Inc.	85,188,005 (L) 775,800 (S)
BlackRock Institutional Trust Company, National Association	28,157,005 (L) 775,800 (S)
BlackRock Fund Advisors	57,031,000 (L)
BlackRock Capital Holdings, Inc.	308,600 (L)
BlackRock Advisors, LLC	308,600 (L)
BlackRock International Holdings, Inc.	50,864,781 (L) 19,800 (S)

BR Jersey International Holdings L.P.	50,864,781 (L) 19,800 (S)
BlackRock Lux Finco S.à r.l.	8,471,538 (L)
BlackRock Japan Holdings GK	8,471,538 (L)
BlackRock Japan Co., Ltd.	8,471,538 (L)
BlackRock Holdco 3, LLC	38,634,759 (L) 19,800 (S)
BlackRock Canada Holdings LP	2,102,800 (L)
BlackRock Canada Holdings ULC	2,102,800 (L)
BlackRock Asset Management Canada Limited	2,102,800 (L)
BlackRock Australia Holdco Pty. Ltd.	1,417,200 (L)
BlackRock Investment Management (Australia) Limited	1,417,200 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	10,812,822 (L)
BlackRock HK Holdco Limited	10,495,422 (L)
BlackRock Asset Management North Asia Limited	2,023,884 (L)
BlackRock Cayman 1 LP	36,531,959 (L) 19,800 (S)
BlackRock Cayman West Bay Finco Limited	36,531,959 (L) 19,800 (S)
BlackRock Cayman West Bay IV Limited	36,531,959 (L) 19,800 (S)
BlackRock Group Limited	36,531,959 (L) 19,800 (S)
BlackRock Finance Europe Limited	17,501,993 (L)
BlackRock (Netherlands) B.V.	154,600 (L)
BlackRock (Netherlands) B.V.	10,081,033 (L)
BlackRock Advisors (UK) Limited	343,000 (L)
BlackRock International Limited	570,907 (L)
BlackRock Group Limited-Luxembourg Branch	18,459,059 (L) 19,800 (S)
BlackRock Luxembourg Holdco S.à r.l.	18,459,059 (L) 19,800 (S)
BlackRock Investment Management Ireland Holdings Limited	18,098,859 (L)
BlackRock Asset Management Ireland Limited	18,098,859 (L)
BLACKROCK (Luxembourg) S.A.	347,000 (L) 19,800 (S)
BlackRock Investment Management (UK) Limited	2,249,600 (L)

BlackRock Investment Management (UK) Limited	4,673,760 (L)
BlackRock (Netherlands) B.V. – German Branch – Frankfurt BlackRock	154,600 (L)
BlackRock Asset Management Deutschland AG	154,600 (L)
BlackRock Fund Managers Limited	2,249,600 (L)
BlackRock Life Limited	570,907 (L)
BlackRock (Singapore) Limited	317,400 (L)
BlackRock UK Holdco Limited	13,200 (L)
BlackRock Asset Management Schweiz AG	13,200 (L)
EG Holdings Blocker, LLC	636,762 (L)
Amethyst Intermediate, LLC	636,762 (L)
Aperio Holdings, LLC	636,762 (L)
Aperio Holdings, LLC	636,762 (L)
Aperio Group, LLC	636,762 (L)

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

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

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

XXXII. 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.

XXXIII. Pre-emptive rights

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

XXXIV. Permitted indemnity provisions

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

XXXV. Business View

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

Changes in the share capital and shareholders' profile

I. Changes in share capital

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

Unit: share

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

II. Shareholders

(I) Number of shareholders and their shareholdings

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

Unit: share

Total number of shareholders as at the end of the reporting period: 175,593 (including 171,402 A share holders and 4,191 H shareholders)							
Total number of shareholders as at the end of Feb. 2022: 171,442 (including 167,264 A share holders and 4,178 H shareholders)							
Shares held by top 10 shareholders as at the end of the reporting period							
Name of shareholders	Nature of shareholders	Percentage of the shareholding	Total number of shares held	Increase or decrease (+ or -) of shareholding during the reporting period	Number of shares held with selling restriction	Number of shares subject to pledge or lock-up period	Type of shares
HKSCC Nominees Limited	Overseas legal entity	28.82%	2,772,680,029	-44,600	-	-	H Share
Shenergy (Group) Co., Ltd.	Domestic legal entity	13.79%	1,326,776,782	-	-	-	A Share
Hwabao Investment Co., Ltd.	Domestic legal entity	13.35%	1,284,277,846	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	Domestic legal entity	6.07%	584,112,339	+93,979,256	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	Domestic legal entity	4.87%	468,828,104	-	-	-	A Share
China Securities Finance Co., Ltd.	Others	2.82%	271,089,843	-79	-	-	A Share
HKSCC	Others	2.06%	197,728,541	+54,992,054	-	-	A Share
Shanghai International Group	Domestic legal entity	1.66%	160,000,000	+160,000,000	-	-	A Share
Citibank, National Association	Others	1.56%	150,040,905	-159,823,220	-	-	A Share
China Structural Reform Fund Corporation Limited	Domestic legal entity	1.20%	115,181,140	+115,181,140	-	-	A Share
Description of the stock repurchase accounts of the top 10 shareholders	None						
Description of the aforesaid shareholders' proxy voting rights, entrusted voting rights, and waiver of voting rights	Entrusted by its parent company, China Baowu Steel Group, Hwabao Investment Co., Ltd. exercises the voting rights corresponding to 68,818,407 ordinary shares (A share) of China Baowu Steel Group. Apart from this, the Company is not aware of any other proxy voting rights, entrusted voting rights, and waiver of voting rights of the aforesaid shareholder.						
Description of related relations or concerted actions among the aforesaid shareholders	HKSCC Nominees Limited and HKSCC are connected, as the former is a wholly-owned subsidiary of the latter. Shanghai State-Owned Assets Operation Co., Ltd. is a wholly-owned subsidiary of Shanghai International Group, they act in concert. As is confirmed by relevant shareholders regarding the Company's inquiry, the Company is not aware of any other connected relations or concerted actions among the above-mentioned shareholders.						

Notes:

1. As at the end of the reporting period, the Company did not issue any preferred shares.
2. The shareholding of the top 10 shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Hong Kong Investor Services Limited (H share)

respectively. The nature of A shareholders is the same as the nature of their accounts registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch.

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

(II) Controlling shareholders or de facto controllers

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

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

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

1. Shenergy (Group) Co., Ltd.

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

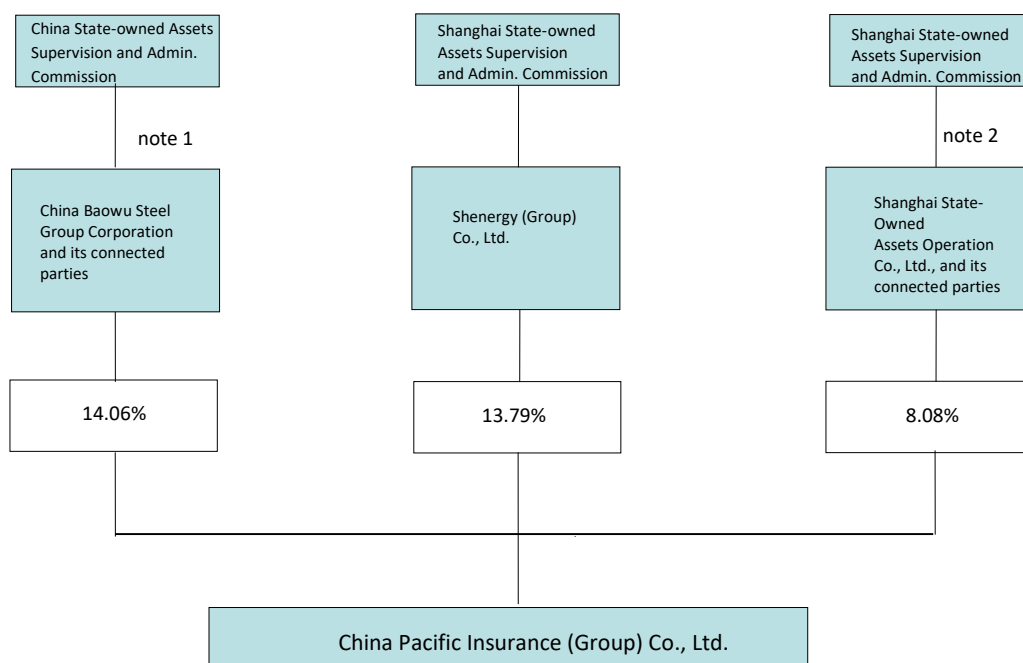
2. Hwabao Investment Co., Ltd.

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

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

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

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



Notes:

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

Directors, supervisors, senior management and employees

I. Directors, supervisors and senior management

(I) Summary

Unit: RMB 10,000

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

	Chief actuary			Since Jan. 2013	
ZHANG Weidong	Chief compliance officer	M	Oct. 1970	Since Jun.2016	292.8
	General counsel			Since Oct. 2018	
	Chief risk officer			Jun.2016 – Mar. 2021	
QIAN Zhonghua	Chief internal auditor and internal auditing responsible person	M	Jul. 1962	Since Oct. 2019	351.1
SHENG Yafeng	Director of Greater Bay Area development	M	Jul. 1965	Since May 2021	251.8
CHEN Wei	Chief administrative officer	M	Apr. 1967	Since Nov. 2021	25.1
SU Shaojun	Board secretary	M	Feb.1968	Since Mar.2021	214.6
SU Gang	Chief investment officer	M	Sept.1973	Since Jan. 2022	-
Departed Directors, Supervisors and Senior Management					
ZHAO Yonggang	Vice president	M	Nov. 1972	Dec. 2018 – May 2021	60.7
Benjamin DENG	Chief investment officer	M	Nov. 1969	Dec. 2018 – Sept. 2021	323.8
Total					3389.1

Notes:

- Total remuneration payable (before tax) listed in this table includes basic salaries, bonuses, allowances, subsidies, employee welfare and various insurance premiums, provident funds, annuities, and other forms of remuneration received from the Company payable in 2021. According to *Provisional Guidelines on Compensation Management of Insurance Companies* (Bao Jian Fa (2012) No. 63) and relevant policies and rules of the Company, performance-related remuneration of the Company's senior management takes the form of deferred payment, which is included in total remuneration payable (before tax) listed in this table.
- Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
- According to relevant policies, the final amounts of remunerations of the chairman, president, vice chairman of the board of supervisors, and vice presidents are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
- The compensation for the Company's directors, supervisors and senior management was calculated based on their actual term of office during the reporting period.
- Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr. John Robert Dacey, Mr. ZHU Yonghong, and Mr. LU Ning do not take any allowances. Mr. CHEN Jizhong does not take any allowances temporarily.
- During the reporting period, as per the definition for related parties under the Listing Rules of the SSE, Mr. HUANG Dinan and Mr. WU Junhao received remuneration from Shenergy (Group) Co., Ltd.; Mr. WANG Tayu received remuneration from Shanghai International Group Co., Ltd. and Hwabao Investment Co., Ltd.; Mr. CHEN Ran received remuneration successively from Shanghai Ouyeeel Financial Information Service Co., Ltd.; Ms. LIU Xiaodan received remuneration from Chenyi Investment (Beijing) Co., Ltd.; Mr. WOO Ka Biu, Jackson received remuneration from Kailey Enterprises Limited; Mr. ZHU Yonghong received remuneration from China Baowu Steel Group Corporation Limited.
- The appointment qualification of Mr. SU Gang was approved by CBIRC in January 2022.
- In May 2021, Mr. ZHAO Yonggang ceased to serve as vice president of the Company; in Sept. 2021, due to personal reasons, Mr. Benjamin DENG resigned as chief investment officer of the Company.

(II) Shareholdings

Unit: share

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

Notes:

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

(III) Professional background and biographies**1. Directors**

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

Mr. KONG Qingwei currently serves as Chairman and an executive director of the Company. Previously, Mr. KONG served as deputy general manager of Shanghai Bund House Exchange Co., Ltd., general manager of the Housing Exchange Headquarter of Shanghai Jiushi Corporation, executive deputy director of Shanghai Provident Fund Management Centre, deputy general manager of Shanghai Urban Construction Investment Development Corporation, vice chairman of Shanghai Minhong (Group) Co., Ltd., director of Shanghai World Expo Land Reserve Centre,

president of Shanghai World Expo Land Holding Co., Ltd., general manager of Shanghai Urban Construction Investment and Development Corporation, Party secretary of the Financial Working Committee of the CPC of the city of Shanghai, chairmen of Shanghai Guosheng (Group) Co., Ltd and CPIC Life. Mr. KONG holds a master's degree.

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

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

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

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

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

Mr. ZHOU Donghui currently serves as non-executive director of the Company, general manager of Shanghai Haiyan Investment Management Co., Ltd., non-executive director of Orient Securities Company Limited listed on both SSE and SEHK (SSE stock code: 600958, SEHK stock

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

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

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

and Steel Co., Ltd., Ouye Yunshang Co., Ltd., Baowu Equipment Intelligent Technology Co., Ltd. and Huabao Investment Co., Ltd. Ms. LU holds a master's degree, and has the title of senior accountant, certified public accountant, and auditor.

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

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

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

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

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

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

2. Supervisors

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

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

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

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

of Yunnan Tobacco Group Xingyun Co., Ltd., general manager of Kunming Wanxing Real Estate Development Co., Ltd., head of the Hotel Property Department of Yunnan Hehe (Group) Co., Ltd., director of Yunnan Tobacco Xingyun Investment Co., Ltd., chairman of Yunnan Hongta Real Estate Development Company, chairman of Zhongshan Hongta Property Development Co., Ltd., and director of Hongta Innovation Investment Co., Ltd. Mr. LU holds a bachelor's degree.

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

3. Senior management

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

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

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

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

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

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

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

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

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

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

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

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

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

(IV) Positions in corporate shareholders

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

(V) Positions in other entities

Name	Other entities	Position held	Term
HUANG Dinan	Shanghai Society for Electric Engineering	Chairman	Since 2004
WANG Tayu	Shanghai International Group Co., Ltd.	Investment director	Since 2021
	Shanghai International Group Co., Ltd.	General manager of No. 1 Division of Investment Management Department	2017-2021
	Shanghai Xieyi Asset Management Co., Ltd.	Director, general manager	Since 2017
	GP Capital	Chairman	Since 2021
	Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd.	Chairman	Since 2021
	Shanghai Guofang Private Equity Fund Management Co., Ltd.	Chairman	Since 2021
	AVIC Capital Co., Ltd.	Director	Since 2019
	Shanghai Fintech Co., Ltd.	Director	Since 2021
	Shanghai Data Exchange Co., Ltd.	Director	Since 2021
WU Junhao	China Everbright Bank Co., Ltd.	Supervisor	Since 2009
	Shanghai ICY Capital Co., Ltd.	Chairman of the board of supervisors	Since 2021
	Shanghai Chenyi New Energy Venture Capital Co., Ltd.	Director	Since 2011
	Orient Securities Company Limited	Director	2011-2021
	Orient Securities Company Limited	Supervisor	Since 2021
	Chengdu Xinshen Venture Company	Director	Since 2011
	Shanghai Shenery Chengyi Equity Investment Co., Ltd.	Chairman of the board of supervisors	Since 2016
CHEN Ran	Shanghai Ouyee Financial Information Service Co., Ltd.	President	2019-2021

	Shanghai Ouyeel Financial Information Service Co., Ltd.	Chairman	Since 2021
	Shanghai Ouyeel Financial Information Service Co., Ltd.	Director	Since 2018
	Shanghai Ouyeel Pawn Co., Ltd.	Chairman	2019-2022
	Easternpay Information & Technology Co., Ltd.	Executive Director	Since 2019
	China United SME Guarantee Corporation	Director	Since 2018
ZHOU Donghui	Orient Securities Company Limited	Non-executive Director	Since 2020
	Haitong Securities Co., Ltd.	Non-executive Director	Since 2020
	Shanghai Tobacco Machinery Co., Ltd.	Vice Chairman, Director	Since 2015
	Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd.	Vice Chairman, Director	Since 2015
	Shanghai Deqiang Industrial Co., Ltd.	Vice Chairman, Director	Since 2015
	China Aviation Development Commercial Aviation Engine Co., Ltd.	Supervisor	Since 2015
LU Qiaoling	Hwabao Trust Co., Ltd.	Director	Since 2021
	Baowu Group Guangdong Shaoguan Iron and Steel Co., Ltd.	Chairman of the board of supervisors	2017-2021
	Baowu Group Zhongnan Iron and Steel Co., Ltd.	Director	Since 2021
	Ouye Yunshang Co., Ltd.	Chairman of the board of supervisors	2017-2021
	Magang (Group) Holding Co., Ltd.	Supervisor	2019-2021
	Baowu Equipment Intelligent Technology Co., Ltd.	Chairman of the board of supervisors	2019-2021
	Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd.	Director	Since 2021
John Robert Dacey	Swiss Reinsurance Company Ltd	Chief financial officer	Since 2021
	Swiss Reinsurance Company Ltd	Member of the Executive Committee	Since 2017
LIU Xiaodan	Chenyi Investment (Beijing) Co., Ltd.	General manager	Since 2019
	Chenyi Fund Management (Beijing) Co., Ltd.	Chairman	Since 2019
LAM Tyng Yih, Elizabeth	HK Agency for Volunteer Service	Director, Honorary Treasurer	Since 2012
	Fobon Bank (Hong Kong)	Executive director	Since 2021
WOO Ka Biu, Jackson	Challenge Capital Management Limited	CEO	Since 2015
	Guantao Law Firm (Hong Kong)	Consultant	Since 2014
	Kailey Enterprises Limited	Director	Since 1992
	Fong Fun Company Limited	Director	Since 1991
	Henderson Land Development Company Limited	Independent Non-executive Director	Since 2012
	Po Leung Kuk Hong Kong	Member of the Selection Committee	Since 2014
	Shun Tak Fraternal Association	Director	Since 2013
	Shun Tak Fraternal Association Seaward Woo College	Member of the board of trustees	Since 2000
	The Hong Kong Jockey Club	Member of the Selection Committee	Since 2004
	Lok Sin Tong Hong Kong	Committee member	Since 2007
	Riding for the Disabled Association Ltd.	Chairman of the Rehabilitation Committee, member of the Selection Committee	Since 2015
	Hong Kong Riding for the Disabled Association Equestrian Academy Limited	Vice chairman and director	Since 2014
	UNICEF Hong Kong	Member of the audit committee	Since 2018
	HKJC Racing Club Co., Ltd.	Chairman of the Horse Management Board	Since 2019

	Zhuoyi Horse Racing Management Co., Ltd.	Director	Since 2019
	Tsinghua University	Honorary member of the board of trustees	Since 2012
	Ministry of Justice of the People's Republic of China	Entrusted Notary Public	Since 2012
	Panel of the Solicitors' Disciplinary Tribunal in the Hong Kong Special Administrative Region	Member (Practising Solicitor)	Since 2011
	Securities and Futures Commission of Hong Kong	Member of the Takeovers and Mergers Committee and Takeover Appeals Committee	Since 2019
	The Stock Exchange of Hong Kong Limited	Member of the Main Board and GEM Listing Review Committee	Since 2019
	Hong Kong Financial Reporting Council	Honorary advisor	Since 2019
	Hong Kong Financial Reporting Council	Member of the Oversight, Policy and Governance Committee	Since 2020
Mr. JIANG Xuping	Tsinghua University	Professor, Department of Marketing, School of Economics and management	Since 2002
		Researcher at the Research Centre for Contemporary Management	Since 2003
		Researcher at the Centre for Corporate Governance	Since 2007
	Guizhou Forerunner College	Dean of the School of Internet Marketing and Management (volunteer)	Since 2012
ZHU Yonghong	Hwabao WP Fund Management Co., Ltd.	Chairman	2020-2022
	Hwabao Trust Co., Ltd.	Director	2018-2021
	Baosteel Group Finance Co., Ltd.	Chairman	Since 2018
	Baoshan Iron and Steel Co., Ltd.	Chairman of the board of supervisors	Since 2017
LU Ning	Jiangsu Tobacco Jinsili Leasehold Co., Ltd.	Chairman	Since 2021
	Hongta Innovation Investment Co., Ltd.	Director	2018-2022
	Yunnan Flower Industry Investment Management Co., Ltd.	Director	Since 2018
	Yunnan Tourism Co., Ltd.	Director	Since 2019

(VI) Determination and basis for determination of remuneration

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

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

II. Employees

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

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

Their expertise and educational background are set out below:

(I) Expertise

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

(II) Education background

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

(III) Remuneration policies and training programs for employees

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

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

Corporate governance

I. Corporate governance

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

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

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

Company's situation.

During the reporting period, the Company has fully complied with CSRC Code of Governance for Listed Companies (<http://www.csrc.gov.cn/csrc/c101864/c1024585/content.shtml>), CBIRC Code of Corporate Governance for Banking and Insurance Institutions (<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=989061&itemId=928>) and all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (https://en-rules.hkex.com.hk/sites/default/files/net_file_store/HKEX4476_3828_VER10.pdf) (and substantially all of the recommended governance best practices applied over and above that code).

(I) Shareholders and the SGM

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

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

The Articles of Association and the Procedural Rules for the SGM also contain detailed rules for convening extraordinary sessions and specific procedures for putting forward proposals at such meetings. Under Article 98(1) of the Articles of Association and Article 6(3) and Article 7 of the Procedural Rules for SGM, shareholders holding 10% or above of total voting shares issued by the Company individually or jointly may sign and submit a request in writing to the Board of

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

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

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

The attendance of directors was as follows:

Name of directors	No. of general meetings convened	Attendance in person	Percentage of attendance (%)	Remarks
Executive Directors				
KONG Qingwei	1	1	100	
FU Fan	1	1	100	
Non-executive Directors				
HUANG Dinan	1	0	0	Unable to attend the 2020 SGM for work reasons.
WANG Tayu	1	1	100	
WU Junhao	1	1	100	
CHEN Ran	1	1	100	
ZHOU Donghui	1	0	0	Unable to attend the 2020 SGM for work reasons.
LIANG Hong	1	1	100	

LU Qiaoling	1	1	100	
John Robert Dacey	1	1	100	
Independent Non-executive Directors				
LIU Xiaodan	1	1	100	
CHEN Jizhong	1	1	100	
LAM Tyng Yih, Elizabeth	1	1	100	
WOO Ka Biu, Jackson	1	1	100	
JIANG Xuping	1	1	100	

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

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

The SGM has set up an effective communication channel with the shareholders so that their voices can be heard and their advice heeded, ensuring shareholders' rights to information,

participation and voting in respect of any significant issues of the Company. This created a positive atmosphere for the shareholders to take part in the decision-making process of the Company and exercise their rights equally.

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

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

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

directors. The number of directors and composition of the Board comply with applicable regulatory requirements as well as requirements of the Articles of Association of the Company.

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

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

1. Attendance of board meetings

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

Names of directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
Executive Director					
KONG Qingwei	6	5	1	0	Unable to attend the 12th session of the 9th Board of Directors for other business engagement and Director HUANG Dinan

					was appointed to attend and vote at the meeting on his behalf.
Fu Fan	6	6	0	0	
Non-executive Directors					
HUANG Dinan	6	5	1	0	Unable to attend the 13th session of the 9th Board of Directors for other business engagement and Director WU Junhao was appointed to attend and vote at the meeting on his behalf.
WANG Tayu	6	5	1	0	Unable to attend the 14th session of the 9th Board of Directors for other business engagement and Director FU Fan was appointed to attend and vote at the meeting on his behalf.
WU Junhao	6	6	0	0	
CHEN Ran	6	5	1	0	Unable to attend the 13th session of the 9th Board of Directors for other business engagement and Director ZHOU Donghui was appointed to attend and vote at the meeting on his behalf.
ZHOU Donghui	6	5	1	0	Unable to attend the 10th session of the 9th Board of Directors for other business engagement and Chairman KONG Qingwei was appointed to attend and vote at the meeting on his behalf.
LIANG Hong	6	6	0	0	
LU Qiaoling	6	5	1	0	Unable to attend the 13th session of the 9th Board of Directors for other business engagement and Chairman KONG Qingwei was appointed to attend and vote at the meeting on her behalf.
John Robert Dacey	5	4	1	0	Unable to attend the 11th session of the 9th Board of Directors for other business engagement and Chairman KONG Qingwei was appointed to attend and vote at the meeting on his behalf.
Independent Non-executive Directors					
LIU Xiaodan	6	5	1	0	Unable to attend the 11th session of the 9th Board of Directors for other business engagement and Director CHEN Jizhong was appointed to attend and vote at the meeting on her behalf.
CHEN Jizhong	6	6	0	0	
LAM Tyng Yih, Elizabeth	6	6	0	0	
WOO Ka Biu, Jackson	6	6	0	0	
JIANG Xuping	6	6	0	0	

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

2. Board meetings and resolutions

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

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

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

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

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

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

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

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

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

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

4. Corporate governance functions of the board of directors

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

- (1) To develop and review the Company's policies and practices on corporate governance and make recommendations;
- (2) To review and monitor the training and continuous professional development of directors and senior management;
- (3) To review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;
- (4) To develop, review and monitor the code of conduct applicable to the employees and directors of the Company;
- (5) To review the Company's compliance with Corporate Governance Code and disclosure requirements in the Corporate Governance Report; and
- (6) To review and monitor the Company's risk management and internal control systems.

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

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

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

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

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

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

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

strategy, set out the Company's ESG goals, plans, management policies, performance appraisals, etc., and supervise their implementation.

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

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

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

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

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

CHEN Jizhong	Independent non-executive director	2	2	0	0
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Note: On 26 March 2021, at the 9th session of the Board, Ms. LIANG Hong, Ms. LU Qiaoling, and Ms. LIU Xiaodan were elected as members of the Strategic and Investment Decision-Making & ESG Committee under the Board, and Mr. CHEN Jizhong was no longer a member of the committee.

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

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

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

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

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

23 April 2021	The 3rd meeting of the Audit Committee of the 9th Board of Directors in 2021	Reviewed resolutions including The Resolution on the First Quarter Report for 2021 of China Pacific Insurance (Group) Co., Ltd.
27 July 2021	The 4th meeting of the Audit Committee of the 9th Board of Directors in 2021	Heard The Report on the Work Arrangement for the Selection and Engagement of Auditing Firm for the 2022 Annual Audit of China Pacific Insurance (Group) Co., Ltd.
26 August 2021	The 5th meeting of the Audit Committee of the 9th Board of Directors in 2021	Reviewed resolutions including The Resolution relating to the Changes in Accounting Estimates in the First Half of 2021 of China Pacific Insurance (Group) Co., Ltd.
30 September 2021	The 6th meeting of the Audit Committee of the 9th Board of Directors in 2021	Heard The Report on the Selection and Engagement of Auditing Firm for the 2022 Annual Audit of China Pacific Insurance (Group) Co., Ltd.
29 October 2021	The 7th meeting of the Audit Committee of the 9th Board of Directors in 2021	Reviewed resolutions including The Resolution of China Pacific Insurance (Group) Co., Ltd. on Adopting China's Accounting Standards for Enterprises to Prepare Financial Statements.
28 December 2021	The 8th meeting of the Audit Committee of the 9th Board of Directors in 2021	Reviewed resolutions including The Resolution on the Exit Audit Report on Former Board Secretary MA Xin of China Pacific Insurance (Group) Co., Ltd.

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

Name of members	Position	No. of Committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
LAM Tyng Yih, Elizabeth (Chairman)	Independent Non-executive Director	10	10	0	0
WU Junhao	Non-executive Director	10	10	0	0
JIANG Xuping	Independent Non-executive Director	10	10	0	0
ZHOU Donghui	Non-executive Director	6	6	0	0
WOO Ka Biu, Jackson	Independent Non-executive Director	6	6	0	0

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

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

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

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

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

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

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

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

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

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

Kong or overseas; there are 3 directors with accounting background, 1 with legal background, and 11 with professional backgrounds in finance, management, and new technologies, etc.

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

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

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

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

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

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

The primary duties of the Risk Management and Related Party Transactions Control Committee are, among others, to make recommendations to the board with respect to the overall objective, basic policies and work rules of risk management; make recommendations to the board of

directors with respect to the risk evaluation for major decisions and solutions for significant risks; review the management system for insurance funds management; advise the board of directors on the SAA plan, annual investment plan and investment guidelines and their adjustments; make recommendations to the board of directors with respect to the coordination mechanisms for product design, sales and investment and their performance; discuss risk management system with the management to ensure that effective risk management system is established; conduct research on important findings of risk management issues; conduct solvency management; conduct risk management for subsidiaries; identify and maintain relations with related parties; manage, review, approve related party transactions; conduct risk control of related party transactions; verify material related party transactions; and carry out regular filing of general related party transactions, etc.

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

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

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
25 March 2021	The 1 st Meeting of the Risk Management and Related Party Transactions Control Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the 2020 Solvency Report of China Pacific Insurance (Group) Co., Ltd.
23 April 2021	The 2 nd Meeting of the Risk Management and Related Party Transactions Control Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the 2020 Risk Appetite System Assessment and Update Report of China Pacific Insurance (Group) Co., Ltd.
23 August 2021	The 3 rd Meeting of the Risk Management and Related Party Transactions Control Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the Mistake Correction and Accountability Policy of China Pacific Insurance (Group) Co., Ltd.

27 October 2021	The 4 th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9 th Board of Directors in 2021	Heard reports including The Compliance Report for the Third Quarter of 2021 of China Pacific Insurance (Group) Co., Ltd.
24 November 2021	The 5 th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the Reinsurance Strategy of China Pacific Insurance (Group) Co., Ltd.
28 December 2021	The 6 th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the 2021 Fraud Risk Management Work Report of China Pacific Insurance (Group) Co., Ltd.

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

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

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

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

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

In 2021, the committee held 3 meetings as follows:

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
25 March 2021	The 1 st meeting of the Technological Innovation and Consumer Rights	Heard reports including The 2020 Recap Report on the Implementation of the Science and Technology Plan of China Pacific Insurance (Group) Co., Ltd.

	Protection Committee of the 9 th Board of Directors in 2021	
26 August 2021	The 2 nd meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the Insurance Consumer Rights Protection Work Report for the First Half of 2021 of China Pacific Insurance (Group) Co., Ltd.
28 December 2021	The 3 rd meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9 th Board of Directors in 2021	Reviewed resolutions including The Resolution on the Consumer Rights Protection Management Policy of China Pacific Insurance (Group) Co., Ltd.

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

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

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

(III) Supervisors and the Board of Supervisors

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

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

1. Attendance of supervisors

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

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

2. Meetings of the Board of Supervisors and resolutions

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

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

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

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

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

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

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

In 2021, given the changes in the internal and external business environment, regulatory policies, customer behaviour and new technology, the Company's Board of Directors and Board of Supervisors continued to adhere to long-termism and the goal of becoming "a leader in the healthy and stable development of the insurance industry" with "best customer experience, business quality, and risk control", thus giving full play to their role in strategic decision-making and supervision. To boost high-quality development, we continued to focus on the insurance business and long-term talent incentives, investment management, platform-based health-related services, technology innovation and corporate governance modernization. The two boards familiarized themselves with and discussed the Company's operating performance and key issues by convening board meetings, listening to special reports to the boards and holding seminars, so as to strengthen the guidance for operation, accelerate the shift of growth drivers and boost service capabilities. In 2021, the Board of Directors continued to strengthen its strategic guidance and help the management improve performance. On the one hand, it focused on value creation, long-term development, kept a close eye on the business goals for the year, and promoted the implementation of major business decisions to ensure the stability of our performance and market position; on the other hand, it pushed forward the Company's transformation by focusing on new drivers of value growth, "CPIC Service" brand building, development of the Group's centralised investment and research platform, talent mechanism innovation, technology marketization, and health-related business development.

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

(V) Training for directors and supervisor

To improve their performance of duties, professional skills and knowledge of insurance policies and regulations, the directors and supervisors of the Company participated in various online training and lectures held by the regulators as well as by the Company. Due to the pandemic, most of the external training sessions this year were held online. Ms. LAM Tyng Yih, Elizabeth,

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

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

(VI) Auditors' remuneration

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

(VII) Investor relations

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

This year, the Company held its 2021 Interim/2020 Annual Results Announcements, 2021 Q3 Results Release, and global road show by means such as live video broadcast and conference call. In 2021, the Company hosted over 60+ conference calls and visits from analysts and investors, participated in 20 global investor strategy meetings, forums and summits, and timely

and effectively communicated the Company's business performance and strategies to the capital market; continued to compile monthly Investor Newsletters in both Chinese and English and publish them in the investor relations column on the Company's official website with a total of 13 issues published in 2021; and also employed other means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, etc. Those initiatives were well received by the capital market.

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

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

(VIII) Information disclosure and inside information management

Regarding information disclosure, the Company attaches great importance to the regulatory rules of the places where its securities are listed, strictly abides by the principle of "truthfulness, accuracy, completeness, timeliness and fairness". During the reporting period, regular reports and a number of provisional announcements were released in strict accordance with regulatory requirements; and as an insurance company simultaneously listed in Shanghai, Hong Kong and London, the Company, focusing on investor's needs and fairly treating all types of investors, continued to expand the scope of information disclosure, benchmarked with industry-leading domestic and international insurers and adopted innovative ways of disclosing non-financial information to fully, concisely, and effectively communicate its major business development strategies and results and its corporate social responsibility efforts and results to investors and other stakeholders in a comprehensive manner, greatly improving the relevance and effectiveness of information disclosure. During the reporting period, to ensure the efficiency and standardization of inside information disclosure management within the Group, the

Company continuously improved the Group-wide compliance management. It also paid close attention to new industry policies and regulatory developments, and based on the latest corporate governance and information disclosure requirements for the insurance industry, enriched the information disclosure content. During the reporting period, the Company effectively performed its information disclosure obligations with zero punishment from the regulators and zero major error or omission in information disclosure. The Company was rated A by SSE for its information disclosure in 8 consecutive years.

II. Performance of duties by independent non-executive directors

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

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

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

In 2021, all independent non-executive directors and the chairman held separate communication meetings in Shanghai without the participation of other directors and executives, and conducted in-depth communication on the optimization of corporate

governance, assessment of professional managers, innovation of products and services, risk and compliance management, and corporate culture development, etc.

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

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

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

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

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

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

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

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

III. Independence of the Company from its controlling shareholders in asset, personnel, finance, organisation and business

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

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

IV. Appraisal and incentive programs for the senior management

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

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

V. Risk management

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

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

(I) Risk governance structure

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

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

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

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

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

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

(II) Risk management strategy and procedure

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

improve the closed-loop management mechanism.

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

(III) Risk appetite

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

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

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

(IV) Risk management performance

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

(V) Key risks

In 2021, the Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and group specific risks. For details of the insurance risk, market risk, credit risk, liquidity risk, operational risk, and capital management risk, please refer to note XIII Risk management to the financial statements. Profiles of reputational risk, strategy risk, and group specific risks are as follows:

1. Reputational risk

Reputational risk is caused by the actions of insurance institutions, practitioners, or external events, which may bring insurance institutions negative judgement by stakeholders, the public, the media, etc., thereby damaging their brand value. It is detrimental to their operations, and can even affect market and social stability.

In 2021, in accordance with the requirements of the “Rules on Reputational Risk Management of Banking and Insurance Institutions (Provisional)” (CBIRC [2021] No. 4) issued by the China Banking and Insurance Regulatory Commission, the Company revised the Measures for Reputational Risk Management of China Pacific Insurance (Group) Co., Ltd. to further strengthen its reputational risk management and control, improve its reputational risk management mechanism, and enhance its reputational risk management capability. The reputational risk management process includes pre-assessment, risk monitoring, risk rating, response and disposal, information reporting, performance assessment and accountability, and full-process

assessment. The Company conducts annual evaluation on its operation of reputational risk management mechanism and reputational risk management, and regular reports on the assessment and management of reputational risks are sent to the senior management and board of directors. In 2021, the reputational risk management mechanism was under smooth operation and no major reputational risk incident occurred.

2. Strategy risk

Strategy risk refers to the risk that the strategy does not match the market environment and the Company's reality due to an invalid process of strategy formulation and implementation or changes in the business environment.

The Company has established an organizational structure and working procedures for strategy risk management and bases its strategic plans on factors such as the Company's market environment, risk appetite, and capital status. The strategy risk management process includes the identification, analysis, monitoring and reporting of strategy risks. The Company has set up an internal strategy risk management reporting mechanism, and reports on the evaluation and management of strategy risks are sent to the senior management on a regular basis. In 2021, focusing on "health-related business", "big data" and "regional integration" to boost new growth drivers and pursue high-quality development, the Company promoted the implementation of strategic projects, fostered new growth drivers, and strengthened risk assessment and prevention in key areas.

3. Group specific risks

Group specific risks faced by the Company include risk contagion, risk of opaque organizational structure, concentration risk, and non-insurance risks.

(1) Risk contagion

Risk contagion means that the risk of a member company may extend to other member companies of the group through internal transactions or other means, thus causing losses to them.

In accordance with regulatory requirements, the Company continuously improves the management and prevention of related party transactions and has established a strong risk

firewall for areas such as fund management, business operations, information system management and personnel management, etc., to standardize internal transaction behaviour, thus effectively reducing the occurrence and extent of major risk contagions.

CPIC strictly regulates its member companies in terms of providing guarantees to each other to prevent the accumulation and transmission of risks among member companies, and implements centralized management or coordination of the branding, publicity, and information disclosure of member companies to effectively prevent the spread and amplification of related risks within the Group.

(2) Risk of opaque organizational structure

It refers to the risk that the insurance group's shareholding structure, management structure, operation process, business type, etc. are excessively complex and opaque, which may cause losses to the Group.

CPIC maintains a clear shareholding structure and eliminates cross-shareholding and illegal subscription of capital instruments to ensure a clear and transparent organizational structure. CPIC has a sound collectivized management structure and has formed a working mechanism whereby the Group and its members each performs its duties, assumes its responsibilities, and coordinates with each other.

(3) Concentration risk

It refers to the risk that when individual risks or risk portfolios of member companies concentrates at the group level, it may directly or indirectly threaten the solvency of the Group.

In accordance with relevant regulatory requirements, CPIC regularly identifies, evaluates, monitors and reports on different types of concentration risks of the Group and its major insurance member companies, including the concentration risk of investment and reinsurance counterparties, the concentration risk of insurance and non-insurance businesses, and the concentration risk of investment assets, etc., thus effectively preventing the concentration of

individual risks or risk combinations at the group level and minimizing the adverse effects on the solvency or liquidity of the Group.

(4) Non-insurance risk

It refers to risk that the operating activities of non-insurance member companies may bring adverse effects on the solvency of CPIC and its insurance member companies.

CPIC has determined its strategic positioning with insurance as its main business, which helps contain the scale and impact of non-insurance risks at the source. For the investment decision-making and management of its non-insurance business, CPIC has established internal investment policies and risk appetites to fully evaluate the risks and returns of investment and select investment objects. It also evaluates the risk exposure of non-insurance investments regularly, and conducts risk control of its non-insurance member companies based on the risk management system of its insurance member companies. It has also set up asset and liquidity isolation mechanisms between its insurance and non-insurance member companies to protect the interests of policyholders.

VI. Internal control

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

In 2021, the Company continued to optimize its internal control system by focusing on the key projects and key tasks of internal control construction, promoted the full integration of internal

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

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

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

multiple challenges such as the pandemic, innovated internal audit models and technical methods, improved internal audit efficiency, carried out special research and put forward targeted management recommendations, and solidified the Company's third line of defence. The Centre successfully completed all the tasks from the annual internal audit plan for 2021, making due contribution to the Company's high-quality development.

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

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

VII. Management and control of subsidiaries

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

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

insurance subsidiaries gave more priority to optimising resource allocation of the Group, creating synergies and promoting the development of the Group's insurance business.

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

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

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

In June 2021, CPIC Life acquired 100% shares of Beijing Borui Heming Insurance Agency Co., Ltd. held by Beijing Newbanker Technology Consulting Co., Ltd. via the Shanghai United Assets and

Equity Exchange. As of the reporting date, the business registration of the transfer had been completed, and the construction and integration of personnel, business and information systems was under way. This acquisition will further expand the Company's business areas and contribute to the coordinated development of multi-channel business.

VIII. Changes to Articles of Association

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

Please refer to 2021 Sustainability Report of the Company (English version) to be published on the websites of SEHK, LSE and the Company for detailed ESG information.

Documents available for inspection

- I. Sealed financial statements signed by the legal representative, principal in charge of accounting and head of accounting department**
- II. Original auditor's report signed by the auditors**
- III. Annual reports disclosed in other security markets.**

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

	Pages
I AUDITOR'S REPORT	1 - 8
II FINANCIAL STATEMENTS	
Consolidated balance sheet	1 - 2
Consolidated income statement	3 - 4
Consolidated statement of changes in equity	5 - 6
Consolidated cash flow statement	7 - 8
Company balance sheet	9
Company income statement	10
Company statement of changes in equity	11
Company cash flow statement	12
Notes to the financial statements	13 - 175
APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS	
Net asset return and earnings per share	A1
Description of the difference between preparation of the financial statements under PRC GAAP and HKFRS	A2

Auditor's Report

PwC ZT Shen Zi (2022) No. 10130
(Page 1 of 8)

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

Opinion

What we have audited

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 2021;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- notes to the financial statements.

Our opinion

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 2021, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

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

We are independent of CPIC in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of life insurance contract reserves</p> <p>Refer to Note III 22 Summary of significant accounting policies and accounting estimates - Insurance contract reserves and Note VII 30 Life insurance reserves and Note VII 31 Long-term health insurance reserves to the financial statements.</p> <p>Refer to Note III 35 Summary of significant accounting judgments and accounting estimates - Estimation uncertainty - Measurement of insurance contract reserves to the financial statements.</p> <p>The Group had significant long-term life insurance contract reserves stated at RMB 1,255.4 billion as at 31 December 2021, representing 73% of the Group's total liabilities.</p> <p>The valuation of long-term life insurance contract reserves involves complex models and a high degree of judgment by management in setting assumptions. Key assumptions used in measuring long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions, etc.</p>	<p>We (including our actuarial experts) performed the following audit procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of management's assessment process of valuation of life insurance contract reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. • We understood, evaluated and tested management's internal controls over valuation of life insurance contract reserves, including management's determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change, etc. • We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types and distribution channels; and we checked the best estimate liabilities, risk margin and residual margin respectively at the point of policy issuance and evaluation.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of life insurance contract reserves (continued)</p> <p>We focused on this area due to the significant quantum amount of long-term life insurance contract reserves to the consolidated financial statements and because the relevant key assumptions applied in valuation involved significant judgments and estimates and the inherent risk in relation to the valuation of life insurance contract reserves was considered significant.</p>	<ul style="list-style-type: none">•We evaluated key actuarial assumptions such as discount rates, mortality, morbidity, surrender rates, expense assumptions and policy dividend assumptions considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences.•We evaluated the overall reasonableness of the long-term life insurance contract reserves by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results. <p>Based on our audit work, we found methodologies applied appropriate and key assumptions adopted supportable by the evidence we gathered.</p>

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of non-life insurance contract reserves</p> <p>Refer to Note III 22 Summary of significant accounting policies and accounting estimates - Insurance contract reserves and Note VII 29 Claim reserves to the financial statements.</p> <p>Refer to Note III 35 Summary of significant accounting judgments and accounting estimates - Estimation uncertainty - Measurement of insurance contract reserves to the financial statements.</p> <p>The Group had claim reserves which was included in non-life insurance contract reserves stated at RMB 58.4 billion as at 31 December 2021, representing 3% of the Group's total liabilities.</p> <p>We focused on this area because the valuation of claim reserves involved a high degree of judgment by management in selecting the models and setting the assumptions including the development of paid and incurred losses and ultimate loss ratios, and the inherent risk in relation to the valuation of non-life insurance contract reserves was considered significant.</p>	<p>We (including our actuarial experts) performed the following audit procedures:</p> <p>We obtained an understanding of management's assessment process of valuation of non-life insurance contract reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.</p> <p>We understood, evaluated and tested management's internal controls over valuation of non-life insurance contract reserves including data collection and analysis, and management's assumptions setting processes, etc.</p> <p>We performed independent modelling analysis for claim reserves by performing below procedures.</p> <ul style="list-style-type: none"> •For the underlying data used in actuarial models, we compared the data with source systems, such as earned premiums to accounting records and reported claims to the claims system. •We set up independent actuarial assumptions including claims development, loss ratio, etc., by considering both the Group's historical data and applicable industry experiences. •We evaluated the overall reasonableness of the Group's claim reserves by comparing management's result to the results from our independent modelling analysis. <p>Based on our audit work, we found management judgments in the valuation of claim reserves supportable by the evidence we gathered.</p>

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of level 3 investments</p> <p>Refer to Note III 35 Summary of significant accounting judgments and accounting estimates - Estimation uncertainty - Fair values of financial assets determined using valuation techniques and Note XVI Fair value measurement to the financial statements.</p> <p>The Group's investment measured at fair value that were classified in level 3 stated at RMB 127.3 billion as at 31 December 2021, representing 7% of the Group's total assets.</p> <p>We focused on this area because level 3 investments were valued based on models and inputs and assumptions that are not observable by third parties. The valuation involved significant management judgment and the inherent risk in relation to the valuation of level 3 investments was considered significant.</p>	<p>We obtained an understanding of management's assessment process of valuation of level 3 investments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.</p> <p>We understood, evaluated and tested management's internal controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuation inputs provided by data vendors.</p> <p>We (including our valuation experts) performed the following audit procedures over the measurement of level 3 investments:</p> <ul style="list-style-type: none"> •We assessed valuation model methodologies against industry practice and valuation guidelines. •We performed independent checks by using unobservable inputs from external sources where available for illiquid investments. •We compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields. <p>Based on our audit work, we found that the valuation methodologies applied were consistent with industry practice and that the inputs and assumptions used were supportable by the evidence we gathered.</p>

Other Information

Management of CPIC is responsible for the other information. The other information comprises all of the information included in 2021 annual report of CPIC 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of CPIC is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as 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 these financial statements, 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these 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 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.

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

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

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 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 these 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CPIC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

Signing CPA PENG Runguo
(Engagement Partner)

25 March 2022

Signing CPA ZHANG Jiong

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**CONSOLIDATED BALANCE SHEET****AS AT 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VII	31 December 2021	31 December 2020
Cash at bank and on hand	1	32,545	20,878
Financial assets at fair value through profit or loss	2	12,353	12,473
Derivative financial assets	3	259	140
Securities purchased under agreements to resell	4	13,432	14,327
Premium receivables	5	25,803	21,692
Reinsurance receivables	6	11,091	8,180
Interest receivables	7	20,427	20,563
Reinsurers' share of unearned premium reserves		7,914	7,537
Reinsurers' share of claim reserves		9,164	7,253
Reinsurers' share of life insurance reserves		1,910	1,812
Reinsurers' share of long-term health insurance reserves		11,884	11,117
Policy loans		66,950	62,364
Term deposits	8	196,519	192,966
Available-for-sale financial assets	9	645,381	596,158
Held-to-maturity financial assets	10	396,428	329,360
Investments classified as loans and receivables	11	406,276	380,174
Long-term equity investments	12	26,984	24,443
Restricted statutory deposits	13	7,428	6,858
Investment properties	14	7,514	7,866
Fixed assets	15	17,504	16,516
Construction in progress	16	1,714	1,822
Right-of-use assets	17	3,475	3,798
Intangible assets	18	5,509	4,693
Goodwill	19	1,372	1,357
Deferred income tax assets	20	1,998	845
Other assets	21	14,330	15,812
TOTAL ASSETS		1,946,164	1,771,004

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	31 December 2021	31 December 2020
Derivative financial liabilities	3	1	-
Securities sold under agreements to repurchase	23	73,441	90,825
Premium received in advance		25,154	27,983
Commission and brokerage payable		3,695	4,003
Reinsurance payables	24	7,638	5,501
Employee benefits payable	25	7,386	6,711
Taxes payable	26	4,138	3,211
Interest payable		517	594
Claims payable		21,526	21,825
Policyholder dividend payable		24,176	24,351
Policyholders' deposits and investment contract liabilities	27	102,843	87,126
Unearned premium reserves	28	71,493	68,800
Claim reserves	29	58,420	47,386
Life insurance reserves	30	1,129,622	1,010,194
Long-term health insurance reserves	31	125,798	98,796
Insurance premium reserves		207	207
Bonds payable	32	9,995	9,991
Lease liabilities		3,105	3,430
Deferred income tax liabilities	20	3,601	5,055
Other liabilities	33	41,003	34,180
Total liabilities		1,713,759	1,550,169
Issued capital	34	9,620	9,620
Capital reserves	35	79,662	79,788
Other comprehensive income	60	19,655	22,340
Surplus reserves	36	5,114	5,114
General reserves	37	19,521	16,829
Retained profits	38	93,169	81,533
Equity attributable to shareholders of the parent		226,741	215,224
Non-controlling interests	39	5,664	5,611
Total equity		232,405	220,835
TOTAL LIABILITIES AND EQUITY		1,946,164	1,771,004

The financial statements from Page 1 to Page 175 are signed by the persons below:

KONG Qingwei
Legal representative

ZHANG Yuanhan
Principal in charge of accounting

XU Zhen
Head of accounting department

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2021	2020
Operating income		440,643	422,182
Net premiums earned		339,535	331,639
Gross written premiums	40	366,782	362,064
Including: Premiums from reinsurance assumed		3,398	4,890
Less: Premiums ceded to reinsurers		(24,934)	(24,741)
Net change in unearned premium reserves	41	(2,313)	(5,684)
Other income		181	170
Investment income	42	95,457	87,413
Including: Share of profits of associates and joint ventures		799	512
Gains arising from changes in fair value	43	1,163	81
Exchange losses		(417)	(1,428)
Other operating income	44	4,714	4,303
Gains on disposal of assets	45	10	4
Operating expenses		(409,849)	(392,805)
Surrenders	46	(22,330)	(14,421)
Claims	47	(148,749)	(142,851)
Less: Claim recoveries from reinsurers		13,960	12,532
Changes in insurance contract reserves	48	(155,096)	(138,184)
Less: Insurance contract reserves recovered from reinsurers	49	2,737	1,021
Changes in insurance premium reserves		-	144
Policyholder dividends		(12,376)	(11,512)
Expenses for reinsurance assumed		(239)	(1,336)
Taxes and surcharges	50	(1,025)	(1,044)
Commission and brokerage expenses	51	(30,304)	(39,495)
Operating and administrative expenses	52	(50,240)	(52,985)
Less: Expense recoveries from reinsurers		8,141	8,445
Interest expenses	53	(3,441)	(3,405)
Other operating expenses	54	(6,446)	(5,320)
Asset impairment losses	55	(4,441)	(4,394)
Operating profit		30,794	29,377
Add: Non-operating income	56	248	108
Less: Non-operating expenses	57	(246)	(247)

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED INCOME STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2021	2020
Profit before tax		30,796	29,238
Less: Income tax	58	(3,178)	(3,886)
Net profit		<u>27,618</u>	<u>25,352</u>
Classified by continuity of operations			
Net profit from continuing operations		27,618	25,352
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Attributable to shareholders of the parent		26,834	24,584
Non-controlling interests		784	768
Earnings per share (RMB Yuan)	59		
Basic earnings per share		<u>2.79</u>	<u>2.63</u>
Diluted earnings per share		<u>2.79</u>	<u>2.63</u>
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(17)	(34)
Changes of fair value of available-for-sale financial assets and related impact to insurance liabilities		(3,600)	12,909
Income tax relating to these items		890	(3,259)
Other comprehensive income/(loss)	60	<u>(2,727)</u>	<u>9,616</u>
Total comprehensive income		<u>24,891</u>	<u>34,968</u>
Attributable to shareholders of the parent		24,149	33,975
Attributable to non-controlling interests		742	993

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

	2021								
	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 beginning of year	9,620	79,788	22,340	5,114	16,829	81,533	215,224	5,611	220,835
Movements in the current year	-	(126)	(2,685)	-	2,692	11,636	11,517	53	11,570
Net profit	-	-	-	-	-	26,834	26,834	784	27,618
Other comprehensive income/(loss) (Note VII 60)	-	-	(2,685)	-	-	-	(2,685)	(42)	(2,727)
Total comprehensive income	-	-	(2,685)	-	-	26,834	24,149	742	24,891
Equity transactions with non-controlling interests	-	(131)	-	-	-	-	(131)	(315)	(446)
Impact of capital injection to subsidiaries, etc.	-	(17)	-	-	-	-	(17)	51	34
Share of other changes in equity of investees accounted for using the equity method	-	22	-	-	-	-	22	-	22
Profit distribution	-	-	-	-	2,692	(15,198)	(12,506)	(425)	(12,931)
Appropriations to general reserves	-	-	-	-	2,692	(2,692)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(12,506)	(12,506)	(425)	(12,931)
Balance at the end of year	9,620	79,662	19,655	5,114	19,521	93,169	226,741	5,664	232,405

As at 31 December 2021, the balance of retained profits of the Group included RMB 741 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

	2020								
	Attributable to shareholders of the parent								
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at the beginning of year	9,062	66,650	12,949	4,835	14,329	70,602	178,427	4,893	183,320
Movements in the current year	558	13,138	9,391	279	2,500	10,931	36,797	718	37,515
Net profit	-	-	-	-	-	24,584	24,584	768	25,352
Other comprehensive income/(loss) (Note VII 60)	-	-	9,391	-	-	-	9,391	225	9,616
Total comprehensive income	-	-	9,391	-	-	24,584	33,975	993	34,968
Aquisition of subsidiaries	-	-	-	-	-	-	-	145	145
De-registration of subsidiaries	-	(15)	-	-	-	-	(15)	-	(15)
Capital contribution and withdrawal by shareholders	558	13,148	-	-	-	-	13,706	-	13,706
Capital contribution by shareholders (Note I)	558	13,148	-	-	-	-	13,706	-	13,706
Share of other changes in equity of investees accounted for using the equity method	-	5	-	-	-	-	5	-	5
Profit distribution	-	-	-	279	2,500	(13,653)	(10,874)	(420)	(11,294)
Appropriations to surplus reserves	-	-	-	279	-	(279)	-	-	-
Appropriations to general reserves	-	-	-	-	2,500	(2,500)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(10,874)	(10,874)	(420)	(11,294)
Balance at the end of year	9,620	79,788	22,340	5,114	16,829	81,533	215,224	5,611	220,835

As at 31 December 2020, the balance of retained profits of the Group included RMB 3,071 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2021	2020
Cash flows from operating activities			
Cash received from premium income from direct insurance contracts		364,782	368,440
Net increase in policyholders' deposits and investments contract liabilities		10,881	6,891
Refund of taxes and surcharges		58	14
Cash received relating to other operating activities		6,903	5,556
Sub-total of cash inflows		382,624	380,901
Cash paid for claims under direct insurance contracts		(146,899)	(137,595)
Net cash paid under reinsurance contracts		(3,525)	(4,575)
Cash paid for commission and brokerage expenses		(31,656)	(40,705)
Cash paid for policyholder dividends		(9,141)	(9,439)
Cash paid to and on behalf of employees		(25,446)	(23,310)
Payments of taxes and surcharges		(9,845)	(11,811)
Cash paid relating to other operating activities	61	(47,705)	(45,403)
Sub-total of cash outflows		(274,217)	(272,838)
Net cash flows from operating activities	63	108,407	108,063
Cash flows from investing activities			
Cash received from disposal of investments		412,671	347,837
Cash received from returns on investments		73,326	67,578
Net cash received from disposal of subsidiaries and other business entities		3,646	318
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		26	21
Sub-total of cash inflows		489,669	415,754
Cash paid to acquire investments		(540,976)	(538,924)
Net increase in policy loans		(4,657)	(5,230)
Net cash paid to acquire subsidiaries and other business entities		(6,368)	(4,031)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,688)	(3,628)
Cash paid relating to other investing activities		(74)	(9)
Sub-total of cash outflows		(555,763)	(551,822)
Net cash flows used in investing activities		(66,094)	(136,068)

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2021	2020
Cash flows from financing activities			
Cash received from capital contributions		34	13,915
Increase in securities sold under agreements to repurchase, net		-	12,433
Cash received relating to other financing activities		14,367	13,232
Sub-total of cash inflows		14,401	39,580
Cash repayments of borrowings		(11,340)	(2,290)
Cash payments for distribution of dividends, profits or interest expenses		(15,710)	(13,824)
Decrease in securities sold under agreements to repurchase, net		(16,876)	-
Cash paid relating to other financing activities		(1,846)	(2,018)
Sub-total of cash outflows		(45,772)	(18,132)
Net cash flows (used in)/from financing activities		(31,371)	21,448
Effects of exchange rate changes on cash and cash equivalents		(82)	(1,222)
Net increase/(decrease) in cash and cash equivalents	63	10,860	(7,779)
Add: Cash and cash equivalents at the beginning of year	62,63	34,767	42,546
Cash and cash equivalents at the end of year	62,63	45,627	34,767

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note IX	31 December 2021	31 December 2020
Cash at bank and on hand	1	5,261	271
Financial assets at fair value through profit or loss	2	9	11
Securities purchased under agreements to resell	3	10	110
Interest receivables		631	648
Term deposits	4	14,278	21,190
Available-for-sale financial assets	5	29,442	32,369
Investments classified as loans and receivables	6	17,086	12,971
Long-term equity investments	7	64,985	65,072
Investment properties	8	2,992	3,289
Fixed assets		1,338	1,310
Construction in progress		3	59
Right-of-use assets		350	317
Intangible assets		236	330
Other assets	9	2,613	487
Total assets		139,234	138,434
LIABILITIES AND EQUITY			
Securities sold under agreements to repurchase	10	1,120	1,272
Commission and brokerage payable		1	1
Employee benefits payable		339	245
Taxes payable		8	11
Lease liabilities		362	330
Deferred income tax liabilities		356	432
Other liabilities	11	556	530
Total liabilities		2,742	2,821
Issued capital		9,620	9,620
Capital reserves	12	79,312	79,312
Other comprehensive income	14	1,354	1,548
Surplus reserves		4,810	4,810
Retained profits		41,396	40,323
Total equity		136,492	135,613
TOTAL LIABILITIES AND EQUITY		139,234	138,434

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2021	2020
Operating income		16,530	21,187
Other income		8	5
Investment income	13	15,814	21,420
Exchange losses		(310)	(1,094)
Other operating income		1,018	856
Operating expenses		(2,702)	(2,343)
Taxes and surcharges		(86)	(81)
Operating and administrative expenses		(2,265)	(1,880)
Interest expenses		(47)	(55)
Other operating expenses		(154)	(147)
Assets impairment losses		(150)	(180)
Operating profit		13,828	18,844
Add: Non-operating income		56	2
Less: Non-operating expenses		(60)	(39)
Profit before tax		13,824	18,807
Less: Income tax		(245)	3
Net profit		<u>13,579</u>	<u>18,810</u>
Classified by continuity of operations			
Net profit from continuing operations		13,579	18,810
Net profit from discontinued operations		-	-
Other comprehensive income/(loss)	14		
Other comprehensive income/(loss) to be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(260)	908
Income tax relating to available-for-sale financial assets		66	(227)
Other comprehensive income/(loss)		<u>(194)</u>	<u>681</u>
Total comprehensive income		<u>13,385</u>	<u>19,491</u>

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

	2021					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,620	79,312	1,548	4,810	40,323	135,613
Movements in the current year	-	-	(194)	-	1,073	879
Net profit	-	-	-	-	13,579	13,579
Other comprehensive income/(loss) (Note IX 14)	-	-	(194)	-	-	(194)
Total comprehensive income	-	-	(194)	-	13,579	13,385
Profit distribution	-	-	-	-	(12,506)	(12,506)
Profit distribution to shareholders	-	-	-	-	(12,506)	(12,506)
Balance at the end of year	<u>9,620</u>	<u>79,312</u>	<u>1,354</u>	<u>4,810</u>	<u>41,396</u>	<u>136,492</u>

	2020					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,062	66,164	867	4,531	32,666	113,290
Movements in the current year	558	13,148	681	279	7,657	22,323
Net profit	-	-	-	-	18,810	18,810
Other comprehensive income/(loss) (Note IX 14)	-	-	681	-	-	681
Total comprehensive income	-	-	681	-	18,810	19,491
Capital contribution and withdrawal by shareholders	558	13,148	-	-	-	13,706
Capital contribution by shareholders (Note I)	558	13,148	-	-	-	13,706
Profit distribution	-	-	-	279	(11,153)	(10,874)
Appropriations to surplus reserves	-	-	-	279	(279)	-
Profit distribution to shareholders	-	-	-	-	(10,874)	(10,874)
Balance at the end of year	<u>9,620</u>	<u>79,312</u>	<u>1,548</u>	<u>4,810</u>	<u>40,323</u>	<u>135,613</u>

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2021	2020
Cash flows from operating activities			
Cash received relating to other operating activities		637	897
Sub-total of cash inflows		637	897
Cash paid to and on behalf of employees		(1,084)	(836)
Payments of taxes and surcharges		(334)	(276)
Cash paid relating to other operating activities		(817)	(841)
Sub-total of cash outflows		(2,235)	(1,953)
Net cash flows used in operating activities	15	(1,598)	(1,056)
Cash flows from investing activities			
Cash received from disposal of investments		26,307	23,113
Cash received from returns on investments		15,035	20,727
Net cash received from disposal of subsidiaries and other business entities		43	-
Sub-total of cash inflows		41,385	43,840
Cash paid to acquire investments		(20,232)	(43,613)
Net cash paid to acquire subsidiaries and other business entities		(1,771)	(92)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(208)	(259)
Sub-total of cash outflows		(22,211)	(43,964)
Net cash flows from/(used in) investing activities		19,174	(124)
Cash flows from financing activities			
Cash received from capital contributions		-	13,915
Cash received relating to other financing activities		52	-
Sub-total of cash inflows		52	13,915
Cash payments for distribution of dividends, profits or interest expenses		(12,542)	(10,914)
Decrease in securities sold under agreements to repurchase, net		(152)	(268)
Cash paid relating to other financing activities		(28)	(276)
Sub-total of cash outflows		(12,722)	(11,458)
Net cash flows (used in)/from financing activities		(12,670)	2,457
Effect of exchange rate changes on cash and cash equivalents		(16)	(1,087)
Net increase in cash and cash equivalents	15	4,890	190
Add: Cash and cash equivalents at the beginning of year	15	381	191
Cash and cash equivalents at the end of year	15	5,271	381

The accompanying notes from Page 13 to Page 175 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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 license (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 license (registration No. 100000000011107) on 5 February 2013. The Company renewed its business license 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 listed on the LSE. In July 2020, the Company further issued 8,794,991 GDRs. Each GDR represents five A shares of the Company. After GDR issuance, the issued capital of the Company was increased to approximately RMB 9,620 million.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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”).

Standards effective but not yet adopted for the current year

In 2017, the Ministry of Finance released 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 (collectively hereinafter referred to as the “new financial instruments standards”) and the Circular on the Transitional Measures Related to the Implementation of the New Financial Instruments Standards (Cai Kuai [2017] No. 20) (“the Circular”). In 2020, the Ministry of Finance released the Circular on the Further Implementation of the New Financial Instruments Standards (Cai Kuai [2020] No. 22) (“the Supplementary Circular”). The new financial instruments standards came into effect on 1 January 2018. As an insurance company listed in A and H share markets, the Group’s principal activities mainly relate to insurance business where:

- (1) the carrying amounts of liabilities arising from insurance contracts (including deposits of hybrid contracts and embedded derivatives) are significant compared to the total carrying amounts of all liabilities; and
- (2) the carrying amounts of insurance-related liabilities account for more than 90% of the total carrying amounts of all liabilities.

As it meets the “conditions for insurance companies to postpone the adoption of the new financial instruments standards” as stipulated in the second part of the Circular, the Group shall postpone its adoption of new financial instruments standards until 1 January 2023 according to the Supplementary Circular, and shall instead provide additional disclosures in accordance with the requirements set out in the third part of the Circular.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

Standards effective but not yet adopted for the current year (continued)

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

	As at 31 December 2021 Fair value	2021 Changes in fair value
Financial assets held for trading (A)	2,255	114
Financial assets managed and assessed for performance on a fair value basis (B)	10,098	931
Financial assets other than A or B		
- Financial assets that meet SPPI (C)	1,105,758	24,999
- Financial assets that do not meet SPPI	379,349	(12,444)
Total	1,497,460	13,600
Credit risk rating grades of financial assets that meet SPPI (C)		As at 31 December 2021 Carrying amount
Domestic		
Exempt from rating ^{Note}		400,437
AAA		633,839
A-1		101
AA+		31,478
AA (inclusive) or below		2,186
Overseas		
A- (inclusive) or above		504
BBB+		43
BBB		113
BB+ (inclusive) or below		77
Total		1,068,778

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

Financial assets that meet SPPI are those which generate contractual cash flows on a specific date that are solely payments of principal and interest on the principal amount.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

Standards effective but not yet adopted for the current year (continued)

Financial assets not having low credit risks	As at 31 December 2021	
	Carrying amount	Fair value
Domestic	2,186	2,186
Overseas	77	56
Total	2,263	2,242

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

The financial statements are 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 at 31 December 2021 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 2021 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 16), testing of significant insurance risks (Note III 21), measurement of insurance contract reserves (Notes III 22), and recognition of revenue (Note III 27).

Details of the Group's critical judgements used in determining significant accounting policies are set forth in Note III 35.

1. Accounting year

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

2. Reporting currency

The Company, its subsidiaries, joint ventures and associates in Mainland China use RMB as their reporting currency. The subsidiaries of the Company incorporated in other countries or regions outside Mainland China select 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.

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 contract reserves. 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. 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.

Business combinations involving enterprises under common control

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

4. 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 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 expensed 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

4. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

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.

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.

5. 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 2021. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

5. Consolidated financial statements (continued)

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.

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. But 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

5. Consolidated financial statements (continued)

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.

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.

6. Cash equivalents

Cash equivalents comprise short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

7. 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. For a debt instrument investment, exchange differences are broken down into those arising from changes in the amortised cost and those arising from other changes in the carrying amount. Exchange differences arising from changes in the amortised cost are included in profit or loss for the current period, while those arising from other changes in the carrying amount are recorded in other comprehensive income. Monetary items denominated in foreign currencies are recorded in the profit or loss for the current period, 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.

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.

8. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

9. Policy loans

A policy loan refers to a loan provided by the Group to its policyholder within the life of the insurance policy against the cash value of the policy and for an amount that does not exceed a certain percentage of the cash value of the insurance policy at the time when the policyholder applies for the loan. According to the terms of the insurance products that vary from one to another, the maximum amount of a policy loan may range from 70% to 98% of the cash value of an insurance policy. The loan period begins from the day of drawdown by the policyholder, with a maximum length of 6 months or 1 year.

During the loan period, if termination of a policy, decrease in coverage, claim, maturity or annuity payment results in a refund or payment to a policyholder, the amount shall be first used to repay the interest and principal on the loan before any payment is made to the policyholder.

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.

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.

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 held 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

10. Long-term equity investments (continued)

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.

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, including buildings that have been leased.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

11. Investment properties (continued)

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	30-70 years	3%	1.39% 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	3%	1.39% to 4.04%
Transportation equipment	3-8 years	3%-5%	12.13% to 32.33%
Other equipment	3-10 years	0%-5%	10% 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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 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	3-10 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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. 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.

16. Financial instruments

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:

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

16. Financial instruments (continued)

Recognition and derecognition of financial instruments (continued)

- (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.

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 financial assets, 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 the case of financial assets at fair value through profit or loss, the related transaction costs are recognised in profit or loss for the current period. For other 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 profit or loss are recorded in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

16. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

16. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

16. Financial instruments (continued)

Impairment of financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

16. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets at amortised cost (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

16. Financial instruments (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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

17. Asset impairment

The Group determines the impairment of assets (except for deferred income tax assets and financial 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

18. Insurance security fund

The Group draws insurance security funds in accordance with the Administrative Measures for Insurance security funds (Bao Jian Hui Ling [2008] No. 2) in the following proportions:

0.8% of the premium income for non-investment property and casualty insurances, 0.08% (if return is guaranteed) or 0.05% (if return is not guaranteed) of the business income for investment property and casualty insurances;

0.15% of the business income for life insurances with guaranteed return, and 0.05% of the business income for life insurances without guaranteed return;

0.8% of the premium income for short-term health insurances, and 0.15% of the premium income for long-term health insurances;

0.8% of the premium income for non-investment accident insurances, 0.08% (if return is guaranteed) or 0.05% (if no return is guaranteed) of the business income for investment accident insurances;

Simultaneously, in accordance with the "Notice by the General Office of the China Banking and Insurance Regulatory Commission (the "CBIRC") on Clarifying the Implementation Standards for the Suspension and Resumption of the Payment of insurance security fund by Insurance Companies" (No. 129 [2018] issued by the General Office of the CBIRC) , if the balance of insurance security fund of a property and casualty insurance company on April 30 per annum reaches 6% of the average amount of the total assets at the beginning and the end of the previous full fiscal year or if the balance of insurance security fund of a life insurance company on April 30 per annum reaches 1% of the counterpart, the payment of insurance security fund can be suspended.

19. Policyholders' deposits and investments

Policyholders' deposits business refers to the business in which the Group charges a portion of the added value of the deposits received from the policyholders as premium and returns the deposit principal and pays the added value (non-premium portion) as agreed in the contract to the policyholders when the contract expires.

Policyholders' investments are mainly corresponding liabilities to the portion of the insurance hybrid contract that can be separately measured after being unbundled and assumes other risks, and the policies that do not transfer significant insurance risk. For changes in the fair value of available-for-sale financial assets in accounts related to policyholder investments, the Group uses a reasonable method to recognise the portion attributable to the policyholders as policyholders' investments and recognise the portion attributable to the shareholders of the Group as other comprehensive income.

20. Definition of insurance contract

Insurance contracts are those contracts signed with the policyholders under which the Group has accepted significant insurance risks. If the Group signs contracts with policyholders which transfer insurance risks as well as other risks, the contracts should be unbundled as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

20. Definition of insurance contract (continued)

- (1) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.
- (2) If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the Group would test the significance of insurance risk at the initial recognition of such contracts. The whole contract should be treated as an insurance contract if the insurance risk is significant; and the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

21. Significant insurance risk test

The Group tests the significance of insurance risk at the initial recognition of such contracts signed with policyholders based on a group of contracts with a similar nature, and conducts necessary review in the subsequent financial reporting date.

When conducting the significant insurance risk test, the Group makes judgements in this sequence: whether the contract transfers insurance risk; whether the insurance risk transfer has commercial substance; whether the insurance risk transferred is significant.

When determining whether the contracts transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at any points of time during the duration of the contracts, they are treated as insurance contracts. The insurance risk ratio of direct insurance contracts = $(\text{the amount paid by the insurance company when the insurance accident occurs} / \text{the amount paid by the insurance company in the absence of the insurance accident} - 1) \times 100\%$. For non-life insurance contracts that obviously transfer significant risk, the Group recognises them as insurance contracts directly.

When determining whether reinsurance contracts transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The risk ratio of reinsurance contracts = $[(\sum \text{the present value of the loss amount in the case of the net loss of the reinsurer} \times \text{the probability of occurrence}) / \text{the present value of the reinsurer's expected premium income}] \times 100\%$. If the reinsurance contracts obviously transfer significant insurance risk, the Group directly recognises them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines a reasonable estimate based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

22. Insurance contract reserves

Insurance contract reserves could be divided into life insurance contract reserves and non-life insurance contract reserves. Life insurance contract reserves comprise unearned premium reserves and claim reserves, and could be divided into life insurance reserves and long term health insurance reserves; non-life insurance contract reserves comprise unearned premium reserves and claim reserves.

When measuring life insurance contract reserves, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group mainly considers product characteristics, effective year and risk profile of contracts in this regard.

When measuring non-life insurance contract reserves, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit, including commercial property insurance, family insurance, engineering insurance, liability insurance, credit insurance, guarantee insurance, compulsory automobile insurance, commercial automobile insurance, hull insurance, cargo transportation insurance, speciality insurance, agricultural insurance, accident insurance, short-term health insurance and other insurances.

Insurance contract reserves as at the balance sheet date are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, that is, expected future net cash flow including:

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil relevant obligations under the insurance contracts, and mainly include: (1) guaranteed benefits or claims under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and claims payments, etc.; (2) non-guaranteed benefits under the insurance contracts in respect of constructive obligations, including policyholder dividends, etc.; (3) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

22. Insurance contract reserves (continued)

Margin is considered and separately measured when determining insurance contract reserves as at the balance sheet date. Margins are released to profit or loss over the coverage period using systematic and reasonable approach. Initial recognition of an insurance contract issued should not result in the recognition of a day-one gain. However, a day-one loss should be recorded in profit or loss at inception when it occurs.

Margins for life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortised over the life of the contract in a certain way. Upon initial recognition, the residual margin is separately measured from reasonably estimated reserve and the risk adjustment reserve, and will not be adjusted for future changes in assumptions.

The risk adjustment for non-life insurance contract reserves is determined by reference to the industry benchmark and the Group's experience.

When measuring insurance contract reserves as at the balance sheet date, time value of money is considered. The related future cash flows should be discounted when the impact of time value of money is significant. The discount rate used in the measurement of time value of money should be determined with reference to information currently available as at the balance sheet date.

The Group uses information currently available as at the balance sheet date to derive the following assumptions used for measuring unearned premium reserves:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the underlying investment portfolios.
- The Group reasonably estimates the insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

When measuring unearned premium reserves, expected future net cash flows should cover the entire insurance period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

22. Insurance contract reserves (continued)

Unearned premium reserves for non-life insurance contracts are also measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus relevant acquisition costs. After initial recognition, the reserve is released over the term of the contract using the 365ths method, risk distribution method, etc.

Outstanding claim reserves include incurred and reported outstanding claim reserves, incurred but not reported ("IBNR") reserves and claim expense reserves.

Incurred and reported outstanding claim reserves represent insurance contract provisions for the outstanding claims incurred and reported to the Group. The Group uses case-by-case estimate method, average claim per case method, etc., to measure incurred and reported outstanding claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor.

IBNR reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group considers factors including nature and distribution of insurance risks, claims developments, experience data, etc. and uses chain ladder method, average claim per case method, loss ratio method, Bornhuetter-Ferguson method, etc., to measure IBNR reserves based on a reasonable estimate of the ultimate claim amount and the margin factor.

Claim expense reserves represent provisions for the legal service fees, litigation fees, loss inspection fees, and compensations for related claims adjustors that may occur in the case of an outstanding insurance accident. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

When evaluating insurance contract reserves, the Group performs liability adequacy tests based on information currently available as at the balance sheet date. Additional insurance contract reserves should be made and recognised in profit or loss if any deficiency exists.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

23. Reinsurance

The Group cedes the insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as non-reinsurance contracts.

Ceded reinsurance

The ceded reinsurance arrangements do not relieve the Group from liability to policyholders. For ceded reinsurances treated as reinsurance contracts, reinsurance premiums, reinsurance commissions and reinsurance claims that should be recovered from reinsurers are calculated and determined separately by the Group in accordance with relevant reinsurance contracts in the period in which related direct insurance premium income and claims are recognised, with a corresponding charge to profit or loss for the current period. When evaluating insurance contract reserves, the Group estimates the cash flows related to the reinsurance contracts in accordance with agreements in relevant reinsurance contracts. And the insurance contract reserves that would be recovered from reinsurers will be recognised as corresponding reinsurers' share of reserves as assets.

As a reinsured, the Group lists the assets formed by the reinsurance contract and relevant direct insurance contract reserves separately in the balance sheet so they are not offset against each other; and lists the income or expenses formed by the reinsurance contract and relevant direct insurance contract income or expenses separately in the income statement so they are not offset against each other.

Reinsurance assumed

Reinsurance expenses are calculated, determined and charged to profit and loss by the Group in accordance with relevant reinsurance contracts in the period in which related premium from reinsurance assumed and reinsurance claims are recognised.

The Group will adjust relevant reinsurance income and expenses according to the amount indicated on the reinsurance slip once it is received, and the adjustment amount is included in profit or loss for the current period.

24. Non-insurance contract

The other risk portions unbundled from the insurance contracts and contracts that do not transfer significant insurance risk are determined by the Group as non-insurance contracts. The fees charged by the Group for these non-insurance contracts management, including policy management fees, are recognised as other operating income for the period in which the Group provides such management service.

Relevant liabilities under the non-insurance contracts are included in the policyholders' deposits and investments, and are initially recognised at fair value and subsequently measured at amortised cost, except for other risk portions unbundled from investment-linked contracts. Relevant liabilities under the non-insurance contracts that are unbundled from investment-linked contracts are included in separate account liabilities and initially recognised at fair value, relevant transaction expenses are included in profit or loss for the current period and subsequently measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

25. 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; and
- (3) the amount of the obligation can be measured reliably.

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.

26. Dividend distribution

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

27. Revenue

Premium income

Premium income and reinsurance premium income are recognised when all of the following criteria are met: (1) the insurance contracts have become effective and relevant insurance liabilities have been assumed; (2) it is probable that the economic benefits associated with the contracts will flow to the Group; and (3) the income associated with the contracts can be reliably measured.

With respect to life insurance contracts and long-term health insurance contracts where premiums are paid in instalments, premium income is recognised by the premiums receivable for the current period; with respect to single premium policies, premium income is recognised by the one-off premiums receivable. With respect to property and casualty insurance, short-term health insurance and accident insurance contracts, premium income is recognised by the amounts of total premiums as agreed in the contracts.

Reinsurance premium income assumed is calculated in accordance with the terms agreed in the reinsurance contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

27. Revenue (continued)

Initial policy fee and account management fee

The initial policy fee and account management fee include policy management fee, investment management fee, surrender income and other charges, which are collected at a fixed amount or as a certain percentage of the balance of the contract account; they are calculated as per the time and methods stated in relevant contracts or agreements and are recognised as revenue in the current period when they occur. Charges relating to rendering of future services which should be deferred and be recognised at the time of rendering are not included. The Group's initial charges, for the initial fees charged on contracts measured at amortised cost, are amortised to profit or loss using the effective interest method.

Initial policy fee and account management fee are presented in other operating income.

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.

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.

28. Policy dividends expenditure

The policy dividends expenditure is the dividends payable by the Group to the policyholders based on the dividend distribution method for participating insurance products.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

29. Leases

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

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

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

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

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

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

Payments related to short-term leases and low-value asset leases are recognised in 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

30. 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. Government grants comprising of both assets-related portion and income-related portion are accounted separately, and those hard 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

31. 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.

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.

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

- (1) The taxable temporary differences arise from the initial recognition of goodwill or 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 income or deductible expenses.
- (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, the carry-forward of unused tax credits and any unused tax 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, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (1) Where the deductible temporary differences arise 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 loss.
- (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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

31. Income tax (continued)

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.

32. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

32. Employee benefits (continued)

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 labor and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the social security plans.

The Group's employees in some regions of China have also participate in the employer-sponsored enterprise annuity fund (the "Annuity Fund"). The Group shall contribute to the Annuity Fund in accordance with agreed bases and percentages. Forfeited contributions by those employees who leave the Annuity Fund prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recorded in the public account of the Annuity Fund to be attributed to the members of the Annuity Fund after fulfilling the approval procedures. 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 in the period in which they occur.

The Group pays various benefits expenses for employees who accept voluntary retirement before the normal retirement date in line with China's national standard as approved by the Group from the month after the early retirement through the normal retirement date, 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 with a corresponding charge to the 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

33. Measured at fair value

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, choosing 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. Only when relevant observable inputs are not available or feasible, unobservable inputs are adopted.

34. 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.

35. 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 could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

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

Significant judgements

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

(1) Classification of financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the management. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of the Accounting Standards for Business Enterprises and their implications to the presentation in the financial statements.

(2) Unbundling and classification of hybrid contracts

The Group makes significant judgements on whether a written policy contains both insurance risk and other risks and whether the insurance risk and other risks are distinct and separately measurable. The result of such judgement affects the unbundling of insurance contracts.

In addition, the Group makes significant judgements on whether a written policy transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgement affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(3) Measurement unit for insurance contracts

The Group shall make judgements on whether a group of insurance contracts' insurance risks are of the same nature. The result of such judgements affects the measurement results of insurance contract reserves.

(4) Provision for impairment of available-for-sale financial assets

The Group determines that provision for impairment of available-for-sale financial assets should be made when there has been a significant or prolonged decline in the fair value. The determination of what is significant or prolonged requires judgement of 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 magnitude of the decline in fair value and the financial position of the investee, etc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

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

Significant judgements (continued)

(5) Determination of control over structured entities

When determining whether the Group controls the structured entities in which it acts as an asset manager, the Group considers all relevant facts and circumstances in assessing whether it is acting as 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.

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 insurance contract reserves

As at the balance sheet date, when measuring the insurance contract reserves, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract reserves. The Group determines reasonable estimates of such assumptions based on information currently available as at the balance sheet date and certain risk margin is considered.

Unearned premium reserves

The main assumptions used in measuring unearned premium reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense and policy dividend assumptions, etc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2020 were from 3.05% to 4.80% and as at 31 December 2021 were from 2.84% to 4.80%.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. Discount rates used as at 31 December 2020 and 2021 were both 5.00%.

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

(b) Mortality and morbidity

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

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

Mortality and morbidity assumptions are uncertain as they are affected by uncertain factors, such as national lifestyle changes in the future, future development of medical technologies, continuing advancements in social conditions and other factors. The risk margin is considered in the Group's mortality and morbidity assumptions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(c) Loss ratios

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

(d) Surrender rates

Surrender rate assumptions are determined based on product types, the Group's historical experiences, and estimates on current and future expectations, and vary by interest rate, product type and sale channel.

The surrender rate assumption is affected by uncertain factors, such as future macro-economy and market competition. The Group determines surrender rate assumptions based on the information available as at the balance sheet date and risk margin is considered.

(e) Expense

The Group develops its expense assumptions based on its expense analysis and future expectation, including assumptions of acquisition costs, maintenance expenses and claim expenses.

The Group's expense assumption is affected by uncertain factors, such as inflation, and market competition. The Group uses information currently available as at the balance sheet date to determine expense assumptions and a risk adjustment is considered.

(f) Policy dividend

Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's dividend policy, reasonable expectations of policyholders, etc.

The Group's policy dividend assumption is affected by the above factors. The Group uses information available as at the balance sheet date to determine policy dividend assumption and risk margin is considered.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Claim reserves

The main assumption in measuring claim reserves is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses (Note XIII 1), average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period, but can also be further analysed by geographical area, as well as by significant business line and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss claim specialists estimated or separately projected in order to reflect their future development. In most cases, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures). And a reasonable estimate on the ultimate cost of claims will be made after considering all uncertainties involved.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING ESTIMATES

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

As at 31 December 2021, the Group used information currently available to determine above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 14,621 million as at 31 December 2021 and profit before tax decreased by approximately RMB 14,621 million for 2021.

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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows:

Name	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 Property	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	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.")	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")	Real estate	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Investment management	Hong Kong	Hong Kong	HK\$ 200,000 thousand	HK\$ 200,000 thousand	12.25	87.46	100.00	(1)
City Island Developments Limited ("City Island")	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 1,000	-	98.29	100.00	
Great Winwick Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Newscott Investments Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd. * ("Xinhui Real Estate")	Real estate	Shanghai	Shanghai	US\$ 15,600 thousand	US\$ 15,600 thousand	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB million unless otherwise stated)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows (continued):

Name	Business scope and principal activities	Place of incorporation/regi- stration	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 Hehui Real Estate Development Co., Ltd. * ("Hehui Real Estate")	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")	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Senior living property investment and management, etc.	Shanghai	Shanghai	3,000,000	3,000,000	-	98.29	100.00	
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	85.05	14.69	100.00	(2)
China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Property and casualty insurance	Shanghai	Shanghai	1,080,000	1,080,000	-	66.76	67.78	(3)
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Medical consulting services, etc.	Shanghai	Shanghai	500,000	500,000	-	98.29	100.00	
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	972,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	875,000	-	98.29	100.00	
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	510,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	20,000	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in RMB million unless otherwise stated)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows (continued):

Name	Business scope and principal activities	Place of incorporation/regi- stration	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 (Nanjing) Co., Ltd. ("Nanjing Project Company")	Senior living property investment and construction, etc.	Nanjing	Nanjing	220,000	129,000	-	98.29	100.00	
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	"Migrant-style" senior living, etc.	Dali	Dali	608,000	418,000	-	74.70	76.00	
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	230,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Seniors and disabled care, etc.	Hangzhou	Hangzhou	60,000	8,200	-	98.29	100.00	
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Elderly service, real estate development and operation, etc.	Wuhan	Wuhan	980,000	563,078	-	98.29	100.00	(4)
CPIC Private Equity Fund Management Co., Ltd. ("CPIC Capital")	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	(5)
Shanghai (Chongming) Real Estate Development Co., Ltd. ("Shanghai (Chongming) Project Company")	Real estate development and operation, own house rental service, etc.	Shanghai	Shanghai	800,000	563,500	-	98.29	100.00	(6)
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Seniors and disabled care, etc.	Shanghai	Shanghai	30,000	4,500	-	98.29	100.00	(7)
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00	(8)
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Life and health insurance	Hong Kong	Hong Kong	HK\$ 1,000,000 thousand	HK\$ 1,000,000 thousand	-	98.29	100.00	(9)
Qingdao Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Qingdao")	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	-	-	98.29	100.00	(10)

* Subsidiaries of City Island

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows (continued):

(1) CPIC Investment (H.K.)

Pursuant to the resolution of the first extraordinary general meeting of shareholders of CPIC Asset Management held in 2020, CPIC Asset Management entered into a contract with CPIC Investment (H.K.) to inject capital in the amount of HKD 150 million to CPIC Investment (H.K.), and the approval was obtained from the CBIRC in January 2021. After this capital injection, the registered capital of CPIC Investment (H.K.) increased from HKD 50 million to HKD 200 million. The Company has a shareholding of 12.25% in CPIC Investment (H.K.). CPIC Asset Management has a shareholding of 87.75% in CPIC Investment (H.K.).

(2) CPIC Health

The Company and CPIC Life purchased 8% and 14.949% shares of the former CPIC Allianz Health Insurance Co., Ltd. ("CPIC Allianz Health") from Allianz SE respectively by entering into the "Agreement on Transfer of Shares in CPIC Allianz Health" in 2020. After this transaction, the Company's and CPIC Life's shareholding in CPIC Allianz Health increased to 85.051% and 14.949% respectively. In January 2021, CPIC Allianz Health completed the relevant company registration for the shareholding change. In March 2021, CPIC Allianz Health obtained the approval from the CBIRC, and changed its name to Pacific Health Insurance Co., Ltd. and completed the relevant company registration.

(3) PAAIC

Pursuant to the resolutions of the 2020 general meeting of shareholders and the 20th meeting of the 3rd Board of Directors of PAAIC, PAAIC approved the "Proposal of Changing the Registered Capital of Pacific Anxin Agricultural Insurance Co., Ltd.". PAAIC entered into the capital injection agreement with CPIC Property and Shanghai Fengxian District Public Assets Operation Co., Ltd. in June 2021, and obtained the approval of the CBIRC in November 2021. After the capital injection, the total registered capital of PAAIC increased from RMB 700 million to RMB 1,080 million, and CPIC Property's shareholding in PAAIC increased to 67.78%.

(4) Wuhan Project Company

Wuhan Project Company, a wholly-owned subsidiary set up by CPIC Life, obtained the business license of legal entity with the unified social credit code of 91420105MA49NYBP50 in February 2021. The registered capital is RMB 980 million. CPIC Life had injected capital of approximately RMB 563 million as at 31 December 2021.

(5) CPIC Capital

CPIC Capital, a wholly-owned subsidiary set up by CPIC Asset Management, obtained the business license of legal entity with the unified social credit code of 91310000MA1H3LCJX9 on 12 March 2021. The registered capital is RMB 100 million. CPIC Asset Management had injected capital of RMB 100 million as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows (continued):

(6) Shanghai (Chongming) Project Company

In April 2021, CPIC Senior Living Investment entered into an equity transaction contract with Shanghai Industrial Pension Development Co., Ltd. ("Shanghai Industrial Pension") to acquire 100% shares of Shanghai (Chongming) Project Company. Shanghai (Chongming) Project Company obtained its business license of legal entity with the unified social credit code of 91310230MA1JX45D53 and the registered capital is RMB 800 million. The Paid-up capital of Shanghai (Chongming) Project Company is approximately RMB 564 million as at 31 December 2021.

(7) Pacific Care Home at Shanghai (Putuo)

Pacific Care Home at Shanghai (Putuo), a wholly-owned subsidiary set up by CPIC Senior Living Investment, obtained the business license of legal entity with the unified social credit code of 91310107MA1G1CMP6Q in July 2021. The registered capital is RMB 30 million. CPIC Senior Living Investment had injected capital of RMB 4.5 million as at 31 December 2021.

(8) Borui Heming

CPIC Life entered into an equity transaction contract with Beijing Newbanker Technology Consulting Co., Ltd. to acquire 100% shares of Borui Heming with a consideration of approximately RMB 53 million. Borui Heming obtained its business license of legal entity with the unified social credit code of 91110105569493540Y and the registered capital is RMB 52 million. As at 31 December 2021, the transaction had been completed and Borui Heming had become a subsidiary of CPIC Life.

(9) CPIC Life (H.K.)

CPIC Life (H.K.), a wholly-owned subsidiary set up by CPIC Life, obtained its certificate of authorisation from Hong Kong Insurance Authority in November 2021. CPIC Life (H.K.) is authorised to carry on the long term insurance business in or from Hong Kong. The registered capital is HKD 1,000 million. CPIC Life had injected capital of HKD 1,000 million as at 31 December 2021.

(10) Pacific Care Home at Qingdao

Pacific Care Home at Qingdao, a wholly-owned subsidiary set up by CPIC Senior Living Investment, obtained the business license of legal entity with the unified social credit code of 91370202MA7F6KNQX8 in December 2021. The registered capital is RMB 227 million. CPIC Senior Living Investment had not injected capital as at 31 December 2021.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION (continued)

2. As at 31 December 2021, consolidated structured entities material to the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	77.05	8,079,777	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Shanxi Coking Coal Debt Investment Plan	69.93	7,150,000	Investing in Shanxi Li-Liu Mining Area Pangpangta Coal Mine Project operated by Shanxi Coking Coal Group Co., Ltd. through debt investment plan.
CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	7,144,116	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Jiangsu Communications Holdings Co., Ltd. Debt Investment Plan (Phase I)	100.00	4,000,000	Investing in Taizhou Yangtze River Highway Bridge Project operated by Jiangsu Communications Holdings Co., Ltd. through debt investment plan.
Fullgoal Rongtai Three-month Regularly Open Mixed Type Launching Securities Investment Fund	99.74	3,778,596	Investing in financial instruments with high liquidity including main board, SME, GEM and other stocks allowed to be listed by the CSRC, depositary receipts, bonds (including national bonds, local treasury bonds, government backed bonds, government backed institutional bonds, financial bonds, enterprise bonds, corporate bonds, subordinated bonds, Central Bank bills, medium term notes, short-term commercial paper (including super short-term commercial paper), convertible bonds, bonds with warrants, exchangeable bonds, etc.), asset-backed securities, bonds repo, bank deposits (including term deposits, agreement deposits, notice deposits, etc.), NCDs, cash, derivatives (including treasury bond futures and stock index futures) and treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).

Note: CPIC Asset Management, CPIC Funds and Changjiang Pension, etc. are the asset managers of these consolidated structured entities.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

		31 December 2021		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	23,966	1.00000	23,966
	USD	1,078	6.37570	6,873
	HKD	1,149	0.81760	939
	Sub-total			31,778
Other cash balances	RMB	760	1.00000	760
	HKD	9	0.81760	7
	Sub-total			767
Total				32,545

		31 December 2020		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	17,629	1.00000	17,629
	USD	179	6.52490	1,168
	HKD	1,142	0.84164	961
	Other currencies			15
	Sub-total			19,773
Other cash balances	RMB	1,079	1.00000	1,079
	USD	4	6.52490	26
	Sub-total			1,105
Total				20,878

As at 31 December 2021, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 3,036 million (31 December 2020: amounted equivalent to RMB 1,497 million).

As at 31 December 2021, RMB 350 million (31 December 2020: RMB 438 million) in the Group's cash at bank and on hand balance were restricted for special-purpose use.

Bank deposits comprise current deposits and short-term term deposits. Interest income on current deposits is calculated according to the interest rate of current deposits. The period of short-term term deposits ranges from one day to three months depending on the cash demand of the Group. The interest income is calculated according to the corresponding interest rate of the term deposits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss

	31 December 2021	31 December 2020
Debt investments		
Government bonds	39	38
Finance bonds	286	342
Corporate bonds	1,640	2,718
Wealth management products	15	18
Debt investment plans	16	3
Equity investments		
Funds	271	415
Stocks	19	70
Wealth management products	404	228
Investments in other equity instruments	9,663	8,641
Total	12,353	12,473

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 31 December 2021 amounted to RMB 10,098 million (31 December 2020: RMB 8,890 million). The rest are trading assets, with no material limitation in realisation.

3. Derivative financial instruments

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

	31 December 2021		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	4,290	259	1
	31 December 2020		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	3,274	140	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Securities purchased under agreements to resell

	31 December 2021	31 December 2020
Securities - bonds		
Inter-bank market	11,860	9,886
Stock exchange	<u>1,572</u>	<u>4,441</u>
Total	<u>13,432</u>	<u>14,327</u>

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

5. Premium receivables

	31 December 2021	31 December 2020
Premium receivables	26,665	22,347
Less: Provision for bad debts	<u>(862)</u>	<u>(655)</u>
Net value	<u>25,803</u>	<u>21,692</u>

Premium receivables are analysed by category as follows:

	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	26,657	100%	(854)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>8</u>	<u>0%</u>	<u>(8)</u>	<u>100%</u>
Total	<u>26,665</u>	<u>100%</u>	<u>(862)</u>	<u>3%</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by category as follows:

	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	22,339	100%	(647)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	8	0%	(8)	100%
Total	<u>22,347</u>	<u>100%</u>	<u>(655)</u>	<u>3%</u>

The aging of premium receivables and related provisions for bad debts are analysed below:

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,542	28%	(25)	7,517
3 months to 1 year (inclusive)	12,891	49%	(56)	12,835
Over 1 year	<u>6,232</u>	<u>23%</u>	<u>(781)</u>	<u>5,451</u>
Total	<u>26,665</u>	<u>100%</u>	<u>(862)</u>	<u>25,803</u>

Aging	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,616	34%	(23)	7,593
3 months to 1 year (inclusive)	9,773	44%	(55)	9,718
Over 1 year	<u>4,958</u>	<u>22%</u>	<u>(577)</u>	<u>4,381</u>
Total	<u>22,347</u>	<u>100%</u>	<u>(655)</u>	<u>21,692</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by line of products as follows (continued):

Category	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	11,529	44%	(403)	11,126
Agricultural insurance	4,390	16%	(176)	4,214
Engineering insurance	2,156	8%	(53)	2,103
Health insurance	1,370	5%	(14)	1,356
Liability insurance	1,321	5%	(47)	1,274
Commercial property insurance	864	3%	(56)	808
Speciality insurance	312	1%	(21)	291
Other insurances	940	4%	(88)	852
Sub-total	22,882	86%	(858)	22,024
Life and health insurance:				
Long-term insurance	2,254	8%	-	2,254
Short-term insurance	1,529	6%	(4)	1,525
Sub-total	3,783	14%	(4)	3,779
Total	26,665	100%	(862)	25,803
Category	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	9,750	44%	(270)	9,480
Agricultural insurance	3,231	14%	(119)	3,112
Engineering insurance	1,754	8%	(49)	1,705
Liability insurance	1,173	5%	(50)	1,123
Commercial property insurance	842	4%	(43)	799
Health insurance	641	3%	(12)	629
Speciality insurance	322	1%	(27)	295
Other insurances	951	4%	(83)	868
Sub-total	18,664	83%	(653)	18,011
Life and health insurance:				
Long-term insurance	2,586	12%	-	2,586
Short-term insurance	1,097	5%	(2)	1,095
Sub-total	3,683	17%	(2)	3,681
Total	22,347	100%	(655)	21,692

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

The top five premium receivables of the Group are as the follows:

	31 December 2021	31 December 2020
Total amount of the top five premium receivables	<u>455</u>	<u>392</u>
Total provision for bad debts	<u>(14)</u>	<u>(17)</u>
% of total balance of premium receivables	<u>2%</u>	<u>2%</u>

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

6. Reinsurance receivables

	31 December 2021	31 December 2020
Reinsurance receivables	11,289	8,345
Less: Provision for bad debts	<u>(198)</u>	<u>(165)</u>
Net value	<u>11,091</u>	<u>8,180</u>

Reinsurance receivables are analysed by category as follows:

	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	10,857	96%	(153)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>432</u>	<u>4%</u>	<u>(45)</u>	<u>10%</u>
Total	<u>11,289</u>	<u>100%</u>	<u>(198)</u>	<u>2%</u>
	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	8,105	97%	(120)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>240</u>	<u>3%</u>	<u>(45)</u>	<u>19%</u>
Total	<u>8,345</u>	<u>100%</u>	<u>(165)</u>	<u>2%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

The aging of reinsurance receivables and related provisions for bad debts are analysed below:

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	9,328	83%	-	9,328
3 months to 1 year (inclusive)	1,575	14%	-	1,575
Over 1 year	386	3%	(198)	188
Total	11,289	100%	(198)	11,091

Aging	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,192	86%	-	7,192
3 months to 1 year (inclusive)	847	10%	-	847
Over 1 year	306	4%	(165)	141
Total	8,345	100%	(165)	8,180

The details of the top five reinsurers/brokers of the reinsurance receivables of the Group are as follows:

Reinsurer/Broker	31 December 2021		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Munich Reinsurance Company	3,235	29%	-
China Property & Casualty Reinsurance Company Ltd.	1,323	12%	-
China Life Reinsurance Company Ltd.	1,163	10%	-
Swiss Reinsurance Company Ltd	1,024	9%	-
China Agricultural Reinsurance Co., Ltd.	639	6%	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)**6. Reinsurance receivables (continued)**

The details of the top five reinsurers/brokers of the reinsurance receivables of the Group are as follows (continued):

Reinsurer/Broker	31 December 2020		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Qianhai Reinsurance Co., Ltd.	1,628	20%	-
China Life Reinsurance Company Ltd.	1,202	14%	-
Munich Reinsurance Company	1,074	13%	-
Swiss Reinsurance Company Ltd	819	10%	-
China Property & Casualty Reinsurance Company Ltd.	<u>762</u>	<u>9%</u>	<u>-</u>

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

7. Interest receivables

	31 December 2021	31 December 2020
Interest receivables from debt investments	12,807	13,604
Interest receivables from deposits	5,829	5,386
Interest receivables from loans	1,830	1,616
Interest receivables from securities purchased under agreements to resell	<u>5</u>	<u>1</u>
Sub-total	20,471	20,607
Less: Provision for bad debts	<u>(44)</u>	<u>(44)</u>
Net value	<u>20,427</u>	<u>20,563</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Term deposits

	31 December 2021	31 December 2020
Term to maturity		
Within 3 months (inclusive)	252	3,426
3 months to 1 year (inclusive)	23,585	26,965
1 to 2 years (inclusive)	75,220	16,550
2 to 3 years (inclusive)	48,357	75,520
3 to 4 years (inclusive)	21,900	48,355
4 to 5 years (inclusive)	27,205	22,000
Over 5 years	-	150
Total	<u>196,519</u>	<u>192,966</u>

9. Available-for-sale financial assets

Available-for-sale financial assets are summarised by category as follows:

	31 December 2021	31 December 2020
Debt investments		
Government bonds	97,826	91,566
Finance bonds	39,671	37,606
Corporate bonds	153,529	184,846
Wealth management products	4,238	1,770
Equity investments		
Funds	72,901	63,734
Stocks	154,336	127,216
Wealth management products	2,066	1,218
Preferred shares	12,519	13,131
Investments in other equity instruments	<u>108,295</u>	<u>75,071</u>
Total	<u>645,381</u>	<u>596,158</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Available-for-sale financial assets (continued)

Related information of available-for-sale financial assets is analysed as follows:

	31 December 2021	31 December 2020
Debt investments		
Fair value	295,264	315,788
Including: Amortised cost	283,870	312,177
Accumulated amount recognised in other comprehensive income	13,298	5,506
Total impairment provisions	<u>(1,904)</u>	<u>(1,895)</u>
Equity investments		
Fair value	350,117	280,370
Including: Cost	322,938	236,853
Accumulated amount recognised in other comprehensive income	33,680	46,756
Total impairment provisions	<u>(6,501)</u>	<u>(3,239)</u>
Total		
Fair value	645,381	596,158
Including: Amortised cost/Cost	606,808	549,030
Accumulated amount recognised in other comprehensive income	46,978	52,262
Total impairment provisions	<u>(8,405)</u>	<u>(5,134)</u>

10. Held-to-maturity financial assets

	31 December 2021	31 December 2020
Debt investments		
Government bonds	265,376	160,482
Finance bonds	65,590	95,325
Corporate bonds	65,629	73,744
Wealth management products	<u>50</u>	<u>-</u>
Sub-total	396,645	329,551
Less: Provision for impairment	<u>(217)</u>	<u>(191)</u>
Net value	<u>396,428</u>	<u>329,360</u>

As at the balance sheet date, the Group has evaluated its intention and ability to hold these assets until maturity unchanged.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investments classified as loans and receivables

	31 December 2021	31 December 2020
Debt investments		
Finance bonds	2,000	1,999
Debt investment plans	230,813	187,440
Wealth management products	138,289	156,286
Preferred shares	32,000	32,000
Loans	3,454	2,772
Sub-total	406,556	380,497
Less: Provision for impairment	(280)	(323)
Net value	406,276	380,174

As at 31 December 2021, CPIC Asset Management, a subsidiary of the Company, had 108 existing debt investment plans issued by it with a total value of RMB 163.368 billion. Among these, book value of approximately RMB 79.632 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets (As at 31 December 2020, CPIC Asset Management, a subsidiary of the Company, had 91 existing debt investment plans issued by it with a total value of RMB 141.755 billion. Among these, book value of approximately RMB 67.491 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). As at 31 December 2021, Changjiang Pension, a subsidiary of the Company, had 68 existing debt investment plans issued by it with a total value of RMB 111.683 billion. Among these, book value of approximately RMB 47.531 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets (As at 31 December 2020, Changjiang Pension, a subsidiary of the Company, had 64 existing debt investment plans issued by it with a total value of RMB 112.714 billion. Among these, book value of approximately RMB 40.520 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). Meanwhile, as at 31 December 2021, the Group also had invested in debt investment plans classified as loans and receivables launched by other insurance asset management companies with book value of approximately RMB 103.650 billion (As at 31 December 2020: approximately RMB 79.429 billion). The amount of debt investment plans guaranteed by a third party or by pledge that invested by the Group is RMB 158.752 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and other debt investment plans held by the Group, the Group does not provide any guarantees or financial support. The Group's maximum exposure in the debt investment plans is limited to their carrying amounts.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	31 December 2021							
	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
Equity method:								
Joint venture								
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui")	11	12	-	-	-	-	-	12
Taiyi (Shanghai) Information Technology Co., Ltd. ("Taiyi Information Technology")	5	2	-	-	-	-	-	2
Hangzhou Dayu Internet Technology Co., Ltd. ("Dayu Technology")	3	8	-	(3)	-	17	-	22
Aizhu (Shanghai) Information Technology Co., Ltd. ("Aizhu Information")	1	-	-	-	-	-	-	-
Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes")	25	22	-	5	-	-	-	27
Shanghai Dabaoguisheng Information Technology Co., Ltd. ("Dabaoguisheng")	10	8	-	(4)	-	-	-	4
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea")	6	4	-	-	-	-	-	4
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,833	-	(10)	-	-	-	9,823
Sub-total	9,896	9,889	-	(12)	-	17	-	9,894

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

	31 December 2021							
	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
Equity method(continued):								
Associate								
Shanghai Juche Information Technology Co.,Ltd. ("Juche")	3	11	-	1	-	-	-	12
Zhongdao Automobile Rescue Industry Co.,Ltd. ("Zhongdao")	17	39	-	3	-	-	-	42
Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital")	100	70	-	19	-	-	-	89
Shanghai Dedao Co., Ltd. ("Dedao")	5	1	-	(1)	-	-	-	-
Shanghai Better Sharing Technology Co., Ltd. ("Better Sharing")	81	58	-	(5)	-	-	-	53
Shanghai Heji Business Management LLP. ("Heji")	200	173	-	(4)	-	-	-	169
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Plan ("CHEMCHINA Debt Investment Plan")	2,160	2,164	-	116	-	-	(116)	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Plan ("Sichuan Railway Investment Plan")	250	250	-	14	-	-	(14)	250
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Plan ("Yunnan Energy Investment Plan") (Note 1)	-	3,617	(3,610)	19	-	-	(26)	-
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,568	-	193	-	-	(122)	2,639
Beijing More Health Technology Group Co., Ltd. ("Beijing Miaoyijia")	413	350	-	(46)	-	5	-	309
Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang") (Note 2)	901	515	427	(33)	-	-	-	909

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

	31 December 2021							
	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
Equity method(continued):								
Associate(continued)								
Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health")	500	442	-	(87)	-	-	-	355
Zhejiang Xin'an Shuzhi Technology Co., Ltd. ("Xin'an Technology")	9	10	-	1	-	-	-	11
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund") (Note 3)	1,984	1,227	789	530	-	-	(31)	2,515
Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP")	1,057	1,057	-	54	-	-	(58)	1,053
Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech")	1,856	1,856	-	17	-	-	-	1,873
Shanghai Lingang Yunhui Economic Development Co., Ltd. ("Lingang Yunhui")	55	55	-	-	-	-	-	55
Shanghai Guangci Memorial Hospital Co., Ltd. ("Guangci Hospital")	91	91	-	-	-	-	-	91
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare") (Note 4)	40	-	40	(40)	-	-	-	-
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan") (Note 5)	2,500	-	2,500	59	-	-	(7)	2,552
Shanghai Sci-Tech Innovation Center Capital II LLP. ("Sci-Tech Innovation II") (Note 6)	450	-	450	1	-	-	(2)	449
China Insurance Rongxin Private Equity Fund Co., Ltd. ("China Insurance Rongxin") (Note 7)	1,500	-	1,500	-	-	-	-	1,500
Sub-total	16,588	14,554	2,096	811	-	5	(376)	17,090
Total	26,484	24,443	2,096	799	-	22	(376)	26,984

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Note 1: Yunnan Energy Investment Plan, invested by CPIC Life and Changjiang Pension, was terminated on 1 February 2021.

Note 2: In 2021, CPIC Life made an additional capital contribution of approximately RMB 427 million and its ownership interest of Jiaying Yishang became 94.80%.

Note 3: CPIC Life entered into the agreement of Yangtze River Delta Fund with Shanghai Guofang FOF Equity Investment Management Co., Ltd. and some other investment companies. CPIC Life subscribed capital contribution of RMB 2,000 million, representing 27.75% of ownership interest of Yangtze River Delta Fund. In 2021, CPIC Life made an additional capital contribution of RMB 800 million. At the same year, during the earnings distribution and return of capital, Yangtze River Delta Fund returned the capital approximately in the amount of RMB 11 million to CPIC Life, and the investment cost of CPIC Life changed to approximately RMB 1,984 million.

Note 4: CPIC Life entered into the agreement of setting up Shantai Healthcare with Sequoia Yuanchen Equity Investment (Xiamen) LLP. and Chuangcheng Huilian Equity Investment (Xiamen) LLP. The approved operating period of Shantai Healthcare is 30 years with the registered capital of RMB 100 million. CPIC Life holds 40.00% of Shantai Healthcare's shareholding with the subscribed capital of RMB 40 million. As at 31 December 2021, CPIC Life had paid up the subscribed capital.

Note 5: CPIC Life entered into a partnership agreement of Taijiashan with Shenzhen Sequoia Antai Equity Investment LLP. CPIC Life holds 99.01% of Taijiashan's ownership interest with the subscribed capital of RMB 5,000 million. As at 31 December 2021, CPIC Life had paid RMB 2,500 million as capital subscribed.

Note 6: CPIC Life entered into a partnership agreement of Sci-Tech Innovation II with Shanghai International Group Co., Ltd. and some other investment companies, and subscribed capital of RMB 1,500 million. As at 31 December 2021, CPIC Life had paid RMB 450 million, representing 25.86% of ownership interest of Sci-Tech Innovation II.

Note 7: CPIC Life invested in China Insurance Rongxin Fund managed by China Insurance Investment Co., Ltd. with a subscribed capital of RMB 1,500 million, representing 10.14% of ownership interest of the fund. As at 31 December 2021, CPIC Life had paid up the subscribed capital.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 31 December 2021, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration /Major business location	Legal representative	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	
Binjiang-Xiangrui	Limited liability company	Shanghai	Gu Jun	Real estate Used car information service platform	150,000	30,000	91310101062588014A	-	35.16	35.70
Taiyi Information Technology	Limited liability company	Shanghai	Yang Yong	Technical development, technical service and technical consulting	10,000	10,000	91310113342291872F	-	48.00	48.00
Dayu Technology	Limited liability company	Hangzhou	Ji Wei	Network technology, technical consulting and technical service	14,979	14,979	913301083524659446	-	18.02	18.02
Aizhu Information	Limited liability company	Shanghai	Qiao Yifeng	technical service	10,000	6,950	91310113MA1GKNGFXL	-	35.00	35.00
Euler Hermes	Limited liability company	Shanghai	Sun Haiyang	Insurance sales Third party operation services of insurance industry	50,000	50,000	91310000MA1FL24D4M	-	50.24	50.00
Dabaoguisheng Ruiyongjing Real Estate (Note 1)	Joint stock limited company	Shanghai	Wu Aijun	Real estate Operation and management of pension industry, technical consulting	100,000	22,200	91310000MA1FL3QM0A	-	33.42	34.00
Pacific Orpea (Note 2)	Limited liability company	Shanghai	Wei Lin	Real estate Operation and management of pension industry, technical consulting	14,050,000	14,050,000	91310000MA1FL5MU6G	-	68.80	57.14
					10,000	10,000	91310115MA1K48AQ73	-	55.04	60.00

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

12. Long-term equity investments (continued)

As at 31 December 2021, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration /Major business location	Legal representative	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	
Juche	Limited liability company	Shanghai	Dai Yang	Internet	5,882	5,882	91310113350805140T	-	37.42	37.80
Zhongdao	Limited liability company	Shanghai	Liu Yi	Road rescue	63,000	63,000	91310113069319140A	-	26.37	26.67
Zhizhong Hospital	Limited liability company	Shanghai	Chen Jianping	Oncology, medical laboratory, clinical fluid, etc.	500,000	500,000	91310115080068637C	-	19.95	20.00
Dedao	Limited liability company	Shanghai	Qiu Jianmin	Computer information technology, technical development in the field of automotive software technology, etc.	20,000	20,000	91310104MA1FR16T89	-	25.00	25.00
Better Sharing (Note 3)	Joint stock limited company	Shanghai	Zhang Wenjian	Technical consulting, etc.	60,000	60,000	91310104087809549Q	-	6.73	6.82
Beijing Miaoyijia	Limited liability company	Beijing	Kong Fei	Information technology services	77,489	71,670	91110105MA0029NRX0	-	19.03	18.18
Lianren Digital Health	Joint stock limited company	Shanghai	Dai Zhong	Information technology services	2,000,000	2,000,000	91310000MA1FL70Y4L	-	24.57	25.00
Xin'an Technology (Note 4)	Limited liability company	Quzhou	Li Xin	Network technology development services	13,354 US\$	13,354 US\$	91330800798592681F	-	8.85	9.00
Lingang GLP.	Limited liability company	Shanghai	Zhao Mingqi	Real estate	119,990 thousand	119,990 thousand	913100007709009105	-	19.65	20.00
Hi-Tech	Limited liability company	Shanghai	Gu Lun	Business services	453,250	453,250	913100006072011086	-	19.65	20.00
Lingang Yunhui	Limited liability company	Shanghai	Chen Jiong	Real estate	275,000	275,000	91310115MA1HB4MF8F	-	19.65	20.00
Guangci Hospital	Limited liability company	Shanghai	Yu Yuping	Health care services: internal medicine, surgery, obstetrics and Gynecology, pediatrics, etc	26,433	26,433	91310000607213328R	-	40.00	40.00
Shantai Healthcare China	Limited liability company	Shanghai	Ma Xin	Health technology related industries	100,000	70,000	91310000MA1H3A1C2Q	-	39.32	40.00
Rongxin Insurance (Note 5)	Limited liability company	Shanghai	Jia Biao	Capital market services	14,800,000	14,800,000	91310000MA7CQLY57Q	-	9.97	12.50

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 31 December 2021, details of associates of the Group are as follows (continued):

Name	Type of enterprise	Place of registration /Major business location	Legal representative	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 (%)	
								Direct	Indirect
				Enterprise management, industrial investment, management, asset management					Percentage of voting rights attributable to the Company (%)
Heji (Note 6)	LLP	Shanghai	applicable	Not and consulting, etc.	Not applicable	202,000	91310109MA1G58GG51	-	97.53
CHEMCHINA Debt Investment Plan (Note 7)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,000,000	Not applicable	-	70.55
Sichuan Railway Investment Plan (Note 8)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	600,000	Not applicable	-	38.17
Ningbo Zhilin (Note 9)	LLP	Ningbo	Not applicable	Investment management and asset management	Not applicable	2,684,798	91330206MA290G5B4K	-	88.46
Jiaxing Yishang (Note 10)	LLP	Jiaxing	Not applicable	Equity investment	Not applicable	950,501	91330402MA2BCWUX4C	-	93.18
Yangtze River Delta Fund	LLP	Shanghai	Not applicable	Equity investment	Not applicable	6,924,521	91310000MA1FL62E0U	-	27.28
Taijiashan (Note 11)	LLP	Shanghai	Not applicable	Equity investment	Not applicable	2,525,000	91310000MA1FL7MH5H	-	97.32
Sci-Tech Innovation II	LLP	Shanghai	Not applicable	Equity investment	Not applicable	1,740,300	91310000MA1FL7X9X1	-	25.42

Note 1: CPIC Life holds over 50% of the ownership interest of Ruiyongjing Real Estate. Since CPIC Group cannot direct the relevant activities of Ruiyongjing Real Estate according to the Articles of Association of Ruiyongjing Real Estate, Ruiyongjing Real Estate is accounted under equity method.

Note 2: CPIC Senior Living Investment holds over 50% of the ownership interest of Pacific Orpea. Since CPIC Group cannot direct the relevant activities of Pacific Orpea according to the Articles of Association of Pacific Orpea, Pacific Orpea is accounted under equity method.

Note 3: CPIC Property has significant influence over Better Sharing by accrediting a director to the company. Therefore, Better Sharing is accounted under equity method.

Note 4: According to the articles of association of Xin'an Technology, Pacific Medical & Healthcare has significant influence over Xin'an Technology by accrediting a director to the company. Therefore, Xin'an Technology is accounted under equity method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Note 5: CPIC Life has significant influence over China Insurance Rongxin by accrediting a director to the company. Therefore, China Insurance Rongxin is accounted under equity method.

Note 6: CPIC Property holds over 50% shares of Heji. Since CPIC Group cannot direct the relevant activities of Heji according to the partnership agreement of Heji, Heji is accounted under equity method.

Note 7: CPIC Life and Changjiang Pension hold over 50% shares of CHEMCHINA Debt Investment Plan. Since CPIC Group cannot direct the relevant activities of CHEMCHINA Debt Investment Plan according to the Agreement of Investment Plan, CHEMCHINA Debt Investment Plan is accounted under equity method.

Note 8: CPIC Life and Changjiang Pension hold shares of Sichuan Railway Investment Plan. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Plan. Since CPIC Group has significant influence over Sichuan Railway Investment Plan, Sichuan Railway Investment Plan is accounted under equity method.

Note 9: CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot direct the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.

Note 10: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot direct the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method.

Note 11: CPIC Life holds over 50% shares of Taijiashan. Since CPIC Group cannot direct the relevant activities of Taijiashan according to the partnership agreement of Taijiashan, Taijiashan is accounted under equity method.

Summarised financial information for joint ventures:

	31 December 2021			31 December 2020		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Binjiang-Xiangrui	2,094	1,876	218	2,060	1,867	193
Taiyi Information Technology	4	-	4	4	-	4
Dayu Technology	155	25	130	61	17	44
Aizhu Information	9	11	(2)	10	12	(2)
Euler Hermes	53	3	50	50	7	43
Dabaoguisheng	18	13	5	39	23	16
Ruiyongjing Real Estate	17,728	3,695	14,033	16,801	2,755	14,046
Pacific Orpea	7	-	7	8	-	8

For unrecognised commitments in relation to the investments in joint ventures, please refer to Note XII.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Summarised financial information for significant associates:

	For the year ended 31 December 2021/2021			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit in current year
Ningbo Zhilin	3,025	41	198	183
CHEMCHINA Debt Investment Plan	3,007	2	177	161
Yangtze River Delta Fund	9,065	2	1,703	1,641
Taijiashan	2,578	-	124	59

Summarised financial information for other associates:

	2021	2020
Net (loss)/profit	(277)	557
Other comprehensive income/(loss)	-	-
Total comprehensive (loss)/income	(277)	557
Total comprehensive loss attributable to the Group	(87)	(12)
Total carrying amount of the Group's investment as at the year end	7,220	6,205

As at 31 December 2021, there was no impairment in the Group's long-term equity investments.

13. Restricted statutory deposits

	31 December 2021	31 December 2020
Opening balance	6,858	6,658
Movements for current year	570	200
Ending balance	7,428	6,858

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, Changjiang Pension, CPIC Health and PAAIC should place 20% of its issued capital as restricted statutory deposits, respectively.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

	31 December 2021		
	Amount	Storage	Period
<u>CPIC Property</u>			
China Minsheng Bank	1,162	Term deposits	5 years
China Zheshang Bank	1,040	Term deposits	5 years
Agricultural Bank of China	500	Term deposits	3 years
Industrial Bank	440	Term deposits	5 years and 1 month
Bank of Communications	368	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
Bank of Communications	250	Term deposits	5 years and 1 month
Bank of Shanghai	200	Term deposits	5 years
China CITIC Bank	100	Term deposits	5 years
Sub-total	4,334		
<u>CPIC Life</u>			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Bank of Communications	320	Term deposits	3 years
Bank of Nanjing	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
Sub-total	1,684		
<u>Changjiang Pension</u>			
Bank of Hangzhou	300	Term deposits	5 years and 1 month
Bank of Communications	200	Term deposits	5 years and 1 month
Bank of Nanjing	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Sub-total	800		
<u>CPIC Health</u>			
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	340		
<u>PAAIC</u>			
China Minsheng Bank	130	Term deposits	5 years
Agricultural Bank of China	60	Term deposits	3 years
Shanghai Pudong Development Bank	50	Term deposits	3 years
Bank of Shanghai	20	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	270		
Total	7,428		

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

	31 December 2020		
	Amount	Storage	Period
<u>CPIC Property</u>			
China Minsheng Bank	1,162	Term deposits	5 years
China Zheshang Bank	1,100	Term deposits	5 years
Industrial Bank	440	Term deposits	5 years and 1 month
Bank of Communications	368	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
Bank of Communications	250	Term deposits	5 years and 1 month
Bank of Shanghai	200	Term deposits	5 years
China CITIC Bank	100	Term deposits	5 years
Sub-total	3,894		
<u>CPIC Life</u>			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Agricultural Bank of China	320	Term deposits	3 years
Bank of Nanjing	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
Sub-total	1,684		
<u>Changjiang Pension</u>			
Bank of Hangzhou	300	Term deposits	5 years and 1 month
Bank of Communications	200	Term deposits	5 years and 1 month
Bank of Nanjing	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Sub-total	800		
<u>CPIC Health</u>			
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	340		
<u>PAAIC</u>			
China CITIC Bank	60	Term deposits	3 years
Agricultural Bank of China	60	Term deposits	3 years
Shanghai Pudong Development Bank	10	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	140		
Total	6,858		

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investment properties

	Buildings
Cost:	
1 January 2020	10,638
Additions	22
Transfer to fixed assets, net	<u>(102)</u>
31 December 2020	10,558
Additions	26
Transfer to fixed assets, net	<u>(41)</u>
31 December 2021	<u>10,543</u>
Accumulated depreciation:	
1 January 2020	(2,355)
Charge for the year	(335)
Transfer from fixed assets, net	<u>(2)</u>
31 December 2020	(2,692)
Charge for the year	(329)
Transfer from fixed assets, net	<u>(8)</u>
31 December 2021	<u>(3,029)</u>
Carrying amount:	
31 December 2021	<u>7,514</u>
31 December 2020	<u>7,866</u>

The fair values of investment properties of the Group as at 31 December 2021 amounted to approximately RMB 11,538 million, which were estimated by the Group based on the independent appraisers' valuations (31 December 2020: RMB 11,470 million).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost:				
1 January 2020	18,143	1,147	5,632	24,922
Procurement	72	61	616	749
Transfer from construction in progress	863	-	-	863
Transfer from investment properties, net	102	-	-	102
Decrease	(131)	(75)	(521)	(727)
31 December 2020	19,049	1,133	5,727	25,909
Procurement	67	26	433	526
Transfer from construction in progress	1,880	-	-	1,880
Transfer from investment properties, net	41	-	-	41
Decrease	(5)	(47)	(347)	(399)
31 December 2021	21,032	1,112	5,813	27,957
Accumulated depreciation:				
1 January 2020	(4,148)	(810)	(3,577)	(8,535)
Depreciation charge	(589)	(97)	(734)	(1,420)
Transfer to investment properties, net	2	-	-	2
Decrease	2	72	495	569
31 December 2020	(4,733)	(835)	(3,816)	(9,384)
Depreciation charge	(643)	(90)	(721)	(1,454)
Transfer to investment properties, net	8	-	-	8
Decrease	5	45	336	386
31 December 2021	(5,363)	(880)	(4,201)	(10,444)
Provision for impairment loss:				
1 January 2020, 31 December 2020, and 31 December 2021	(9)	-	-	(9)
Carrying amount:				
31 December 2021	15,660	232	1,612	17,504
31 December 2020	14,307	298	1,911	16,516

As at 31 December 2021, the Group's motor vehicles and other equipment with a cost of approximately RMB 3,281 million (31 December 2020: RMB 2,771 million) are fully depreciated but still in use.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Construction in progress

The Group's construction in progress mainly comprises office building construction projects, and the movements are detailed as follows:

Item	31 December 2021								
	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
Zhejiang	699	223	347	(3)	-	-	-	567	82%
Shanghai	1,083	35	494	(1)	-	(62)	-	466	49%
Fujian	816	7	261	-	-	-	-	268	33%
Liaoning	166	158	-	(1)	-	-	-	157	95%
Jiangsu	312	25	86	(12)	-	-	-	99	36%
Guangdong	984	868	9	(814)	-	-	-	63	89%
Guizhou	35	10	3	-	-	-	-	13	37%
Yunnan	462	83	107	(178)	-	-	-	12	41%
Sichuan	1,363	353	392	(745)	-	-	-	-	55%
Chengdu	57	27	15	(42)	-	-	-	-	74%
Others	966	33	167	(84)	(47)	-	-	69	21%
		1,822	1,881	(1,880)	(47)	(62)	-	1,714	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

Item	31 December 2020								
	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
Guangdong	944	853	15	-	-	-	-	868	92%
Sichuan	587	119	234	-	-	-	-	353	60%
Zhejiang	637	17	206	-	-	-	-	223	35%
Liaoning	349	320	2	(164)	-	-	-	158	92%
Yunnan	125	-	83	-	-	-	-	83	66%
Shanghai	58	2	36	(3)	-	-	-	35	66%
Chengdu	57	-	27	-	-	-	-	27	47%
Jiangsu	166	83	20	(78)	-	-	-	25	64%
Guizhou	92	62	1	(53)	-	-	-	10	68%
Hubei	298	256	26	(282)	-	-	-	-	95%
Jilin	145	115	14	(129)	-	-	-	-	89%
Hebei	44	36	3	(39)	-	-	-	-	89%
Hunan	27	25	1	(26)	-	-	-	-	96%
Others	1,391	99	64	(89)	(34)	-	-	40	12%
		1,987	732	(863)	(34)	-	-	1,822	

The capital sources of the Group's construction in progress are all self-owned funds, and there is 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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost:				
1 January 2020	5,386	4	17	5,407
Increase	1,295	3	2	1,300
Decrease	(582)	(1)	(2)	(585)
31 December 2020	6,099	6	17	6,122
Increase	1,182	-	8	1,190
Decrease	(938)	(2)	(5)	(945)
31 December 2021	6,343	4	20	6,367
Accumulated depreciation:				
1 January 2020	(1,273)	(1)	(3)	(1,277)
Depreciation charge	(1,504)	(2)	(3)	(1,509)
Decrease	460	-	2	462
31 December 2020	(2,317)	(3)	(4)	(2,324)
Depreciation charge	(1,479)	(3)	(3)	(1,485)
Decrease	914	2	1	917
31 December 2021	(2,882)	(4)	(6)	(2,892)
Carrying amount:				
31 December 2021	3,461	-	14	3,475
31 December 2020	3,782	3	13	3,798

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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Intangible assets

	Land use rights	Software use rights	License	Total
Cost:				
1 January 2020	705	6,254	646	7,605
Increase	715	1,046	-	1,761
Transfers from construction in progress	-	34	-	34
Decrease	-	(5)	-	(5)
31 December 2020	1,420	7,329	646	9,395
Increase	707	928	-	1,635
Transfers from construction in progress	-	47	-	47
Decrease	-	(6)	-	(6)
31 December 2021	2,127	8,298	646	11,071
Accumulated Amortisation:				
1 January 2020	(25)	(3,928)	-	(3,953)
Amortisation	(25)	(725)	-	(750)
Decrease	-	1	-	1
31 December 2020	(50)	(4,652)	-	(4,702)
Amortisation	(47)	(819)	-	(866)
Decrease	-	6	-	6
31 December 2021	(97)	(5,465)	-	(5,562)
Carrying amount:				
31 December 2021	2,030	2,833	646	5,509
31 December 2020	1,370	2,677	646	4,693

There was no such case as the recoverable amount was lower than the carrying amount of the intangible assets at the end of the year, thus no provision for impairment of intangible assets was required.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Goodwill

	31 December 2021			Ending balance
	Opening balance	Increase	Decrease	
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	-	15	-	15
Sub-total	1,357	15	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,357	15	-	1,372

	31 December 2020			Ending balance
	Opening balance	Increase	Decrease	
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Sub-total	1,357	-	-	1,357
Less: Provision for impairment	-	-	-	-
Net value	1,357	-	-	1,357

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 31 December 2021, the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is greater than its carrying amount, thus no impairment provision is recognised.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Deferred income tax assets and liabilities

	31 December 2021		31 December 2020	
	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Deferred income tax assets				
Insurance contract reserves	1,989	7,956	418	1,672
Changes in fair value of financial instruments	(974)	(3,896)	14	56
Provision for asset impairment	275	1,100	14	56
Others	708	2,832	399	1,596
Sub-total	1,998	7,992	845	3,380
Deferred income tax liabilities				
Insurance contract reserves	1,038	4,152	1,266	5,064
Changes in fair value of financial instruments	(5,867)	(23,468)	(7,482)	(29,928)
Commission and brokerage expenses	360	1,440	402	1,608
Provision for asset impairment	2,014	8,056	1,477	5,908
Adjustment in fair value arising from acquisition of subsidiaries	(858)	(3,432)	(892)	(3,568)
Others	(288)	(1,152)	174	696
Sub-total	(3,601)	(14,404)	(5,055)	(20,220)
Net value	(1,603)	(6,412)	(4,210)	(16,840)

Deferred income tax assets and liabilities of the Group presented above reflect the net amount after each taxpayer's offsetting within their entity level.

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract reserves	Fair value	Commission and brokerage expenses	Provision for asset impairments	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
1 January 2020	1,267	(4,216)	473	787	-	(921)	559	(2,051)
Recognised in profit or loss	417	7	(71)	704	-	29	14	1,100
Recognised in equity	-	(3,259)	-	-	-	-	-	(3,259)
31 December 2020	1,684	(7,468)	402	1,491	-	(892)	573	(4,210)
Recognised in profit or loss	1,343	(263)	(42)	798	-	34	(153)	1,717
Recognised in equity	-	890	-	-	-	-	-	890
31 December 2021	3,027	(6,841)	360	2,289	-	(858)	420	(1,603)

As at 31 December 2021, there was no significant deductible temporary differences and deductible losses that were not recognised as deferred income tax assets.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets

	31 December 2021	31 December 2020
Other receivables	(1) 11,413	13,411
Improvements of right-of-use assets	924	955
Others	1,993	1,446
Total	<u>14,330</u>	<u>15,812</u>

(1) Other receivables

	31 December 2021	31 December 2020
Receivable from securities sold but not settled	2,469	5,133
Due from external undertakings	1,976	1,373
Due from related parties*	1,774	1,614
Prepaid tax	779	1,292
Due from agents	205	278
Deposits	186	173
Co-insurance receivables	93	101
Others	4,114	3,624
Sub-total	11,596	13,588
Less: Provision for bad debts	(183)	(177)
Net value	<u>11,413</u>	<u>13,411</u>

* As at 31 December 2021, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB 1,774 million (31 December 2020: RMB 1,614 million), which accounting for 15% (31 December 2020: 12%) of the total other receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

	31 December 2021			
	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	4,809	41%	(157)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	6,787	59%	(26)	0%
Total	11,596	100%	(183)	2%
	31 December 2020			
	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	4,872	36%	(167)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	8,716	64%	(10)	0%
Total	13,588	100%	(177)	1%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. 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 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,087	70%	-	8,087
3 months to 1 year (inclusive)	1,337	12%	(15)	1,322
1 to 3 years (inclusive)	403	3%	(36)	367
Over 3 years	1,769	15%	(132)	1,637
Total	11,596	100%	(183)	11,413

Aging	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	10,782	79%	-	10,782
3 months to 1 year (inclusive)	681	5%	(7)	674
1 to 3 years (inclusive)	536	4%	(34)	502
Over 3 years	1,589	12%	(136)	1,453
Total	13,588	100%	(177)	13,411

The top five other receivables of the Group are as follows:

	31 December 2021	31 December 2020
Total amount of the top five other receivables	2,168	1,868
Total provision for bad debts	(4)	(3)
% of total other receivables	19%	14%

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets

	31 December 2021				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	1,041	293	(30)	(17)	1,287
- Premium receivables	655	242	(18)	(17)	862
- Reinsurance receivables	165	33	-	-	198
- Interest receivables	44	-	-	-	44
- Other receivables	177	18	(12)	-	183
Provision for impairment of available-for-sale financial assets	5,134	4,396	(201)	(924)	8,405
- Debt instruments	1,895	285	(201)	(75)	1,904
- Equity instruments	3,239	4,111	-	(849)	6,501
Provision for impairment of held-to-maturity financial assets	191	26	-	-	217
Provision for impairment of investments classified as loans and receivables	323	-	(43)	-	280
Provision for losses on loans	5	-	-	-	5
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	41	-	-	(16)	25
Total	6,764	4,715	(274)	(957)	10,248

	31 December 2020				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	931	212	(60)	(42)	1,041
- Premium receivables	523	202	(29)	(41)	655
- Reinsurance receivables	167	-	(2)	-	165
- Interest receivables	39	5	-	-	44
- Other receivables	202	5	(29)	(1)	177
Provision for impairment of available-for-sale financial assets	2,669	3,942	(17)	(1,460)	5,134
- Debt instruments	621	1,244	(17)	47	1,895
- Equity instruments	2,048	2,698	-	(1,507)	3,239
Provision for impairment of held-to-maturity financial assets	47	191	-	(47)	191
Provision for impairment of investments classified as loans and receivables	197	126	-	-	323
Provision for losses on loans	7	-	-	(2)	5
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	41	-	-	-	41
Total	3,921	4,471	(77)	(1,551)	6,764

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets (continued)

In 2021, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 924 million (in 2020: RMB 1,507 million). The ending balance of the provision for impairment of available-for-sale financial assets has been included in the carrying amount of available-for-sale financial assets.

23. Securities sold under agreements to repurchase

	31 December 2021	31 December 2020
Securities - bonds		
Inter-bank market	63,591	77,797
Stock exchange	9,850	13,028
Total	73,441	90,825

As at 31 December 2021, the Group's bonds with par value of approximately RMB 67,942 million (31 December 2020: approximately RMB 84,037 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2021 the Group's exchange-traded standardised bonds of approximately RMB 9,850 million (31 December 2020: approximately RMB 13,028 million) were pledged for the securities sold at Shanghai and Shenzhen stock exchange under agreements to repurchase.

24. Reinsurance payables

	31 December 2021	31 December 2020
Within 1 year (inclusive)	7,122	5,200
Over 1 year	516	301
Total	7,638	5,501

The details of the top five reinsurers/brokers of the reinsurance payables of the Group are as follows:

Reinsurer/Broker	31 December 2021	
	Ending balance (including accrual)	% of total balance
Munich Reinsurance Company	1,027	13%
China Property & Casualty Reinsurance Company Ltd.	952	12%
China Life Reinsurance Company Ltd.	915	12%
Swiss Reinsurance Company Ltd	788	10%
Qianhai Reinsurance Co., Ltd.	613	8%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Reinsurance payables (continued)

Reinsurer/Broker	31 December 2020	
	Ending balance (including accrual)	% of total balance
Munich Reinsurance Company	841	15%
China Life Reinsurance Company Ltd.	531	10%
Swiss Reinsurance Company Ltd	507	9%
Qianhai Reinsurance Co., Ltd.	468	9%
SCOR	231	4%

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

25. Employee benefits payable

	1 January 2021	Increase	Decrease	31 December 2021
Wages and salaries, bonus, allowances and subsidies	5,446	19,274	(18,931)	5,789
Staff welfare	7	886	(890)	3
Social security contributions	77	3,637	(3,636)	78
Housing funds	9	1,243	(1,243)	9
Labour union funds	61	345	(351)	55
Employee education funds	614	196	(73)	737
Deferred bonus to management	67	-	(14)	53
Early retirement benefits	430	435	(203)	662
Total	6,711	26,016	(25,341)	7,386

	1 January 2020	Increase	Decrease	31 December 2020
Wages and salaries, bonus, allowances and subsidies	4,560	19,357	(18,471)	5,446
Staff welfare	8	960	(961)	7
Social security contributions	69	2,122	(2,114)	77
Housing funds	8	1,155	(1,154)	9
Labour union funds	55	347	(341)	61
Employee education funds	478	205	(69)	614
Deferred bonus to management	72	-	(5)	67
Early retirement benefits	323	242	(135)	430
Total	5,573	24,388	(23,250)	6,711

The Group had no significant non-monetary benefits and compensation for termination of employment.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Taxes payable

	31 December 2021	31 December 2020
Corporate income tax	2,353	1,396
Unpaid VAT	550	539
Withholding individual income tax	125	121
Others	1,110	1,155
Total	4,138	3,211

27. Policyholders' deposits and investment contract liabilities

	31 December 2021	31 December 2020
Opening balance	87,126	75,576
Deposits received	21,328	14,994
Interest credited	4,007	3,344
Deposits withdrawn	(10,501)	(8,220)
Fees deducted for initial policy charge and account management	(382)	(262)
Others	1,265	1,694
Ending balance	102,843	87,126

	31 December 2021	31 December 2020
Expire within 1 year (inclusive)	2,562	1,454
Expire within 1 to 3 years (inclusive)	1,467	2,110
Expire within 3 to 5 years (inclusive)	5,748	3,019
Expire within more than 5 years	93,066	80,543
Total	102,843	87,126

The above policyholders' deposits and investment contract liabilities included the investment part unbundled from universal insurance contracts and significant contracts that had not been determined as insurance contracts as per insurance risk testing, and the majority of them had a maturity of more than five years and involved insignificant insurance liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Unearned premium reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2020	61,642	333	61,975
Increase	167,306	1,397	168,703
Decrease	(160,646)	(1,232)	(161,878)
31 December 2020	68,302	498	68,800
Increase	171,468	1,322	172,790
Decrease	(168,786)	(1,311)	(170,097)
31 December 2021	70,984	509	71,493

The Group's unearned premium reserves split by term to maturity are listed below:

	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	56,013	238	56,251
Over 1 year	14,971	271	15,242
Total	70,984	509	71,493

	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	54,891	147	55,038
Over 1 year	13,411	351	13,762
Total	68,302	498	68,800

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Claim reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2020	41,826	678	42,504
Increase	97,328	647	97,975
Decrease - claims	(92,712)	(381)	(93,093)
31 December 2020	46,442	944	47,386
Increase	117,017	658	117,675
Decrease - claims	(106,034)	(607)	(106,641)
31 December 2021	57,425	995	58,420

The Group's claim reserves split by term to maturity are listed below:

	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	43,443	637	44,080
Over 1 year	13,982	358	14,340
Total	57,425	995	58,420

	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	35,020	623	35,643
Over 1 year	11,422	321	11,743
Total	46,442	944	47,386

The claim reserves under direct insurance contracts are as follows:

	31 December 2021	31 December 2020
Incurred and reported claim reserves	36,105	34,012
IBNR reserves	19,813	10,872
Claim expense reserves	1,507	1,558
Total	57,425	46,442

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Life insurance reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2020	891,136	59	891,195
Increase	170,868	3,367	174,235
Decrease			
- Claims	(41,733)	(2)	(41,735)
- Early termination	(12,017)	(1,484)	(13,501)
31 December 2020	1,008,254	1,940	1,010,194
Increase	169,273	2,128	171,401
Decrease			
- Claims	(31,609)	-	(31,609)
- Early termination	(18,420)	(1,944)	(20,364)
31 December 2021	1,127,498	2,124	1,129,622

The Group's life insurance reserves split by term to maturity are as follows:

	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	31,555	-	31,555
1 to 5 years (inclusive)	29,048	-	29,048
Over 5 years	1,066,895	2,124	1,069,019
Total	1,127,498	2,124	1,129,622

	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	40,385	-	40,385
1 to 5 years (inclusive)	28,253	-	28,253
Over 5 years	939,616	1,940	941,556
Total	1,008,254	1,940	1,010,194

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Long-term health insurance reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2020	72,347	-	72,347
Increase	35,392	-	35,392
Decrease			
- Claims	(8,023)	-	(8,023)
- Early termination	(920)	-	(920)
31 December 2020	98,796	-	98,796
Increase	39,467	-	39,467
Decrease			
- Claims	(10,499)	-	(10,499)
- Early termination	(1,966)	-	(1,966)
31 December 2021	125,798	-	125,798

The Group's long-term health insurance reserves split by term to maturity are as follows:

	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	458	-	458
1 to 5 years (inclusive)	453	-	453
Over 5 years	124,887	-	124,887
Total	125,798	-	125,798

	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	524	-	524
1 to 5 years (inclusive)	416	-	416
Over 5 years	97,856	-	97,856
Total	98,796	-	98,796

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Bonds payable

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 5.10% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%.

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 4.99% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

Issuer	31 December 2020	Issuance	Amortisation of bond premium or discount	Redemption in current year	31 December 2021
CPIC Property	9,991	-	4	-	9,995

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Other liabilities

		31 December 2021	31 December 2020
Other payables	(1)	35,713	29,374
Accrued expenses		2,238	2,839
Insurance security fund		1,138	632
Others		1,914	1,335
Total		<u>41,003</u>	<u>34,180</u>

(1) Other payables

		31 December 2021	31 December 2020
Payables to third-party investors of consolidated structured entities		13,033	4,411
Payables related to asset-backed securities		11,775	13,140
Payables for securities purchased but not settled		2,699	4,182
Payables to be claimed by customers		1,957	1,652
Payables for purchases		1,311	1,281
Deposits		922	1,021
Co-insurance payable		875	520
Payables for construction and purchasing office building		674	36
Compulsory automobile insurance rescue fund		377	304
Reimbursement payables		300	785
Others		1,790	2,042
Total		<u>35,713</u>	<u>29,374</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

34. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2021		Increase of number of shares		31 December 2021	
	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%

35. Capital reserves

	31 December 2021	31 December 2020
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,110	2,127
Impact of equity transactions with non-controlling interests	(131)	-
Impact of other changes in the equity of investees accounted for using the equity method	58	36
Transaction with non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,662	79,788

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Surplus reserves

Statutory surplus
reserve (the "SSR")

1 January 2020	4,835
Appropriations in 2020	<u>279</u>
31 December 2020 and 31 December 2021	<u>5,114</u>

37. 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

1 January 2020	14,329
Appropriations	<u>2,500</u>
31 December 2020	16,829
Appropriations	<u>2,692</u>
31 December 2021	<u>19,521</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

38. 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 lower of the amount determined under CASs and the amount determined under Hong Kong Financial Reporting Standards, 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 2021.

Pursuant to the resolution of the 15th meeting of the 9th Board of Directors of the Company held on 25 March 2022, a final dividend of approximately RMB 9,620 million (equivalent to annual cash dividend of RMB 1.0 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 16,388 million as at 31 December 2021 (31 December 2020: RMB 15,647 million) represents the Company's share of its subsidiaries' surplus reserve fund. The Company's share of surplus reserve fund appropriated by subsidiaries in the year of 2021 amounted to RMB 741 million (2020: RMB 3,071 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

39. Non-controlling interests

	31 December 2021	31 December 2020
CPIC Property	737	681
CPIC Life	1,735	1,608
Changjiang Pension	1,580	1,459
CPIC Funds	539	523
CPIC Health	-	322
PAAIC	931	873
Pacific Care Home at Dali	142	145
Total	<u>5,664</u>	<u>5,611</u>

40. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

	2021	2020
Property and casualty insurance:		
Automobile insurance	91,800	95,919
Health insurance	13,283	8,893
Liability insurance	11,032	9,002
Agricultural insurance	10,551	9,574
Guarantee insurance	7,334	6,690
Other insurances	20,611	19,644
Sub-total	<u>154,611</u>	<u>149,722</u>
Life insurance:		
Individual insurance		
- Life insurance	106,629	95,467
- Participating insurance	86,737	97,318
- Universal insurance	98	101
- Short-term accident and health insurance	6,094	9,120
Group insurance		
- Life insurance	528	475
- Short-term accident and health insurance	12,085	9,861
Sub-total	<u>212,171</u>	<u>212,342</u>
Total	<u>366,782</u>	<u>362,064</u>

(2) The Group's gross written premiums with the top five customers is listed below:

	2021	2020
Gross written premiums of the top five customers	<u>2,066</u>	<u>2,144</u>
% of gross written premiums	<u>0.56%</u>	<u>0.59%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

41. Net change in unearned premium reserves

	2021	2020
Unearned premium reserves		
- Direct insurance contracts	2,679	6,671
- Assumed reinsurance contracts	11	165
Sub-total	2,690	6,836
Unearned premium reserves recovered from reinsurers		
- Direct insurance contracts	(434)	(1,108)
- Assumed reinsurance contracts	57	(44)
Sub-total	(377)	(1,152)
Net	2,313	5,684

42. Investment income

	2021	2020
Net gains on disposal of stock investments	17,778	16,646
Net gains on disposal of fund investments	3,581	1,833
Net gains on disposal of bond investments	454	463
Interest on securities purchased under agreements to resell	191	288
Interest income from debt investments	50,680	47,816
Interest income from other fixed-interest investments	12,760	11,982
Fund dividend income	1,570	1,452
Stock dividend income	3,163	2,769
Income from other equity investments	4,433	3,124
Share of profits of associates and joint ventures	799	512
Others	48	528
Total	95,457	87,413

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

43. Gains arising from changes in fair value

	2021	2020
Bond investments	77	(144)
Fund investments	1	1
Derivatives	118	140
Stock investments	36	74
Wealth management products and other equity instruments	931	10
Total	<u>1,163</u>	<u>81</u>

44. Other operating income

	2021	2020
Income from assets management fee	2,673	2,385
Rental income from investment properties	742	745
Amortisation of initial policy fee and account management fee	382	262
Others	917	911
Total	<u>4,714</u>	<u>4,303</u>

45. Gains on disposal of assets

	2021	2020
Gains on disposal of fixed assets	<u>10</u>	<u>4</u>

46. Surrenders

	2021	2020
Individual life insurance		
- Direct insurance contracts	20,349	12,913
- Reinsurance contracts	1,944	1,484
Group life insurance		
- Direct insurance contracts	37	24
Total	<u>22,330</u>	<u>14,421</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Claims

	2021	2020
Indemnity		
- Direct insurance contracts	106,034	92,712
- Assumed reinsurance contracts	607	381
Sub-total	106,641	93,093
Payment upon maturity - direct insurance contracts	14,291	24,746
Payment upon maturity - reinsurance contracts	3	-
Payment of annuity - direct insurance contracts	14,641	14,530
Payment upon death, injury or medical treatment - direct insurance contracts	13,169	10,480
Payment upon death, injury or medical treatment - reinsurance contracts	4	2
Total	148,749	142,851

The breakdown of the Group's claims by types of insurance is as follows:

	2021	2020
Property and casualty insurance:		
Automobile insurance	61,453	56,100
Agricultural insurance	8,086	7,085
Health insurance	7,293	5,228
Liability insurance	4,837	3,840
Commercial property insurance	4,198	3,187
Other insurances	8,296	7,571
Sub-total	94,163	83,011
Life insurance:		
Individual insurance		
- Life insurance	18,172	15,570
- Participating insurance	23,216	33,523
- Universal insurance	69	57
- Short-term accident and health insurance	2,980	2,679
Group insurance		
- Life insurance	562	520
- Participating insurance	87	85
- Universal insurance	2	3
- Short-term accident and health insurance	9,498	7,403
Sub-total	54,586	59,840
Total	148,749	142,851

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Changes in insurance contract reserves

	2021	2020
Changes in claim reserves		
- Direct insurance contracts	10,983	4,616
- Assumed reinsurance contracts	25	295
Sub-total	11,008	4,911
Changes in life insurance reserves		
- Direct insurance contracts	116,902	104,943
- Assumed reinsurance contracts	184	1,881
Sub-total	117,086	106,824
Changes in long-term health insurance reserves		
- Direct insurance contracts	27,002	26,449
Total	155,096	138,184

The particulars of changes in claim reserves under direct insurance contracts are as follows:

	2021	2020
Incurred and reported claim reserves	2,093	2,361
IBNR reserves	8,941	1,596
Claim expense reserves	(51)	659
Total	10,983	4,616

49. Insurance contract reserves recovered from reinsurers

	2021	2020
Recovery of claim reserves		
- Direct insurance contracts	2,137	381
- Assumed reinsurance contracts	(265)	45
Recovery of life insurance reserves		
- Direct insurance contracts	98	(69)
Recovery of long-term health insurance reserves		
- Direct insurance contracts	767	664
Total	2,737	1,021

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

50. Taxes and surcharges

	2021	2020
City maintenance and construction tax	350	365
Educational surcharge	256	267
Others	419	412
Total	<u>1,025</u>	<u>1,044</u>

51. Commission and brokerage expenses

	2021	2020
<u>Fee</u>		
Property and casualty insurance		
Automobile insurance	7,011	12,216
Liability insurance	1,605	1,372
Accident insurance	1,495	1,520
Commercial property insurance	978	1,043
Health insurance	963	909
Other insurances	1,023	1,035
Sub-total	<u>13,075</u>	<u>18,095</u>
Life insurance	<u>1,265</u>	<u>1,125</u>
Total	<u>14,340</u>	<u>19,220</u>
<u>Commission</u>		
Commission expenses for single premium policy	847	1,229
First-year commission expenses for regular premium policy	9,110	11,148
Renewal commission expenses for regular premium policy	6,007	7,898
Total	<u>15,964</u>	<u>20,275</u>
Total of fee and commission expenses	<u>30,304</u>	<u>39,495</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)**52. Operating and administrative expenses**

The Group's operating and administrative fee details by items are as follows:

	2021	2020
Payroll and welfare benefits	23,179	21,610
Advertising expenses (including business publicity expenses)	5,019	6,685
Professional service fees	2,978	5,140
General office expenses	2,813	3,214
Outsourcing service fees	1,640	850
Depreciation of right-of-use assets	1,447	1,466
Depreciation of fixed assets	1,388	1,349
Insurance security funds withdrawal	1,260	856
Prevention expenses	1,153	1,829
Amortisation of intangible assets	823	749
Consulting fees	801	534
Property management fees	779	740
Labour costs	751	683
Amortisation of other long-term assets	396	384
Entrusted management fees	320	727
Compulsory automobile rescue fund	311	292
Travel expenses	179	184
Rent for short-term and low-value asset leases	89	117
Transportation expenses	87	140
Others	4,827	5,436
Total	<u>50,240</u>	<u>52,985</u>

53. Interest expenses

	2021	2020
Securities sold under agreements to repurchase	1,812	1,907
Unclaimed policy dividend	590	645
Debts	503	508
Asset-backed securities	414	208
Interest on lease liabilities	122	134
Others	-	3
Total	<u>3,441</u>	<u>3,405</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54. Other operating expenses

	2021	2020
Interest expenses for policyholders' investment contract liabilities	4,007	3,344
Depreciation of investment properties	329	335
Amortisation of fee and commission for acquiring policyholders' investment contract	95	37
Others	2,015	1,604
Total	6,446	5,320

55. Asset impairment losses

	2021	2020
Provision for available-for-sale financial assets impairment, net	4,195	3,925
Provision for held-to-maturity financial assets impairment, net	26	191
Provision for investments classified as loans and receivables impairment, net	(43)	126
Provision for bad debts, net	263	152
Total	4,441	4,394

56. Non-operating income

	2021	2020
Custody fees of entrusted operation	71	42
Government subsidies unrelated to ordinary activities	25	12
Others	152	54
Total	248	108

57. Non-operating expenses

	2021	2020
Charitable donations and commercial sponsorship	81	75
Government fines & confiscations and liquidated damages	30	23
Overdue tax payment and fines	7	5
Others	128	144
Total	246	247

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

58. Income tax

	2021	2020
Current income tax	4,895	4,986
Deferred income tax	<u>(1,717)</u>	<u>(1,100)</u>
Total	<u>3,178</u>	<u>3,886</u>

The relationship between income tax expenses and total profit is shown below:

	2021	2020
Total profit	<u>30,796</u>	<u>29,238</u>
Taxes calculated at the statutory tax rate of 25%	7,699	7,310
Income tax adjustment for prior years	(135)	(181)
Non-taxable income	(4,922)	(3,801)
Non-deductible expenses	264	431
Others	<u>272</u>	<u>127</u>
Income tax calculated at applicable tax rates	<u>3,178</u>	<u>3,886</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. 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.

	2021	2020
Consolidated net profit for the year attributable to shareholders of the parent	<u>26,834</u>	<u>24,584</u>
Weighted average number of ordinary shares in issue (million)	<u>9,620</u>	<u>9,353</u>
Basic earnings per share (RMB Yuan)	<u>2.79</u>	<u>2.63</u>

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2021.

In 2020, diluted earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the adjusted weighted average number of ordinary shares based on assuming full exercise of the over-allotment option as below.

	2021	2020
Consolidated net profit for the year attributable to shareholders of the parent	<u>26,834</u>	<u>24,584</u>
Weighted average number of ordinary shares in issue (million)	9,620	9,353
Adjustment for:		
Assumed vesting of the over-allotment option	-	-
Weighted average number of ordinary shares for diluted earnings per share	<u>9,620</u>	<u>9,353</u>
Diluted earnings per share (RMB Yuan)	<u>2.79</u>	<u>2.63</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2021	Attributable to the Company - net of tax	31 December 2021	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available- for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non- controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	22,377	(2,668)	19,709	12,062	(21,756)	4,195	1,899	890	(2,668)	(42)
Exchange differences on translation of foreign operations	(37)	(17)	(54)	(17)	-	-	-	-	(17)	-
Total	22,340	(2,685)	19,655	12,045	(21,756)	4,195	1,899	890	(2,685)	(42)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2020	Attributable to the Company - net of tax	31 December 2020	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available- for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non- controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	12,952	9,425	22,377	37,132	(19,308)	3,925	(8,840)	(3,259)	9,425	225
Exchange differences on translation of foreign operations	(3)	(34)	(37)	(34)	-	-	-	-	(34)	-
Total	12,949	9,391	22,340	37,098	(19,308)	3,925	(8,840)	(3,259)	9,391	225

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

61. Cash paid relating to other operating activities

Significant payments related to other operating activities are listed below:

	2021	2020
Surrenders	20,386	14,421
Advertising expenses (including business publicity expenses)	5,019	6,685
Professional service fees	2,978	5,140
General office expenses	2,813	3,214
Outsourcing service fees	1,640	850
Prevention expenses	1,153	1,829
Consulting fees	801	534
Property management fees	779	740
Labour costs	751	683
Entrusted management fees	320	727

62. Cash and cash equivalents

	2021	2020
Cash:		
Cash at bank readily available for payments	31,428	19,335
Other cash balances readily available for payments	767	1,105
Cash equivalents:		
Investments with an initial term within 3 months	13,432	14,327
Total	45,627	34,767

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

63. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2021	2020
Net profit	27,618	25,352
Add: Asset impairment losses	4,441	4,394
Changes in insurance contract reserves - net	152,359	137,163
Net change in unearned premium reserves	2,313	5,684
Changes in insurance premium reserves	-	(144)
Depreciation of right-of-use assets	1,485	1,509
Depreciation of fixed assets and investment properties	1,783	1,755
Amortisation of intangible assets	866	750
Amortisation of other long-term assets	399	389
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(10)	(4)
Investment income	(95,457)	(87,413)
Gains arising from changes in fair value	(1,163)	(81)
Interest expenses	2,851	2,760
Exchange losses	417	1,428
Deferred income tax	(1,717)	(1,100)
Increase in operating receivables	(8,504)	(8,757)
Increase in operating payables	20,726	24,378
Net cash flows from operating activities	<u>108,407</u>	<u>108,063</u>

(2) Net increase in cash and cash equivalents:

	2021	2020
Cash at the end of year	32,195	20,440
Less: Cash at the beginning of year	(20,440)	(14,501)
Cash equivalents at the end of year	13,432	14,327
Less: Cash equivalents at the beginning of year	(14,327)	(28,045)
Net increase/(decrease) in cash and cash equivalents	<u>10,860</u>	<u>(7,779)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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 (including CPIC Life and CPIC Health) offers a wide range of RMB life and health insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment mainly provides corporation management and assets management services, etc.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

In 2021, gross written premiums from transactions with the top five external customers amounted to 0.56% (in 2020: 0.59%) of the Group's total gross written premiums (Note VII 40).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	2021							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Net premiums earned	209,077	130,137	317	(6)	130,448	-	10	339,535
Including: Net premiums earned from third parties	207,529	131,836	170	-	132,006	-	-	339,535
Net premiums earned within the Group	1,548	(1,699)	147	(6)	(1,558)	-	10	-
Other income	25	53	-	-	53	103	-	181
Investment income	82,125	7,947	23	-	7,970	21,471	(16,109)	95,457
Gains arising from changes in fair value	686	1	-	-	1	476	-	1,163
Exchange losses	(50)	(54)	(2)	-	(56)	(311)	-	(417)
Other operating income	1,935	296	3	-	299	7,029	(4,549)	4,714
Gains/(losses) on disposal of assets	9	2	-	-	2	(1)	-	10
Operating income	293,807	138,382	341	(6)	138,717	28,767	(20,648)	440,643
Surrenders	(22,330)	-	-	-	-	-	-	(22,330)
Claims	(55,431)	(93,955)	(283)	75	(94,163)	-	845	(148,749)
Less: Claims recoveries from reinsurers	3,689	11,046	150	(75)	11,121	-	(850)	13,960
Changes in insurance contract reserves	(144,335)	(10,155)	(153)	43	(10,265)	-	(496)	(155,096)
Less: Insurance contract reserves recovered from reinsurers	599	2,287	24	(43)	2,268	-	(130)	2,737
Others	(56,731)	(39,384)	(114)	-	(39,498)	(7,929)	3,787	(100,371)
Operating expenses	(274,539)	(130,161)	(376)	-	(130,537)	(7,929)	3,156	(409,849)
Operating profit	19,268	8,221	(35)	(6)	8,180	20,838	(17,492)	30,794
Add: Non-operating income	61	125	-	-	125	62	-	248
Less: Non-operating expenses	(97)	(87)	-	-	(87)	(62)	-	(246)
Profit before tax	19,232	8,259	(35)	(6)	8,218	20,838	(17,492)	30,796
Less: Income tax	(389)	(1,841)	-	-	(1,841)	(833)	(115)	(3,178)
Net profit for the year	18,843	6,418	(35)	(6)	6,377	20,005	(17,607)	27,618

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

	2021							
Item	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Supplementary information:								
Capital expenditure	887	783	-	-	783	2,783	-	4,453
Depreciation and amortisation	2,093	1,474	-	-	1,474	966	-	4,533
Provision for asset impairment	3,713	511	-	-	511	217	-	4,441
31 December 2021								
Segment assets	1,573,849	211,120	1,530	(142)	212,508	210,534	(50,727)	1,946,164
Segment liabilities	1,534,126	161,138	1,104	(119)	162,123	31,115	(13,605)	1,713,759

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	2020							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Net premiums earned	208,319	123,014	373	19	123,406	-	(86)	331,639
Including: Net premiums earned from third parties	206,812	124,600	227	-	124,827	-	-	331,639
Net premiums earned within the Group	1,507	(1,586)	146	19	(1,421)	-	(86)	-
Other income	56	40	-	-	40	74	-	170
Investment income	75,770	6,954	39	-	6,993	25,181	(20,531)	87,413
Gains/(losses) arising from changes in fair value	93	(1)	-	-	(1)	(11)	-	81
Exchange (losses)/gains	(89)	(251)	5	-	(246)	(1,093)	-	(1,428)
Other operating income	2,374	232	3	-	235	5,968	(4,274)	4,303
Gains/(losses) on disposal of assets	4	1	-	-	1	(1)	-	4
Operating income	286,527	129,989	420	19	130,428	30,118	(24,891)	422,182
Surrenders	(14,421)	-	-	-	-	-	-	(14,421)
Claims	(60,383)	(82,862)	(232)	83	(83,011)	-	543	(142,851)
Less: Claims recoveries from reinsurers	2,925	10,115	119	(83)	10,151	-	(544)	12,532
Changes in insurance contract reserves	(133,970)	(3,799)	(201)	(15)	(4,015)	-	(199)	(138,184)
Less: Insurance contract reserves recovered from reinsurers	617	748	93	15	856	-	(452)	1,021
Others	(61,046)	(47,123)	(188)	-	(47,311)	(6,499)	3,954	(110,902)
Operating expenses	(266,278)	(122,921)	(409)	-	(123,330)	(6,499)	3,302	(392,805)
Operating profit	20,249	7,068	11	19	7,098	23,619	(21,589)	29,377
Add: Non-operating income	24	80	-	-	80	4	-	108
Less: Non-operating expenses	(98)	(108)	-	-	(108)	(41)	-	(247)
Profit before tax	20,175	7,040	11	19	7,070	23,582	(21,589)	29,238
Less: Income tax	(1,695)	(1,695)	(5)	-	(1,700)	(408)	(83)	(3,886)
Net profit for the year	18,480	5,345	6	19	5,370	23,174	(21,672)	25,352

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	2020						
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations			
Supplementary information:							
Capital expenditure	1,018	962	-	-	962	1,375	3,355
Depreciation and amortisation	1,145	979	1	-	980	2,278	4,403
Provision for asset impairment	3,713	503	-	-	503	178	4,394
31 December 2020							
Segment assets	1,452,600	187,383	1,545	(134)	188,794	161,388	1,771,004
Segment liabilities	1,394,452	141,076	1,031	(124)	141,983	27,193	1,550,169

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2021

(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 2021		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	109	1.00000	109
	USD	806	6.37570	5,139
	HKD	9	0.81760	7
	Sub-total			5,255
Other cash balances	RMB	6	1.00000	6
Total				5,261

		31 December 2020		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	246	1.00000	246
	HKD	9	0.84164	8
	Sub-total			254
Other cash balances	RMB	17	1.00000	17
Total				271

As at 31 December 2021, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 7 million (31 December 2020: amounted equivalent to RMB 8 million).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss

	31 December 2021	31 December 2020
Debt investments		
Finance bonds	7	-
Corporate bonds	2	11
Total	<u>9</u>	<u>11</u>

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.

3. Securities purchased under agreements to resell

	31 December 2021	31 December 2020
Securities - bonds		
Stock exchange	10	10
Inter-bank market	-	100
Total	<u>10</u>	<u>110</u>

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

4. Term deposits

	31 December 2021	31 December 2020
Term to maturity		
Within 1 year (inclusive)	6,278	12,690
1 to 2 years (inclusive)	3,700	500
2 to 3 years (inclusive)	1,500	3,700
3 to 4 years (inclusive)	2,800	1,500
4 to 5 years (inclusive)	-	2,800
Total	<u>14,278</u>	<u>21,190</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Available-for-sale financial assets

Available-for-sale financial assets are summarised by category as follows:

	31 December 2021	31 December 2020
Debt investments		
Government bonds	4,104	4,054
Finance bonds	2,085	1,632
Corporate bonds	14,964	18,156
Equity investments		
Funds	5,999	5,686
Stocks	1,351	2,019
Investments in other equity instruments	939	822
Total	<u>29,442</u>	<u>32,369</u>

Related information of available-for-sale financial assets is analysed as follows:

	31 December 2021	31 December 2020
Debt investments		
Fair value	21,153	23,842
Including: Amortised cost	20,645	23,531
Accumulated amount recognised in other comprehensive income/(loss)	717	467
Total impairment provisions	<u>(209)</u>	<u>(156)</u>
Equity investments		
Fair value	8,289	8,527
Including: Cost	7,278	7,044
Accumulated amount recognised in other comprehensive income/(loss)	1,088	1,598
Total impairment provisions	<u>(77)</u>	<u>(115)</u>
Total		
Fair value	29,442	32,369
Including: Amortised cost/Cost	27,923	30,575
Accumulated amount recognised in other comprehensive income/(loss)	1,805	2,065
Total impairment provisions	<u>(286)</u>	<u>(271)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Investments classified as loans and receivables

	31 December 2021	31 December 2020
Debt investments		
Debt investment plans	11,898	8,217
Wealth management products	5,188	4,754
Total	<u>17,086</u>	<u>12,971</u>

7. Long-term equity investments

	31 December 2021	31 December 2020
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	39,908	39,908
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	1,465	1,310
Consolidated structured entities	1,252	1,494
Total	<u>64,985</u>	<u>65,072</u>

The Company does not have any other items that substantially constitute net investment in subsidiaries.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Investment properties

	Buildings
Cost:	
1 January 2020	4,333
Transfer from fixed assets, net	<u>305</u>
31 December 2020	4,638
Transfer to fixed assets, net	<u>(184)</u>
31 December 2021	<u>4,454</u>
Accumulated depreciation:	
1 January 2020	(1,002)
Provision	(143)
Transfer from fixed assets, net	<u>(204)</u>
31 December 2020	(1,349)
Provision	(143)
Transfer to fixed assets, net	<u>30</u>
31 December 2021	<u>(1,462)</u>
Carrying amount:	
31 December 2021	<u>2,992</u>
31 December 2020	<u>3,289</u>

The fair values of investment properties of the Company as at 31 December 2021 amounted to RMB 6,146 million (31 December 2020: RMB 6,326 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 and Pacific Insurance Agency, 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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

9. Other assets

	31 December 2021	31 December 2020
Receivables from subsidiaries	2,325	227
Improvements of right-of-use assets	82	18
Dividends receivable	55	44
Prepayments for construction	13	12
Prepaid Tax	-	85
Others	138	101
Total	<u>2,613</u>	<u>487</u>

10. Securities sold under agreements to repurchase

	31 December 2021	31 December 2020
Securities - bonds		
Inter-bank market	<u>1,120</u>	<u>1,272</u>

As at 31 December 2021, the Company's bond investments of approximately RMB 1,224 million (31 December 2020: RMB 1,410 million) were pledged for inter-bank securities sold under agreements to repurchase.

11. Other liabilities

	31 December 2021	31 December 2020
Payables for construction and purchasing office buildings	26	3
Payables to subsidiaries	25	29
Others	505	498
Total	<u>556</u>	<u>530</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

12. Capital reserves

	31 December 2021	31 December 2020
Capital premium	79,008	79,008
Asset evaluation appreciation	301	301
Others	3	3
Total	<u>79,312</u>	<u>79,312</u>

13. Investment income

	2021	2020
Net gains on sales of stock investments	433	457
Net gains on sales of bond investments	8	4
Net gains on sales of fund investments	361	131
Interest income from securities purchased under agreements to resell	8	13
Interest income from debt investments	1,804	1,704
Interest income from other fixed-interest investments	458	298
Stock dividend income	26	60
Fund dividend income	47	44
Income from other equity investments	44	26
Dividend income from subsidiaries	<u>12,625</u>	<u>18,683</u>
Total	<u>15,814</u>	<u>21,420</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2021	Attributable to the Company-net of tax	31 December 2021	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) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	1,548	(194)	1,354	398	(808)	150	66	(194)
	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2020	Attributable to the Company-net of tax	31 December 2020	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) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	867	681	1,548	1,321	(592)	179	(227)	681

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

15. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2021	2020
Net profit	13,579	18,810
Add: Asset impairment losses	150	180
Depreciation of right-of-use assets	60	65
Depreciation of fixed assets and investment properties	368	386
Amortisation of intangible assets	134	116
Amortisation of other long-term assets	24	13
Investment income	(15,814)	(21,420)
Interest expenses	47	55
Exchange losses	310	1,094
Deferred income tax	(10)	10
Increase in operating receivables	(415)	(37)
Decrease in operating payables	(31)	(328)
Net cash flows used in operating activities	<u>(1,598)</u>	<u>(1,056)</u>

(2) Net increase in cash and cash equivalents:

	2021	2020
Cash at the end of year	5,261	271
Less: Cash at the beginning of year	(271)	(83)
Cash equivalents at the end of year	10	110
Less: Cash equivalents at the beginning of year	<u>(110)</u>	<u>(108)</u>
Net increase in cash and cash equivalents	<u>4,890</u>	<u>190</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

In 2021, the Company's major related parties comprise:

- (1) Subsidiaries of the Company;
- (2) Investors who exerts 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) A legal entity 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) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company

Name of investee	Registered capital			Shares or equities held		
	1 January 2021	Movements for the current year	31 December 2021	1 January 2021	Movements for the current year	31 December 2021
CPIC Property	19,470	-	19,470	98.50%	-	98.50%
CPIC Life	8,420	-	8,420	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 50 million	HKD 150 million	HKD 200 million	99.83%	(0.12%)	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%
	USD 15,600	-	USD 15,600			
Xinhui Real Estate	thousand	-	thousand	98.29%	-	98.29%
	USD 46,330	-	USD 46,330			
Hehui Real Estate	thousand	-	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	3,000	-	3,000	98.29%	-	98.29%
CPIC Health	1,700	-	1,700	77.05%	22.69%	99.74%
PAIC	700	380	1,080	51.35%	15.41%	66.76%
Pacific Medical & Healthcare	500	-	500	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%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company (continued)

Name of investee	Registered capital			Shares or equities held		
	1 January 2021	Movements for the current year	31 December 2021	1 January 2021	Movements for the current year	31 December 2021
Nanjing Project Company	220	-	220	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%
Shanghai (Chongming) Project Company	-	800	800	-	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%
Pacific Care Home at Qingdao	-	227,000	227,000	-	98.29%	98.29%

(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
Binjiang-Xiangrui	Joint venture of the Company
Taiyi Information Technology	Joint venture of the Company
Dayu Technology	Joint venture of the Company
Aizhu Information	Joint venture of the Company
Euler Hermes	Joint venture of the Company
Dabaoguisheng	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Pacific Orpea	Joint venture of the Company
Juche	Associate of the Company
Zhongdao	Associate of the Company
Zhizhong Hospital	Associate of the Company
Dedao	Associate of the Company
Better Sharing	Associate of the Company
Heji	Associate of the Company
Ningbo Zhilin	Associate of the Company
Beijing Miaoyijia	Associate of the Company
Jiaxing Yishang	Associate of the Company
Lianren Digital Health	Associate of the Company
Xin'an Technology	Associate of the Company
Yangtze River Delta Fund	Associate of the Company
Lingang GLP	Associate of the Company
Hi-Tech	Associate of the Company
Lingang Yunhui	Associate of the Company
Guangci Hospital	Associate of the Company
Shantai Healthcare	Associate of the Company

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

Name of entity	Relationship with the Company
Taijiashan	Associate of the Company
Sci-Tech Innovation II	Associate of the Company
China Insurance Rongxin	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's 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
Hwabao WP Fund Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Orient Securities Company Limited	Company of which the Group's related natural persons serve as directors or senior management personnel
Haitong Securities Co., Ltd.	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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(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

	2021	2020
Shanghai Tobacco Group Co., Ltd.	11	4
Shanghai Rural Commercial Bank Co., Ltd. ^{Note}	5	3
Shanghai State-Owned Assets Operation Co., Ltd.	2	1
Shanghai International Group Co., Ltd.	2	-
Haitong Securities Co., Ltd.	1	1
China Baowu Steel Group Corporation Limited	1	-
Orient Securities Company Limited	-	5
	<u>22</u>	<u>14</u>
Total	<u>22</u>	<u>14</u>

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. In 2021, premiums from related parties accounted for 0.01% (in 2020: 0.01 %).

(2) Fund subscription and redemption transactions

	2021	2020
Hwabao WP Fund Management Co., Ltd.	<u>819</u>	<u>1,289</u>

(3) Bond trading

	2021	2020
Haitong Securities Co., Ltd.	5	910
Shanghai Rural Commercial Bank Co., Ltd. ^{Note}	-	99
	<u>5</u>	<u>1,009</u>
Total	<u>5</u>	<u>1,009</u>

(4) Pledged repo transactions

	2021	2020
Shanghai Rural Commercial Bank Co., Ltd. ^{Note}	-	2,362
Taikang Insurance Group Co., Ltd. ^{Note}	-	40
	<u>-</u>	<u>2,402</u>
Total	<u>-</u>	<u>2,402</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(5) Transaction of asset management products

	2021	2020
Orient Securities Company Limited	-	11

(6) Distribution of cash dividends

	2021	2020
Shenergy (Group) Company Limited	1,792	1,693
Hwabao Investments Co., Ltd.	1,670	1,541
Shanghai State-Owned Assets Operation Co., Ltd.	699	703
Shanghai Haiyan Investment Management Co., Ltd.	659	634
Total	4,820	4,571

(7) Deposits

	2021	2020
Shanghai Rural Commercial Bank Co., Ltd. ^{Note}	-	105

(8) Premiums ceded to reinsurers

	2021	2020
Swiss Reinsurance Company Ltd ^{Note}	1,900	-

(9) Expense recoveries from reinsurers

	2021	2020
Swiss Reinsurance Company Ltd ^{Note}	775	-

(10) Claim recoveries from reinsurers

	2021	2020
Swiss Reinsurance Company Ltd ^{Note}	1,217	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(11) Remuneration of key management

	2021	2020
Salary and other benefits	<u>34</u>	<u>29</u>

(12) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2021	2020
Contribution to the enterprise annuity plan	<u>477</u>	<u>404</u>

(13) The major related transactions between the Group and joint ventures during the years are as follows:

	2021	2020
Binjiang-Xiangrui		
Rental fees for leasing office buildings of Binjiang Xiangrui	79	79
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	<u>160</u>	<u>-</u>
Total	<u>239</u>	<u>79</u>
Ruiyongjing Real Estate		
Grant loans	<u>837</u>	<u>2,381</u>

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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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:

	2021	2020
Purchase of insurance contracts		
CPIC Property	9	11
Rental income from office building		
CPIC Property	59	43
CPIC Life	15	13
Changjiang Pension	5	4
CPIC Senior Living Investment	4	4
CPIC Health	1	1
Pacific Insurance Agency	1	-
Total	85	65
Shared service centre fee		
CPIC Property	262	221
CPIC Life	258	181
CPIC Health	17	10
CPIC Asset Management	16	10
Changjiang Pension	4	1
CPIC Senior Living Investment	2	2
CPIC Online Services	1	1
PAAIC	1	-
Total	561	426

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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):

	2021	2020
Asset management fee		
CPIC Asset Management	<u>24</u>	<u>29</u>
Medical examination fee		
CPIC Health	<u>4</u>	<u>2</u>
Rental fee		
CPIC Real Estate	7	5
CPIC Property	4	1
CPIC Life	<u>1</u>	<u>1</u>
Total	<u>12</u>	<u>7</u>
Cash dividends received		
CPIC Life	9,932	16,552
CPIC Property	2,493	1,918
CPIC Asset Management	<u>200</u>	<u>213</u>
Total	<u>12,625</u>	<u>18,683</u>
Capital injection to subsidiaries		
CPIC Health	<u>1,616</u>	<u>-</u>

The rent of the office building charged by the Company from CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health and Pacific Insurance Agency is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Life, CPIC Property, CPIC Asset Management, CPIC Health, CPIC Senior Living Investment, CPIC Online Services, Changjiang Pension and PAAIC is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The rent of the office building paid by the Company to CPIC Real Estate, CPIC Property and CPIC Life is determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company shall be determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The medical examination fee paid by the Company to CPIC Health is determined at the price negotiated by both parties. The Company's capital injection to CPIC Health is subject to approval from the CBIRC, and is currently accounted for as other receivables.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

- (2) The major related transactions between the Company and other related parties of the Group during the years are as follows:

	2021	2020
Fund subscription and redemption transactions Hwabao WP Fund Management Co., Ltd.	-	21
Bond trading Haitong Securities Co., Ltd.	-	500
Rental fees for leasing office buildings Binjiang Xiangrui	39	39
Total	39	560

4. Receivables from and payables to related parties

- (1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2021	31 December 2020
Dividends receivable CPIC H.K.	41	42
Other receivables		
CPIC Health	1,630	3
CPIC Life	358	82
CPIC Property	310	136
CPIC Asset Management	14	4
Changjiang Pension	10	-
CPIC Senior Living Investment	3	2
Total	2,325	227
Other payables		
CPIC Asset Management	23	28
Changjiang Pension	2	1
Total	25	29

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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 between the Group and its joint ventures are as follows:

	31 December 2021	31 December 2020
Other receivables		
Binjiang-Xiangrui	<u>1,774</u>	<u>1,614</u>
Investments classified as loans and receivables		
Ruiyongjing Real Estate	<u>3,454</u>	<u>2,617</u>

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 2021	31 December 2020
Reinsurance receivables		
Swiss Reinsurance Company Ltd	<u>1,024</u>	<u>819</u>
Reinsurance payables		
Swiss Reinsurance Company Ltd	<u>788</u>	<u>507</u>

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 2021, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS

		31 December 2021	31 December 2020
Capital commitments			
Contracted, but not provided for	(1)(2)	7,756	9,508
Authorised, but not contracted for	(1)(2)	6,149	7,872
		<u>13,905</u>	<u>17,380</u>

As at 31 December 2021, major projects with capital commitments are as follows:

- (1) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2021, the cumulative amount incurred by CPIC Life amounted to approximately RMB 13,289 million. Of the balance, approximately RMB 1,996 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Life and CPIC Senior Living Investment obtained the use rights of eight parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up eight project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eight projects is approximately RMB 9,617 million. As at 31 December 2021, the cumulative amount incurred amounted to approximately RMB 3,558 million. Of the balance, approximately RMB 2,726 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 3,333 million was disclosed as a capital commitment authorised but not contracted for.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risks

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected;

Severity risk - the possibility that the cost of the events will differ from those expected;

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risks (continued)

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(2) Concentration of insurance risks

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note VII 40.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in determining insurance contract reserves and in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumptions 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 reserves of long-term life insurance contract reserves using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances.

31 December 2021					
	Changes in assumptions	Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(17,152)	-1.55%	(8,850)	-7.04%
	- 25 basis points	18,497	1.67%	9,539	7.58%
Mortality rate	+10%	1,985	0.18%	(186)	-0.15%
	-10%	(1,985)	-0.18%	203	0.16%
Morbidity rate	+10%	501	0.05%	19,640	15.61%
	-10%	(538)	-0.05%	(20,139)	-16.01%
Surrender rate	+10%	(3,302)	-0.30%	446	0.35%
	-10%	3,518	0.32%	(376)	-0.30%
Expense	+10%	5,914	0.53%	1,332	1.06%
	-10%	(5,914)	-0.53%	(1,332)	-1.06%
Policy dividend	+5%	18,006	1.63%	(124)	-0.10%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

		31 December 2020			
	Changes in assumptions	Impact on long-term life insurance reserves (Decrease)/ Increase	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves (Decrease)/ Increase	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(15,939)	-1.61%	(7,962)	-8.06%
	- 25 basis points	17,240	1.75%	8,604	8.71%
Mortality rate	+10%	2,338	0.24%	(196)	-0.20%
	-10%	(2,342)	-0.24%	212	0.21%
Morbidity rate	+10%	608	0.06%	17,894	18.11%
	-10%	(649)	-0.07%	(18,368)	-18.59%
Surrender rate	+10%	(2,731)	-0.28%	701	0.71%
	-10%	2,979	0.30%	(631)	-0.64%
Expense	+10%	6,074	0.62%	1,102	1.12%
	-10%	(6,074)	-0.62%	(1,102)	-1.12%
Policy dividend	+5%	17,733	1.80%	(116)	-0.12%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for claim reserves is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk margin, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the claim reserves 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.

A respective percentage change in average claim costs or claim numbers alone results in a similar percentage change in claim reserves. When other assumptions remain unchanged, a 5% increase in average claim costs will result in an increase of approximately RMB 2,174 million and RMB 289 million in net outstanding claim reserves for property and casualty and short-term life insurance as at 31 December 2021 (31 December 2020: approximately RMB 1,768 million and RMB 239 million).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

As at 31 December 2021, the development table of gross claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2017	2018	2019	2020	2021	
Estimate of ultimate claim cost as of:						
End of current year	59,974	64,450	71,637	81,244	101,908	
One year later	57,147	64,051	71,010	80,052		
Two years later	55,300	63,170	70,608			
Three years later	54,609	62,484				
Four years later	54,566					
Current estimate of cumulative claims	54,566	62,484	70,608	80,052	101,908	369,618
Cumulative payments to date	(53,645)	(61,496)	(67,907)	(72,218)	(65,261)	(320,527)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,108
Outstanding claim reserves						52,199

As at 31 December 2021, the development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2017	2018	2019	2020	2021	
Estimate of ultimate claim cost as of:						
End of current year	52,415	56,073	62,405	71,681	89,762	
One year later	50,539	55,809	61,783	70,520		
Two years later	48,720	55,001	61,350			
Three years later	48,058	54,379				
Four years later	48,030					
Current estimate of cumulative claims	48,030	54,379	61,350	70,520	89,762	324,041
Cumulative payments to date	(47,398)	(53,871)	(59,426)	(63,962)	(58,651)	(283,308)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						2,746
Outstanding claim reserves						43,479

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

As at 31 December 2021, the development table of gross claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					Total
	2017	2018	2019	2020	2021	
Estimate of ultimate claim cost as of:						
End of current year	3,301	4,112	4,628	4,696	4,913	
One year later	3,189	3,796	4,307	4,266		
Two years later	3,231	3,798	4,358			
Three years later	3,250	3,829				
Four years later	3,255					
Current estimate of cumulative claims	3,255	3,829	4,358	4,266	4,913	20,621
Cumulative payments to date	(3,255)	(3,817)	(4,297)	(3,983)	(3,267)	(18,619)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						4,219
Outstanding claim reserves						6,221

As at 31 December 2021, the development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					Total
	2017	2018	2019	2020	2021	
Estimate of ultimate claim cost as of:						
End of current year	3,068	3,355	3,058	3,440	3,967	
One year later	2,960	3,210	3,163	3,339		
Two years later	2,993	3,216	3,222			
Three years later	2,999	3,241				
Four years later	3,004					
Current estimate of cumulative claims	3,004	3,241	3,222	3,339	3,967	16,773
Cumulative payments to date	(3,003)	(3,231)	(3,170)	(3,099)	(2,702)	(15,205)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						4,209
Outstanding claim reserves						5,777

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

(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 US Dollars or the HK Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities by major currency:

	31 December 2021				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Financial assets:					
Cash at bank and on hand	24,726	6,873	946	-	32,545
Financial assets at fair value through profit or loss	11,755	598	-	-	12,353
Derivative financial assets	-	254	-	5	259
Securities purchased under agreements to resell	13,432	-	-	-	13,432
Premium receivables	25,299	460	44	-	25,803
Reinsurance receivables	10,024	862	205	-	11,091
Interest receivables	20,420	5	2	-	20,427
Policy loans	66,950	-	-	-	66,950
Term deposits	189,893	6,626	-	-	196,519
Available-for-sale financial assets	633,745	8,069	2,508	1,059	645,381
Held-to-maturity financial assets	396,242	186	-	-	396,428
Investments classified as loans and receivables	406,276	-	-	-	406,276
Restricted statutory deposits	7,428	-	-	-	7,428
Others	12,255	102	239	-	12,596
Sub-total	1,818,445	24,035	3,944	1,064	1,847,488
Financial liabilities:					
Derivative financial liabilities	-	1	-	-	1
Securities sold under agreements to repurchase	73,441	-	-	-	73,441
Commission and brokerage payable	3,695	-	-	-	3,695
Reinsurance payables	7,060	307	271	-	7,638
Interest payable	517	-	-	-	517
Claims payable	21,526	-	-	-	21,526
Policyholder dividend payable	24,176	-	-	-	24,176
Policyholders' deposits and investment contract liabilities	102,843	-	-	-	102,843
Bonds payable	9,995	-	-	-	9,995
Lease liabilities	3,102	-	3	-	3,105
Others	35,972	250	42	-	36,264
Sub-total	282,327	558	316	-	283,201
Net amount	1,536,118	23,477	3,628	1,064	1,564,287

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2020				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
<u>Financial assets:</u>					
Cash at bank and on hand	18,708	1,194	961	15	20,878
Financial assets at fair value through profit or loss	11,850	600	23	-	12,473
Derivative financial assets	-	140	-	-	140
Securities purchased under agreements to resell	14,327	-	-	-	14,327
Premium receivables	21,147	527	18	-	21,692
Reinsurance receivables	7,039	780	361	-	8,180
Interest receivables	20,542	16	5	-	20,563
Policy loans	62,364	-	-	-	62,364
Term deposits	179,295	13,671	-	-	192,966
Available-for-sale financial assets	585,627	7,032	2,638	861	596,158
Held-to-maturity financial assets	329,119	241	-	-	329,360
Investments classified as loans and receivables	380,174	-	-	-	380,174
Restricted statutory deposits	6,858	-	-	-	6,858
Others	14,073	116	87	-	14,276
Sub-total	<u>1,651,123</u>	<u>24,317</u>	<u>4,093</u>	<u>876</u>	<u>1,680,409</u>
<u>Financial liabilities:</u>					
Securities sold under agreements to repurchase	90,825	-	-	-	90,825
Commission and brokerage payable	4,003	-	-	-	4,003
Reinsurance payables	4,999	231	271	-	5,501
Interest payable	594	-	-	-	594
Claims payable	21,825	-	-	-	21,825
Policyholder dividend payable	24,351	-	-	-	24,351
Policyholders' deposits and investment contract liabilities	87,126	-	-	-	87,126
Bonds payable	9,991	-	-	-	9,991
Lease liabilities	3,420	-	10	-	3,430
Others	29,049	287	42	-	29,378
Sub-total	<u>276,183</u>	<u>518</u>	<u>323</u>	<u>-</u>	<u>277,024</u>
Net amount	<u>1,374,940</u>	<u>23,799</u>	<u>3,770</u>	<u>876</u>	<u>1,403,385</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

Exchange rates used by the Group by major currencies:

	31 December 2021		31 December 2020	
	USD	HKD	USD	HKD
Exchange rate	<u>6.37570</u>	<u>0.81760</u>	<u>6.52490</u>	<u>0.84164</u>

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in spot and forward exchange rates, and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency as at the dates indicated.

USD, HKD and other currencies to RMB exchange rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+5%	650	1,203
-5%	<u>(650)</u>	<u>(1,203)</u>
USD, HKD and other currencies to RMB exchange rate	31 December 2020	
	Impact on profit before tax	Impact on equity
+5%	774	1,270
-5%	<u>(774)</u>	<u>(1,270)</u>

The impact on equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

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 arising from interest rate risk on interest-bearing financial instruments.

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

	31 December 2021					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
<u>Financial assets:</u>						
Deposits with original maturity of no more than three months	2,487	-	-	-	30,058	32,545
Debt investments at fair value through profit or loss	1,308	659	17	12	-	1,996
Securities purchased under agreements to resell	13,432	-	-	-	-	13,432
Policy loans	66,950	-	-	-	-	66,950
Term deposits	23,837	123,577	49,105	-	-	196,519
Available-for-sale debt investments	64,347	45,692	39,459	145,766	-	295,264
Held-to-maturity financial assets	10,109	27,483	14,282	344,554	-	396,428
Investments classified as loans and receivables	29,910	77,456	115,181	183,729	-	406,276
Restricted statutory deposits	1,758	4,900	770	-	-	7,428
<u>Financial liabilities:</u>						
Securities sold under agreements to repurchase	73,441	-	-	-	-	73,441
Policyholders' deposits and investment contract liabilities	2,562	1,467	5,748	93,066	-	102,843
Bonds payable	-	-	-	9,995	-	9,995

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

	31 December 2020					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
<u>Financial assets:</u>						
Deposits with original maturity of no more than three months	1,132	-	-	-	19,746	20,878
Debt investments at fair value through profit or loss	1,930	1,026	159	4	-	3,119
Securities purchased under agreements to resell	14,327	-	-	-	-	14,327
Policy loans	62,364	-	-	-	-	62,364
Term deposits	30,391	92,070	70,355	150	-	192,966
Available-for-sale debt investments	68,626	57,600	38,438	151,124	-	315,788
Held-to-maturity financial assets	9,619	22,194	25,396	272,151	-	329,360
Investments classified as loans and receivables	27,238	55,098	135,163	162,675	-	380,174
Restricted statutory deposits	880	3,216	2,762	-	-	6,858
<u>Financial liabilities:</u>						
Securities sold under agreements to repurchase	90,825	-	-	-	-	90,825
Policyholders' deposits and investment contract liabilities	1,454	2,110	3,019	80,543	-	87,126
Bonds payable	-	-	-	9,991	-	9,991

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

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 dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

Change in RMB interest rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+50 basis points	(12)	(6,314)
-50 basis points	12	7,002
<hr/>		
Change in RMB interest rate	31 December 2020	
	Impact on profit before tax	Impact on equity
+50 basis points	(18)	(6,273)
-50 basis points	18	6,916

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

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 dates.

Change in RMB interest rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+50 basis points	112	112
-50 basis points	(112)	(112)
<hr/>		
Change in RMB interest rate	31 December 2020	
	Impact on profit before tax	Impact on equity
+50 basis points	88	88
-50 basis points	(88)	(88)
<hr/>		

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(3) Price risk (continued)

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2021, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 5,586 million (31 December 2020: RMB 5,394 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, premium receivables, reinsurance arrangements with reinsurers, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of the CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 31 December 2021 and 31 December 2020. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

	31 December 2021						Financial assets with impairment considered	Total
	Past due but not impaired					Total past due but not impaired		
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days				
Cash at bank and on hand	32,545	-	-	-	-	-	-	32,545
Debt investments at fair value through profit or loss	1,996	-	-	-	-	-	-	1,996
Securities purchased under agreements to resell	13,432	-	-	-	-	-	-	13,432
Premium receivables	22,839	-	-	-	-	-	2,964	25,803
Reinsurance receivables	10,909	-	-	-	-	-	182	11,091
Interest receivables	20,427	-	-	-	-	-	-	20,427
Policy loans	66,950	-	-	-	-	-	-	66,950
Term deposits	196,519	-	-	-	-	-	-	196,519
Available-for-sale debt investments	289,559	-	-	-	-	-	5,705	295,264
Held-to-maturity financial assets	396,135	-	-	-	-	-	293	396,428
Investments classified as loans and receivables	406,110	-	-	-	-	-	166	406,276
Restricted statutory deposits	7,428	-	-	-	-	-	-	7,428
Others	12,428	-	-	-	-	-	168	12,596
Total	1,477,277	-	-	-	-	-	9,478	1,486,755

	31 December 2020						Financial assets with impairment considered	Total
	Past due but not impaired					Total past due but not impaired		
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days				
Cash at bank and on hand	20,878	-	-	-	-	-	-	20,878
Debt investments at fair value through profit or loss	3,119	-	-	-	-	-	-	3,119
Securities purchased under agreements to resell	14,327	-	-	-	-	-	-	14,327
Premium receivables	19,470	-	-	-	-	-	2,222	21,692
Reinsurance receivables	8,068	-	-	-	-	-	112	8,180
Interest receivables	20,563	-	-	-	-	-	-	20,563
Policy loans	62,364	-	-	-	-	-	-	62,364
Term deposits	192,966	-	-	-	-	-	-	192,966
Available-for-sale debt investments	312,546	-	-	-	-	-	3,242	315,788
Held-to-maturity financial assets	329,129	-	-	-	-	-	231	329,360
Investments classified as loans and receivables	380,033	-	-	-	-	-	141	380,174
Restricted statutory deposits	6,858	-	-	-	-	-	-	6,858
Others	14,011	-	-	-	-	-	265	14,276
Total	1,384,332	-	-	-	-	-	6,213	1,390,545

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

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 2021					Total
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	
Financial assets:						
Cash at bank and on hand	30,053	2,492	-	-	-	32,545
Financial assets at fair value through profit or loss	61	798	1,215	1,989	8,441	12,504
Derivative financial assets	-	24	237	-	-	261
Securities purchased under agreements to resell	-	13,443	-	-	-	13,443
Premium receivables	7,045	6,996	11,818	806	-	26,665
Reinsurance receivables	-	11,289	-	-	-	11,289
Policy loans	-	68,780	-	-	-	68,780
Term deposits	-	31,930	187,531	-	-	219,461
Available-for-sale financial assets	330	45,814	145,309	282,073	322,163	795,689
Held-to-maturity financial assets	-	25,745	105,092	630,695	-	761,532
Investments classified as loans and receivables	-	42,878	255,655	219,533	-	518,066
Restricted statutory deposits	-	2,062	6,087	-	-	8,149
Others	3,885	7,151	1,785	-	-	12,821
Sub-total	41,374	259,402	714,729	1,135,096	330,604	2,481,205

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	31 December 2021					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Derivative financial liabilities	-	1	-	-	-	1
Securities sold under agreements to repurchase	-	73,546	-	-	-	73,546
Commission and brokerage payable	733	1,665	1,213	84	-	3,695
Reinsurance payables	-	7,213	425	-	-	7,638
Claims payable	21,526	-	-	-	-	21,526
Policyholder dividend payable	24,176	-	-	-	-	24,176
Policyholders' deposits and investment contract liabilities	-	11,739	35,945	122,785	-	170,469
Bonds payable	-	505	2,376	10,855	-	13,736
Lease liabilities	-	1,244	1,964	187	-	3,395
Others	1,472	34,792	-	-	-	36,264
Sub-total	47,907	130,705	41,923	133,911	-	354,446
Net amount	(6,533)	128,697	672,806	1,001,185	330,604	2,126,759

	31 December 2020					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	19,742	1,136	-	-	-	20,878
Financial assets at fair value through profit or loss	61	542	2,854	1,396	7,846	12,699
Derivative financial assets	-	4	136	-	-	140
Securities purchased under agreements to resell	-	14,334	-	-	-	14,334
Premium receivables	5,111	6,129	10,382	725	-	22,347
Reinsurance receivables	-	8,345	-	-	-	8,345
Policy loans	-	63,980	-	-	-	63,980
Term deposits	-	42,809	173,326	156	-	216,291
Available-for-sale financial assets	241	40,927	167,704	285,804	258,720	753,396
Held-to-maturity financial assets	-	23,717	104,517	483,906	-	612,140
Investments classified as loans and receivables	-	38,025	255,852	198,146	-	492,023
Restricted statutory deposits	-	1,201	6,525	-	-	7,726
Others	1,711	11,198	1,619	-	-	14,528
Sub-total	26,866	252,347	722,915	970,133	266,566	2,238,827

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	31 December 2020					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Financial liabilities:						
Securities sold under agreements to repurchase	-	91,024	-	-	-	91,024
Commission and brokerage payable	697	1,823	1,385	98	-	4,003
Reinsurance payables	-	5,201	300	-	-	5,501
Claims payable	21,825	-	-	-	-	21,825
Policyholder dividend payable	24,351	-	-	-	-	24,351
Policyholders' deposits and investment contract liabilities	-	10,116	29,173	107,421	-	146,710
Bonds payable	-	505	2,276	11,460	-	14,241
Lease liabilities	-	1,434	2,206	285	-	3,925
Others	1,348	28,030	-	-	-	29,378
Sub-total	<u>48,221</u>	<u>138,133</u>	<u>35,340</u>	<u>119,264</u>	<u>-</u>	<u>340,958</u>
Net amount	<u>(21,355)</u>	<u>114,214</u>	<u>687,575</u>	<u>850,869</u>	<u>266,566</u>	<u>1,897,869</u>

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flows not included in lease liabilities	<u>12</u>	<u>113</u>	<u>327</u>	<u>690</u>	<u>1,142</u>

3. Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

3. Operational risk (continued)

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.

4. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of assets and liabilities matching.

5. Capital management risks

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

5. Capital management risks (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

<u>Group</u>	31 December 2021	31 December 2020
Core capital	496,620	500,766
Actual capital	506,620	510,766
Minimum required capital	190,794	177,288
Core solvency margin ratio	260%	282%
Comprehensive solvency margin ratio	266%	288%
<u>CPIC Property</u>	31 December 2021	31 December 2020
Core capital	47,808	44,208
Actual capital	57,808	54,208
Minimum required capital	20,072	19,672
Core solvency margin ratio	238%	225%
Comprehensive solvency margin ratio	288%	276%
<u>CPIC Life</u>	31 December 2021	31 December 2020
Core capital	368,570	377,203
Actual capital	368,570	377,203
Minimum required capital	168,912	155,860
Core solvency margin ratio	218%	242%
Comprehensive solvency margin ratio	218%	242%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

	31 December 2021	31 December 2020
<u>CPIC Health</u>		
Core capital	1,286	1,294
Actual capital	1,286	1,294
Minimum required capital	934	949
Core solvency margin ratio	138%	136%
Comprehensive solvency margin ratio	138%	136%
	31 December 2021	31 December 2020
<u>PAAIC</u>		
Core capital	2,863	1,821
Actual capital	2,863	1,821
Minimum required capital	673	614
Core solvency margin ratio	425%	297%
Comprehensive solvency margin ratio	425%	297%

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 5 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XIV. STRUCTURED ENTITIES (continued)

As at 31 December 2021, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2021				
	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 related parties	299,019	-	-	-	Management fee
Insurance asset management products managed by related parties	348,109	136,452	137,204	136,542	Investment income and management fee
Securities investment funds managed by related parties	72,530	9,999	10,231	10,231	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	127,920	128,897	128,547	Investment income
Trust products managed by third parties	Note 1	134,531	134,599	134,289	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	4,604	4,812	4,811	Investment income
Securities investment funds managed by third parties	Note 1	52,218	58,906	58,906	Investment income
Total		<u>465,724</u>	<u>474,649</u>	<u>473,326</u>	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are included in wealth management products, funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products, funds and other equity investments under available-for-sale financial assets, debt investment plans and wealth management products under investments classified as loans and receivables, and long-term equity investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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 values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 33).

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, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities and bonds payable, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	396,428	433,415	329,360	348,481
Investments classified as loans and receivables	406,276	406,311	380,174	380,235
Financial liabilities:				
Bonds payable	9,995	11,037	9,991	10,571

The Group has not disclosed fair values for certain policyholders' deposits and investment contract liabilities with discretionary participation features ("DPF") because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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 price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	31 December 2021			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	19	-	-	19
- Funds	210	61	-	271
- Bonds	1,536	429	-	1,965
- Others	-	404	9,694	10,098
	1,765	894	9,694	12,353
Available-for-sale financial assets				
- Stocks	149,050	-	5,286	154,336
- Funds	41,739	31,162	-	72,901
- Bonds	21,477	267,473	2,076	291,026
- Others	-	16,884	110,234	127,118
	212,266	315,519	117,596	645,381
Derivative financial assets	-	259	-	259
Liabilities measured at fair value				
Derivative financial liabilities	-	1	-	1
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	5,988	427,427	-	433,415
Investments classified as loans and receivables (Note XV)	-	2,034	404,277	406,311
Investment properties (Note VII 14)	-	-	11,538	11,538
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	11,037	11,037

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2020			Total fair value
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	70	-	-	70
- Funds	307	108	-	415
- Bonds	2,596	502	-	3,098
- Others	-	228	8,662	8,890
	2,973	838	8,662	12,473
Available-for-sale financial assets				
- Stocks	120,263	6,953	-	127,216
- Funds	37,688	26,046	-	63,734
- Bonds	16,661	295,319	2,038	314,018
- Others	-	9,752	81,438	91,190
	174,612	338,070	83,476	596,158
Derivative financial assets	-	140	-	140
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	6,452	342,029	-	348,481
Investments classified as loans and receivables (Note XV)	-	2,110	378,125	380,235
Investment properties (Note VII 14)	-	-	11,470	11,470
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,571	10,571

In 2021, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2021, the Group transferred the bonds with a carrying amount of approximately RMB 3,871 million from Level 1 to Level 2 and approximately RMB 10,867 million from Level 2 to Level 1. In 2020, the Group transferred the bonds with a carrying amount of approximately RMB 14,263 million from Level 1 to Level 2 and approximately RMB 9,139 million from Level 2 to Level 1.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(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 recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	2021						End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gains/(losses) recognised in other comprehensive income/(loss)	
Financial assets at fair value through profit or loss							
- Wealth management products	18	-	(3)	-	-	-	15
- Debt investment plans	3	13	-	-	-	-	16
- Other equity investments	8,641	91	-	-	931	-	9,663
Available-for-sale financial assets							
- Stocks	-	3,658	-	-	-	1,628	5,286
- Preferred shares	13,131	13	(600)	-	-	(25)	12,519
- Other equity investments	68,307	29,147	(2,516)	-	(9)	839	95,768
- Finance bonds	2,038	-	-	-	9	29	2,076
- Wealth management products	-	1,947	-	-	-	-	1,947
	2020						End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gains recognised in other comprehensive income/(loss)	
Financial assets at fair value through profit or loss							
- Wealth management products	11	7	-	-	-	-	18
- Debt investment plans	3	-	-	-	-	-	3
- Other equity investments	595	8,034	-	-	12	-	8,641
Available-for-sale financial assets							
- Preferred shares	13,621	-	(499)	-	-	9	13,131
- Other equity investments	49,181	25,271	(7,870)	-	(157)	1,882	68,307
- Finance bonds	1,974	252	-	-	(197)	9	2,038

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in RMB million unless otherwise specified)

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 unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 3.13% to 7.22%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

XVII. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution of the 11th extraordinary board meeting of the 7th Board of Directors of CPIC Life, CPIC Senior Living Development (Zhengzhou) Co., Ltd. and CPIC Senior Living Development (Beijing) Co., Ltd. were set up with estimated capital contributions of RMB 1,060 million and RMB 1,330 million respectively. CPIC Life had made the capital contribution of RMB 184 million and RMB 117 million respectively as at the date of approving these financial statements.

Pursuant to the resolution of the 16th extraordinary board meeting of the 7th Board of Directors and the 1st general meeting of shareholders of CPIC Life held in 2022, CPIC Life injected capital in the amount of RMB 2,000 million into CPIC Senior Living Investment. The capital injection is subject to approval from the CBIRC.

Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary set up by the Company, obtained the business license of legal entity in March 2022. The registered capital is RMB 700 million.

The Group does not have other significant post balance sheet events.

XVIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 25 March 2022.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2021		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	12.2%	2.79	2.79
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	12.1%	2.78	2.78

The Company had no dilutive potential ordinary shares in 2021.

	2020		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	12.6%	2.63	2.63
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	12.5%	2.63	2.63

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	2021	2020
Net profit attributable to shareholders of the parent	26,834	24,584
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(206)	(182)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(10)	(4)
Custody fees of entrusted operation	(71)	(42)
Other net non-operating income and expenses other than aforesaid items	94	193
Effect of income tax relating to non-recurring profit or loss	57	18
Net profit less non-recurring gains	26,698	24,567
Less: Net non-recurring profit or loss attributable to non-controlling interests	1	2
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	26,699	24,569

**APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
(continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in RMB million unless otherwise specified)

II. DESCRIPTION OF THE DIFFERENCE BETWEEN PREPARATION OF THE FINANCIAL STATEMENTS UNDER PRC GAAP AND HKFRS

The Group has prepared the financial statements 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, 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 (hereafter collectively referred to as "CASs and disclosure requirements").

The Group has also prepared the consolidated financial information in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The net profit for the year ended 31 December 2021 and that for the year ended 31 December 2020, and the shareholders' equity as at 31 December 2021 and that as at 31 December 2020 listed in the consolidated financial statements prepared by the Group in accordance with CASs and disclosure requirements are the same as those listed in the consolidated financial information prepared by the Group in accordance with HKFRSs.