中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

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

(Stock Code: 2328)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors of PICC Property and Casualty Company Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2023. This announcement sets out the full text of the 2023 Interim Report of the Company and fulfils the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

By Order of the Board
PICC Property and Casualty Company Limited
Bi Xin
Secretary of the Board

Beijing, the PRC, 29 August 2023

As at the date of this announcement, the Vice Chairman of the Board of the Company is Mr. Yu Ze (executive director), Mr. Jiang Caishi, Mr. Zhang Daoming and Mr. Hu Wei are executive directors, the non-executive director is Mr. Li Tao, and the independent directors are Ms. Qu Xiaohui, Mr. Cheng Fengchao, Mr. Wei Chenyang and Mr. Li Weibin.

Company Profile

The Company, the largest property and casualty insurance company on the Chinese mainland, was established in July 2003 with PICC Group as its sole promoter. The Company became the first domestic financial enterprise listed overseas when the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 6 November 2003. The Company currently has a total share capital of 22,242,765,303 shares, of which 68.98% are held by PICC Group and 31.02% by H Shareholders.

PRINCIPAL ACTIVITIES

Motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, household property insurance, marine hull insurance and other insurance businesses, which are denominated in RMB and foreign currencies, and the related reinsurance businesses as well as investment and funds application business permitted under the relevant laws and regulations of the PRC.

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RESULTS

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	*%*
Original insurance premium income [(1)]	**300,930**	276,671	8.8
Insurance revenue	**224,368**	205,189	9.3
Underwriting profit [(2)]	**9,469**	8,847	7.0
Investment income	**Not applicable**	10,497	Not applicable
Net realised and unrealised gains on investments	**Not applicable**	1,797	Not applicable
Share of profit or loss of associates and joint ventures	**3,469**	2,314	49.9
Interest income from financial assets not measured at fair value through profit or loss	**5,893**	Not applicable	Not applicable
Other investment income	**5,817**	Not applicable	Not applicable
Profit before income tax	**23,751**	22,629	5.0
Income tax expense	**(3,495)**	(3,409)	2.5
Net profit for the period	**20,256**	19,220	5.4

ASSETS AND LIABILITIES

	30 June 2023	31 December 2022 (Restated)	Change
	RMB million	*RMB million*	*%*
Total assets	**692,898**	672,462	3.0
Total liabilities	**462,332**	450,857	2.5
Total equity	**230,566**	221,605	4.0

(1) The original insurance premium income was calculated in accordance with the rules prior to the revision of the insurance contract accounting standards.

(2) Underwriting profit=insurance revenue -[insurance service expenses+net expenses/(income) from reinsurance contracts held+(finance expenses/(income) from insurance contracts issued-finance income/(expenses) from reinsurance contracts held)]

(3) The figures for 2022 were restated by the Company and its subsidiaries in accordance with the Hong Kong Financial Reporting Standards 17-Insurance Contracts. In accordance with the Hong Kong Financial Reporting Standards 9-Financial Instruments, the Company and its subsidiaries elected not to restate the figures for 2022.

Fast growth in business

Original insurance premium income
RMB300,930 million

+8.8%

A year-on-year increase in underwriting profit

Underwriting profit
RMB9,469 million

+7.0%

Stable increase in total investment income

Total investment income
RMB15,146 million

+3.7%

Overall profitability enhanced continuously

Net profit for the period
RMB20,256 million

+5.4%

Return on equity remained stable

Return on equity (unannualized)
9.0%

Solvency margin remained adequate

Comprehensive solvency margin ratio
221.6%

Core solvency margin ratio
193.5%

Discussion and Analysis of Operating Results and Financial Conditions

I. PERFORMANCE HIGHLIGHTS

In the first half of 2023, in an effort to actively implement the policies and plans of the central government and under the guidance of the PICC Group's "To be Excellent Strategy", the Company and its subsidiaries well positioned itself in serving Chinese modernization through product and service innovation with focuses on "Eight Strategic Services" of serving the construction of modernized industrial system, serving the rural revitalization, serving building China's self-reliance and strength in science and technology, serving the enhancement of the people's livelihood and wellbeing, serving the green development, serving the safe development, serving the regional development and serving the "Belt and Road" Initiative, implemented the new business model of "insurance + risk reduction service + science and technology" to empower the high-quality development, and continuously strengthened the construction of risk management and control system, so as to compose a "PICC chapter" of serving Chinese modernization.

STEADILY ENHANCING COMPREHENSIVE STRENGTH AND EFFECTIVELY CONSOLIDATING MARKET POSITION

In the first half of 2023, the Company and its subsidiaries stepped up product development efforts and improved service level. The scale of business has steadily increased, achieving an original insurance premium income *(Note 1)* of RMB300,930 million, representing a year-on-year increase of 8.8%. The market share accounted for 34.3% *(Note 2)* of the property insurance market in the PRC, remained largely stable compared to the same period of the previous year. The insurance revenue reached RMB224,368 million, representing a year-on-year increase of 9.3%.

The Company and its subsidiaries optimized the product operating strategy, improved business structure, strengthened refined and intelligent pricing, enriched the content of risk reduction services, deeply promoted cost reduction and efficiency improvement, achieving an underwriting profit of RMB9,469 million, representing a year-on-year increase of 7.0%; a total investment income of RMB15,146 million, representing a year-on-year increase of 3.7%; a net profit of RMB20,256 million, representing a year-on-year increase of 5.4%; a return on equity (unannualized) of 9.0%, remaining stable compared to the same period of the previous year.

As at 30 June 2023, the total assets of the Company and its subsidiaries amounted to RMB692,898 million and the net assets amounted to RMB230,566 million, representing an increase of RMB20,537 million and RMB9,062 million as compared to the beginning of 2023, respectively. The comprehensive solvency margin ratio *(Note 3)* remained stable at 221.6%. Due to its outstanding industry position and continuously improved overall strength, Moody's Investors Service continued to maintain the Company's insurance financial strength rating of A1 (Stable Outlook), the highest rating on the Chinese mainland, in line with China's sovereign rating.

Notes: *1.* The original insurance premium income was calculated in accordance with the rules prior to the revision of the insurance contract accounting standards.

2. Calculated based on the data of the PRC insurance industry published on the website of the National Administration of Financial Regulation. Commencing from June 2021, the aggregate data of property insurance companies published by the National Administration of Financial Regulation (former CBIRC) was temporarily exclusive of certain institutions undergoing settlement of risks in the insurance industry.

3. The solvency results were calculated in accordance with the Rules for the Supervision of Insurance Company Solvency (II) and the relevant notices issued by the National Administration of Financial Regulation (former CBIRC).

FULLY SUPPORTING THE REAL ECONOMY, SHOWING THE RESPONSIBILITY OF INSURANCE

In the first half of 2023, the Company and its subsidiaries accurately grasped the new demands for insurance development in the progress of Chinese modernization, increased innovation in product and service model, served national strategy in a more vigorous, effective and accurate manner, and provided high-quality services for the Chinese modernization, so as to demonstrate the political-orientation and people-centeredness of the people's insurance.

In terms of serving the construction of modernized industrial system, the Company actively promoted the strategic project of "Industry + Sector" insurance solution[1], providing tailored risk solutions to customers with an insured amount of RMB20.4 trillion in the first half of 2023; the number of industrial park enterprise customers that the Company served amounted to 121,000 accumulatively; and the Company helped 24,000 small and medium-sized enterprises and individual entrepreneurs obtain loans or financing with an amount of RMB9.73 billion. **In terms of serving rural revitalization,** the "Rural Insurance", an insurance solution targeting the rural areas, was improved and upgraded. The agriculture insurance provided agricultural risk protection of RMB1.4 trillion for 48.49 million rural households. Solid efforts were made to carry out agriculture insurance innovation, promoting the launch of inherent defect insurance for construction of high-standard farmland, seed insurance and other innovative agriculture insurances. The "agricultural insurance enhancing soybean production capacity mode" was selected as one of the top ten innovative modes in respect of financial support for agriculture by the Ministry of Agriculture and Rural Affairs. **In terms of serving building China's self-reliance and strength in science and technology,** the Company preliminarily established an exclusive line-up of products for AEC-qualified chips insurance across the entire industry chain, developed new terms of intellectual property insurance and proactively developed businesses such as offshore wind power insurance. Semiconductor insurance business provided risk protection of RMB1.4 trillion. Comprehensive insurance for innovative enterprises that use special and sophisticated technologies to produce novel and unique products was implemented in 32 provincial branches, covering 101 national and provincial enterprises as set forth. **In terms of serving the enhancement of people's livelihood and wellbeing,** the Company insured 1,273 social medical insurance projects, covering 282 cities in 30 provinces (municipalities and autonomous regions) and serving 0.78 billion people with an insured amount of RMB77.9 trillion. The Company carried out 320 commercial "Huimin Insurance" projects accumulatively, covering 29 provinces (municipalities and autonomous regions), with a cumulative insured population of over 100 million. **In terms of serving the green development,** the Company improved the "carbon peaking and carbon neutrality" insurance product system and promoted the launch of innovative products such as carbon offset insurance, carbon quota insurance and carbon asset loss insurance. The "carbon peaking and carbon neutrality" insurance provided risk protection of RMB6.6 trillion. The Company actively explored the new energy vehicle insurance market, with the number of insured new energy vehicles increasing by 54.4% year-on-year. **In terms of serving the safe development,** the "Urban Insurance" was implemented in 16 cities, the safe production liability insurance provided risk protection of RMB3.6 trillion for 165,000 enterprises, and the catastrophe insurance provided risk protection of RMB2.5 trillion for over 240 million people. The Company actively developed cyber security insurance and promoted the establishment of a new mode of introducing special maintenance fund for residences to insurance. **In terms of serving the regional development,** the Company implemented the national strategy of regional development, serving the construction of "Five Centers" in Shanghai and the Xiong'an New Area. The Company underwrote multiple flagship innovative projects including autonomous vehicles, smart parking, ecological governance, and urban computing centers. **In terms of serving the "Belt and Road",** the Company insured large-scale projects such as the Santa Cruz River Hydropower Station in Argentina and the Barisal Coal-fired Power Station in Bangladesh as the leading underwriter, and underwrote 218 "Belt and Road" projects with an insured amount of RMB1.1 trillion so as to serve the "dual circulation" effectively.

[1] The "Industry + Sector" insurance solution primarily focuses on conducting industry risk research and exploring development of specific industry risk solutions on industry sectors such as new generation of information technology, biotechnology, new energy, new materials, high-end equipment, aerospace, and marine equipment, as well as industrial parks where industries agglomerated, so as to proactively serve the real economy and the construction of modernized industrial system.

II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

(I) INSURANCE BUSINESS

1. Business Overview

Underwriting results

In the first half of 2023, the Company and its subsidiaries achieved an insurance revenue of RMB224,368 million, representing a year-on-year increase of RMB19,179 million (or 9.3%). The increase of insurance revenue was mainly driven by the growth of business scale in motor vehicle insurance, agriculture insurance, and accidental injury and health insurance, etc. The Company and its subsidiaries achieved an insurance service result of RMB13,835 million, representing a year-on-year increase of 6.9%. The underwriting profit was RMB9,469 million, representing a year-on-year increase of 7.0%. The comprehensive loss ratio was 68.9%, representing a year-on-year increase of 0.1 percentage point; the comprehensive expense ratio was 26.9%, remaining stable as compared to the previous year; the combined ratio was 95.8%, representing a year-on-year increase of 0.1 percentage point.

The following table sets forth the key operation results and selected financial indicators of the insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	*%*
Insurance revenue	**224,368**	205,189	9.3
Insurance service expenses	**(204,715)**	(189,368)	8.1
Net expenses from reinsurance contracts held	**(5,818)**	(2,877)	102.2
Insurance service result	**13,835**	12,944	6.9
Finance expenses from insurance contracts issued	**(4,998)**	(4,649)	7.5
Finance income from reinsurance contracts held	**632**	552	14.5
Underwriting profit	**9,469**	8,847	7.0
Comprehensive loss ratio (%) [1]	**(68.9)**	(68.8)	Increased by 0.1 pp
Comprehensive expense ratio (%) [2]	**(26.9)**	(26.9)	Remained the same
Combined ratio (%) [3]	**(95.8)**	(95.7)	Increased by 0.1 pp

(1) Comprehensive loss ratio = [incurred claims and loss adjustment expenses for the period + changes in fulfilment cash flows related to liability for incurred claims + (recognition and reversal of loss component – loss component allocated in liability for remaining coverage) + net expenses/(income) from reinsurance contracts held + (finance expenses/(income) from insurance contracts issued – finance income/(expenses) from reinsurance contracts held)]/insurance revenue

(2) Comprehensive expense ratio = (amortization of insurance acquisition cash flows + maintenance costs)/insurance revenue

(3) Combined ratio = [insurance service expenses + net expenses/(income) from reinsurance contracts held + (finance expenses/(income) from insurance contracts issued – finance income/(expenses) from reinsurance contracts held)]/insurance revenue; or combined ratio= comprehensive loss ratio + comprehensive expense ratio

Premiums by distribution channels

The following table sets forth the original insurance premium income of the Company and its subsidiaries by distribution channels for the relevant periods:

	Six months ended 30 June				
	2023			2022	
	Amount	Percentage	Change	Amount	Percentage
	RMB million	*%*	*%*	*RMB million*	*%*
Insurance agents	**158,777**	**52.7**	**8.7**	146,027	52.8
Among which:					
Individual insurance agents	**91,225**	**30.3**	**10.6**	82,468	29.8
Ancillary insurance agents	**14,256**	**4.7**	**-10.8**	15,976	5.8
Professional insurance agents	**53,296**	**17.7**	**12.0**	47,583	17.2
Direct sales	**117,859**	**39.2**	**10.0**	107,107	38.7
Insurance brokers	**24,294**	**8.1**	**3.2**	23,537	8.5
Total	**300,930**	**100.0**	**8.8**	276,671	100.0

Premiums by region

The following table sets forth the original insurance premium income of the Company and its subsidiaries by top ten regions for the relevant periods:

	Six months ended 30 June		
	2023	2022	Change
	RMB million	*RMB million*	%
Guangdong Province	**29,845**	26,864	11.1
Jiangsu Province	**29,705**	26,706	11.2
Zhejiang Province	**22,497**	20,958	7.3
Shandong Province	**19,256**	18,281	5.3
Hebei Province	**16,014**	14,662	9.2
Hubei Province	**15,126**	13,287	13.8
Hunan Province	**13,930**	13,385	4.1
Sichuan Province	**13,478**	12,587	7.1
Anhui Province	**13,208**	12,156	8.7
Fujian Province	**12,166**	11,231	8.3
Other regions	**115,705**	106,554	8.6
Total	**300,930**	276,671	8.8

2. *Operating Segment Data*

In order to facilitate investors' understanding of the operating results of the insurance segments, the Company allocated the insurance revenue, insurance service expenses, and other profit or loss items of the reinsurance business to each insurance segment and simulated the net operating results of each insurance segment.

(1) Motor vehicle insurance

The following table sets forth the key operating results and selected financial indicators of the motor vehicle insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	*%*
Insurance revenue	**137,907**	131,114	5.2
Insurance service expenses	**(130,036)**	(122,606)	6.1
Underwriting profit [(1)]	**4,590**	5,453	-15.8
Comprehensive loss ratio (%)	**(69.7)**	(69.8)	Decreased by 0.1 pp
Comprehensive expense ratio (%)	**(27.0)**	(26.0)	Increased by 1.0 pp
Combined ratio (%)	**(96.7)**	(95.8)	Increased by 0.9 pp

(1) The underwriting profit of each insurance segment includes the allocated profit or loss of reinsurance business.

The Company and its subsidiaries adhered to "securing new insurance business, reinforcing renewal business and optimizing transferred-in business", continuously strengthened resource integration, and enhanced the construction of customer service capabilities. The renewal rate of auto insurance increased by 2.0 percentage points year-on-year. Benefiting from the growth in new auto sales and the extension of purchase tax relief policy for new energy vehicles, the number of insured motor vehicles increased by 7.3% year-on-year, achieving an insurance revenue of RMB137,907 million, representing a year-on-year increase of 5.2%.

The Company and its subsidiaries adhered to the principle of development with profitability, optimized business structure through strengthening risk selection, and insisted on high-quality development of the motor vehicle insurance. The comprehensive loss ratio of the motor vehicle insurance was 69.7%, representing a year-on-year decrease of 0.1 percentage point. With the comprehensive resumption of normal economic and social operations, the Company and its subsidiaries actively explored the motor vehicle insurance market. The comprehensive expense ratio of the motor vehicle insurance was 27.0%, representing a year-on-year increase of 1.0 percentage point; the combined ratio was 96.7%, representing a year-on-year increase of 0.9 percentage point; the underwriting profit was RMB4,590 million, representing a year-on-year decrease of 15.8%.

(2) Agriculture insurance

The following table sets forth the key operating results and selected financial indicators of the agriculture insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	%
Insurance revenue	**25,043**	20,494	22.2
Insurance service expenses	**(22,324)**	(18,108)	23.3
Underwriting profit	**2,245**	2,148	4.5
Comprehensive loss ratio (%)	**(76.8)**	(73.7)	Increased by 3.1 pp
Comprehensive expense ratio (%)	**(14.2)**	(15.8)	Decreased by 1.6 pp
Combined ratio (%)	**(91.0)**	(89.5)	Increased by 1.5 pp

The Company and its subsidiaries actively served rural revitalization and modernization of agriculture and rural areas, grasped opportunities brought by policies such as the expansion of the full cost and income insurance implementation scope for the three major staple foods, the expansion of central rewards and subsidies for local characteristic agriculture insurance, etc. Plant insurance and livestock insurance businesses achieved rapid development. The agriculture insurance achieved an insurance revenue of RMB25,043 million, representing a year-on-year increase of 22.2%.

Affected by frost disasters, wind disasters, continuous cloudy and rainy natural disasters, the comprehensive loss ratio of the agriculture insurance was 76.8%, representing a year-on-year increase of 3.1 percentage points; the comprehensive expense ratio was 14.2%, representing a year-on-year decrease of 1.6 percentage points; the combined ratio was 91.0%, representing a year-on-year increase of 1.5 percentage points; the underwriting profit was RMB2,245 million, representing a year-on-year increase of 4.5%.

(3) Accidental injury and health insurance

The following table sets forth the key operating results and selected financial indicators of the accidental injury and health insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	%
Insurance revenue	**23,019**	17,166	34.1
Insurance service expenses	**(21,570)**	(18,334)	17.7
Underwriting profit/(loss)	**350**	(264)	Not applicable
Comprehensive loss ratio (%)	**(64.0)**	(61.1)	Increased by 2.9 pp
Comprehensive expense ratio (%)	**(34.5)**	(40.4)	Decreased by 5.9 pp
Combined ratio (%)	**(98.5)**	(101.5)	Decreased by 3.0 pp

The Company and its subsidiaries actively served to enhance the people's livelihood and wellbeing, deeply participated in the construction of the national medical insurance system, vigorously developed people's livelihood insurance and individual accidental injury and health insurance business, proactively facilitated development of "Huimin Insurance", care insurance and other businesses, continuously promoted the structural adjustment of group accidental injury and health insurance business, actively explored the upselling towards social medical insurance business customers, and promoted the integrated development of social medical insurance and commercial health insurance. The accidental injury and health insurance business achieved an insurance revenue of RMB23,019 million, representing a year-on-year increase of 34.1%.

The Company and its subsidiaries adhered to customer-centeredness, optimized product supply, improved the efficiency of expense allocation, and at the same time strengthened the refined management of underwriting and claims, enhanced risk identification and prevention capabilities. The comprehensive expense ratio of accidental injury and health insurance was 34.5%, representing a year-on-year decrease of 5.9 percentage points; the combined ratio was 98.5%, representing a year-on-year decrease of 3.0 percentage points; the underwriting profit was RMB350 million, compared to an underwriting loss of RMB264 million for the same period of the previous year. The comprehensive loss ratio was 64.0%, representing a year-on-year increase of 2.9 percentage points due to the expansion of insurance liability in policy terms.

(4) Liability insurance

The following table sets forth the key operating results and selected financial indicators of the liability insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	%
Insurance revenue	**16,922**	15,947	6.1
Insurance service expenses	**(16,581)**	(15,903)	4.3
Underwriting loss	**(477)**	(762)	Not applicable
Comprehensive loss ratio (%)	**(71.0)**	(72.7)	Decreased by 1.7 pp
Comprehensive expense ratio (%)	**(31.8)**	(32.1)	Decreased by 0.3 pp
Combined ratio (%)	**(102.8)**	(104.8)	Decreased by 2.0 pp

The Company and its subsidiaries actively served the construction of the modernized industrial system, serving building China's self-reliance and strength in science and technology and safe development, increased the supply of products, and boosted the development of the real economy and escorted national strategies with the support of services and innovation. In terms of the traditional liability insurance, the Company and its subsidiaries focused on serving the national economy and people's livelihood, provided professional, differentiated and customized insurance products, and gave full play to the functions of insurance as "economic booster" and "social stabilizer". In terms of the emerging liability insurance, the Company and its subsidiaries expanded the supply of innovative products such as science and technology insurance, green insurance, etc. based on the development needs of emerging industries, and explored new fields, new patterns and new modes. The liability insurance reached an insurance revenue of RMB16,922 million, representing a year-on-year increase of 6.1%.

The Company and its subsidiaries further upgraded digital risk control, implemented full risk survey and precise sales expense allocation, enhanced the ability to obtain high-quality business, optimized underwriting conditions, took the initiative to adjust business structure, continued to implement comprehensive management of employer liability insurance, and progressively improved the quality of the policies while achieving stable business growth. The comprehensive loss ratio of the liability insurance was 71.0%, representing a year-on-year decrease of 1.7 percentage points; the comprehensive expense ratio was 31.8%, representing a year-on-year decrease of 0.3 percentage point; the combined ratio was 102.8%, representing a year-on-year decrease of 2.0 percentage points; and the underwriting loss was RMB477 million, as compared to an underwriting loss of RMB762 million in the corresponding period of the previous year.

(5) Commercial property insurance

The following table sets forth the key operating results and selected financial indicators of the commercial property insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	%
Insurance revenue	**8,337**	8,077	3.2
Insurance service expenses	**(5,841)**	(6,069)	-3.8
Underwriting profit	**666**	251	165.3
Comprehensive loss ratio (%)	**(64.4)**	(68.2)	Decreased by 3.8 pp
Comprehensive expense ratio (%)	**(27.6)**	(28.7)	Decreased by 1.1 pp
Combined ratio (%)	**(92.0)**	(96.9)	Decreased by 4.9 pp

The Company and its subsidiaries actively seized the market opportunity in the stabilization and improvement of the domestic economy, served the real economy, served enterprises that use special and sophisticated technologies to produce novel and unique products, strengthened product supply, enhanced market response capacity and professional service capacity, kept a close eye on important customers and key projects, and gave full play to the vitality of grass-roots sales. The commercial property insurance reached an insurance revenue of RMB8,337 million, representing a year-on-year increase of 3.2%.

By adhering to the orientation of operating profitability, the Company and its subsidiaries strengthened business structural optimization of underwriting and claim cost control, improved the risk survey service system, and enhanced the risk reduction service level. In addition that the impact of disasters in the first half of the year was relatively less than the same period of the previous year, the comprehensive loss ratio of the commercial property insurance was 64.4%, representing a year-on-year decrease of 3.8 percentage points; the comprehensive expense ratio was 27.6%, representing a year-on-year decrease of 1.1 percentage points; the combined ratio was 92.0%, representing a year-on-year decrease of 4.9 percentage points. The underwriting profit was RMB666 million, representing a year-on-year increase of 165.3%.

(6) Other insurance

The other insurance includes credit and surety insurance, cargo insurance, household property insurance, special risk insurance, marine hull insurance and construction insurance. The following table sets forth the key operating results and selected financial indicators of other insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	%
Insurance revenue	**13,140**	12,391	6.0
Insurance service expenses	**(8,363)**	(8,348)	0.2
Underwriting profit	**2,095**	2,021	3.7
Comprehensive loss ratio (%)	**(54.0)**	(55.2)	Decreased by 1.2 pp
Comprehensive expense ratio (%)	**(30.1)**	(28.5)	Increased by 1.6 pp
Combined ratio (%)	**(84.1)**	(83.7)	Increased by 0.4 pp

The Company and its subsidiaries adhered to serving the development of the real economy and regional development and escorting the construction of the "Belt and Road", and continuously increased efforts in product innovation and promotion. The other insurance reached an insurance revenue of RMB13,140 million, representing a year-on-year increase of 6.0%.

The Company and its subsidiaries implemented the new business model of "insurance + risk reduction service + science and technology", continuously improved the professional operating capacity, and upgraded the service level of risk reduction. The comprehensive loss ratio of the other insurance was 54.0%, representing a year-on-year decrease of 1.2 percentage points; the comprehensive expense ratio was 30.1%, representing a year-on-year increase of 1.6 percentage points; the combined ratio was 84.1%, representing a year-on-year increase of 0.4 percentage point; and the underwriting profit was RMB2,095 million, representing a year-on-year increase of 3.7%.

(II) INSURANCE FUND INVESTMENT BUSINESS

1. Investment results

	Six months ended 30 June		
	2023	2022	Changes
	RMB million	RMB million	%
Interest income from financial assets not measured at fair value through profit or loss	**5,893**	Not applicable	Not applicable
Other investment income	**5,817**	Not applicable	Not applicable
Investment assets impairment losses	**(33)**	Not applicable	Not applicable
Investment income	**Not applicable**	10,497	Not applicable
Net realized and unrealized gains on investments	**Not applicable**	1,797	Not applicable
Share of profit or loss of associates and joint ventures	**3,469**	2,314	49.9
Total investment income	**15,146**	14,608	3.7
Total investment yield (unannualized) (%) [(1)]	**2.6**	2.7	Down by 0.1 pp
Total investment assets [(2)]	**596,846**	576,019	3.6

(1) Total investment yield = total investment income/(balance of total investment assets at the beginning of the year+ balance of total investment assets at the end of the year)*2

(2) Based on the data as at 30 June 2023 and 1 January 2023.

(3) From 1 January 2023, the Company and its subsidiaries adopted Hong Kong Financial Reporting Standards 9 – Financial Instruments, the investment results during the reporting period as set out in the table above reflect the figures after the adoption of new financial instrument accounting standard. In accordance with the Hong Kong Financial Reporting Standards 9 – Financial Instruments, the Company and its subsidiaries elected not to restate the figures for 2022.

The Company and its subsidiaries adhere to the principle of long-term and steady investment to balance risk and yield. Under the new financial instrument accounting standard, financial assets at fair value through profit and loss (FVPL) increased significantly, and changes in fair value have greater impact on the investment income. In the first half of 2023, the fluctuation in the capital market led to a decrease in the market value of equity assets classified as FVPL of the Company and its subsidiaries; however, due to the decline of interest rates in the first half of 2023, the market value of bonds classified as FVPL increased, which offset the fluctuation of market value of equity assets to a certain extent. In addition, due to the improvement of performance of certain associates and the adoption of new accounting standard, the share of profit or loss of associates and joint ventures of the Company and its subsidiaries increased year on year. To sum up, under the new financial instrument accounting standard, the Company and its subsidiaries recognized a total investment income of RMB15,146 million, representing a total investment yield (unannualized) of 2.6%.

In the first half of 2022, in accordance with the previous financial instrument accounting standard, the Company and its subsidiaries recognized a total investment income of RMB14,608 million, representing a total investment yield (unannualized) of 2.7%.

2. *Composition of Investment Assets*

The following table sets forth the investment assets of the Company and its subsidiaries classified by accounting measurement for the relevant periods:

	30 June 2023			1 January 2023	
	Balance	Percentage	Change	Balance	Percentage
	RMB million	*%*	*%*	*RMB million*	*%*
Classified by accounting measurement:					
Cash and cash equivalents	**19,219**	**3.2**	**-9.6**	21,254	3.7
Term deposits	**71,139**	**11.9**	**-5.0**	74,844	13.0
Financial investments at amortized cost	**118,144**	**19.8**	**3.8**	113,790	19.7
Financial assets at fair value through other comprehensive income	**165,677**	**27.8**	**7.4**	154,285	26.8
Financial assets at fair value through profit or loss	**149,064**	**25.0**	**5.9**	140,730	24.4
Investment properties	**7,649**	**1.3**	**2.8**	7,440	1.3
Investments in associates and joint ventures	**60,039**	**10.0**	**3.3**	58,149	10.1
Other investment assets [(1)]	**5,915**	**1.0**	**7.0**	5,527	1.0
Total investment assets	**596,846**	**100.0**	**3.6**	576,019	100.0

(1) Other investment assets mainly included restricted statutory deposits.

The following table sets forth the investment assets of the Company and its subsidiaries classified by investment object for the relevant periods:

	30 June 2023			1 January 2023	
	Balance	Percentage	Change	Balance	Percentage
	RMB million	*%*	*%*	*RMB million*	*%*
Classified by investment object:					
Cash and cash equivalents	**19,219**	**3.2**	**-9.6**	21,254	3.7
Fixed-income investments	**352,988**	**59.2**	**3.0**	342,745	59.5
Term deposits	**71,139**	**11.9**	**-5.0**	74,844	13.0
Treasury bonds and government bonds	**40,875**	**6.9**	**-4.7**	42,879	7.4
Financial bonds	**84,955**	**14.2**	**1.0**	84,129	14.6
Corporate bonds	**76,980**	**12.9**	**10.8**	69,465	12.1
Long-term debt investment schemes	**34,118**	**5.7**	**3.6**	32,929	5.7
Other fixed-income investments (1)	**44,921**	**7.6**	**16.7**	38,499	6.7
Equity investments	**151,036**	**25.3**	**7.2**	140,904	24.4
Funds	**48,458**	**8.1**	**19.4**	40,586	7.0
Shares	**37,188**	**6.2**	**-5.4**	39,296	6.8
Unlisted equity	**16,758**	**2.8**	**-4.6**	17,562	3.0
Preferred shares	**7,396**	**1.3**	**0.3**	7,377	1.3
Perpetual bonds	**27,342**	**4.6**	**22.0**	22,418	3.9
Other equity investments (2)	**13,894**	**2.3**	**1.7**	13,665	2.4
Investment properties	**7,649**	**1.3**	**2.8**	7,440	1.3
Investments in associates and joint ventures	**60,039**	**10.0**	**3.3**	58,149	10.1
Other investment assets (3)	**5,915**	**1.0**	**7.0**	5,527	1.0
Total investment assets	**596,846**	**100.0**	**3.6**	576,019	100.0

(1) Other fixed-income investments mainly consist of trust plans, project support schemes, etc.

(2) Other equity investments mainly consist of debt plans, trust plans, etc.

(3) Other investment assets are mainly restricted statutory deposits.

As at 30 June 2023, the balance of investment assets of the Company and its subsidiaries was RMB596,846 million, representing an increase of 3.6% as compared to the beginning of the year. Under the principle of long-term and prudent investment, the Company implemented strict risk control and continued to optimize its investment portfolios.

The Company and its subsidiaries continued to invest in non-standard financial products on selective basis and made adjustments to bond structures with bond size remaining relatively stable. Due to continued fall of deposit interest rate, the amount of new bank deposits is less than that of matured deposits, which led to a slight decrease in term deposits. As at 30 June 2023, the balance of fixed income investment assets was RMB352,988 million, representing an increase of RMB10,243 million (or 3.0%) as compared to the beginning of the year, and its share in the total portfolio decreased by 0.3 percentage point as compared to the beginning of the year.

At the time of market downturn, the Company and its subsidiaries increased investments in the stock funds, and made more investments in perpetual bonds at the beginning of the year when the interest rate was relatively high. As at 30 June 2023, the balance of equity investment assets was RMB151,036 million, representing an increase of RMB10,132 million (or 7.2%) as compared to the beginning of the year, and its share in the total portfolio increased by 0.9 percentage point as compared to the beginning of the year.

3. Investments in associates and joint ventures

As at 30 June 2023, the amount of investments in associates and joint ventures of the Company and its subsidiaries was RMB60,039 million, representing an increase of RMB1,890 million (or 3.3%) as compared to the beginning of the year. Please refer to Note 23 to the interim condensed consolidated financial information for details.

4. Material investments

Saved as disclosed in this interim report, during the reporting period, there is no material change to any information in relation to material investment of the Company and its subsidiaries provided pursuant to paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules as compared with the 2022 annual report.

5. Asset pledge

The Company conducted repurchase transactions in the market due to the liquidity management requirements. The securities held by the Company were pledged as collateral during the process of repurchase transactions.

(III) OVERALL RESULTS

The following table sets forth the overall results of the Company and its subsidiaries for the relevant periods or as at the relevant dates:

	Six months ended 30 June		
	2023	2022 (Restated)	Change
	RMB million	*RMB million*	*%*
Profit before income tax	**23,751**	22,629	5.0
Income tax expense	**(3,495)**	(3,409)	2.5
Net profit for the period	**20,256**	19,220	5.4
Total assets[1]	**692,898**	672,361	3.1
Net assets[1]	**230,566**	221,504	4.1

[1] Based on the data as at 30 June 2023 and 1 January 2023.

[2] The data during the reporting period as set out in the table above reflect the figures after the adoption of the Hong Kong Financial Reporting Standards 9 – Financial Instruments and the Hong Kong Financial Reporting Standards 17 – Insurance Contracts. The insurance contracts related information for the same period of 2022 was restated by the Company and its subsidiaries in accordance with the Hong Kong Financial Reporting Standards 17 – Insurance Contracts; the financial instruments related information for the same period of 2022 was not restated by the Company and its subsidiaries in accordance with Hong Kong Financial Reporting Standards 9 – Financial Instruments.

Profit before income tax

As a result of the foregoing, the profit before income tax of the Company and its subsidiaries in the first half of 2023 was RMB23,751 million, representing a year-on-year increase of RMB1,122 million (or 5.0%).

Income tax expense

In the first half of 2023, the Company and its subsidiaries recorded an income tax expense of RMB3,495 million, representing a year-on-year increase of RMB86 million (or 2.5%). The increase in income tax expense was mainly due to the increase in taxable profit.

Net profit for the period

As a result of the foregoing, the net profit of the Company and its subsidiaries increased by RMB1,036 million (or 5.4%) from RMB19,220 million in the first half of 2022 to RMB20,256 million in the first half of 2023, and basic earnings per share was RMB0.911.

III. SPECIFIC ANALYSIS

(I) ANALYSIS OF LIQUIDITY AND CAPITAL ADEQUACY

Cash Flow Analysis

The following table sets forth the cash flows of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2023	2022	Change
	RMB million	*RMB million*	*RMB million*
Net cash flows generated from operating activities	**17,702**	28,225	(10,523)
Net cash flows (used in)/generated from investing activities	**(6,667)**	1,205	(7,872)
Net cash flows used in financing activities	**(13,194)**	(23,586)	10,392
Effects of exchange rate changes on cash and cash equivalents	**124**	188	(64)
Net (decrease)/increase in cash and cash equivalents	**(2,035)**	6,032	(8,067)

In the first half of 2023, the net cash flows generated from operating activities of the Company and its subsidiaries were RMB17,702 million, representing a year-on-year decrease of RMB10,523 million (or -37.3%). The decrease in net cash flows generated from operating activities was mainly due to the lower level of cash outflows for claims and expenses for the corresponding period of the previous year, which was affected by the pandemic.

In the first half of 2023, the net cash flows used in investing activities of the Company and its subsidiaries were RMB6,667 million, compared to net cash flows generated from investing activities of RMB1,205 million for the corresponding period of the previous year. The increase in net cash flows used in investing activities was mainly due to the increase in the allocation of bonds and non-standard financial products by the Company and its subsidiaries in the first half of 2023.

In the first half of 2023, the net cash flows used in financing activities of the Company and its subsidiaries were RMB13,194 million, compared to net cash outflows of RMB23,586 million for the corresponding period of the previous year. The decrease in net cash flows used in financing activities was mainly due to the decrease in the net cash flows used in relation to securities sold under agreements to repurchase.

As at 30 June 2023, cash and cash equivalents (exclusive of interest receivables) of the Company and its subsidiaries amounted to RMB19,215 million.

Gearing Ratio

As at 30 June 2023, the gearing ratio *(Note)* of the Company and its subsidiaries was 65.5%, representing a decrease of 0.3 percentage point as compared to the gearing ratio of 65.8% at the beginning of 2023.

Note: The gearing ratio is represented by total liabilities (excluding bonds payable) divided by total assets under accounting principles generally accepted in Hong Kong.

Source of Working Capital

The cash flows of the Company and its subsidiaries are primarily derived from cash generated from operating activities, which are principally insurance premiums received. In addition, sources of liquidity include interest and dividend income, proceeds from matured investments, disposal of assets and financing activities. The liquidity needs of the Company and its subsidiaries consist principally of the payment of claims and performance of other obligations under outstanding insurance policies, capital expenditure, operating expenses, tax payments, dividend payments and investment needs.

The Company issued capital supplementary bonds of RMB8 billion in March 2020, with a term of 10 years. Save for the capital supplementary bonds mentioned above, the Company and its subsidiaries did not obtain working capital by borrowing.

The Company and its subsidiaries expect that they can meet their working capital needs in the future with cash generated from operating activities. The Company and its subsidiaries have sufficient working capital.

Capital Expenditure

The capital expenditure of the Company and its subsidiaries primarily includes expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. In the first half of 2023, the capital expenditure of the Company and its subsidiaries was RMB798 million.

Solvency Margin (Note)

	30 June 2023 *RMB million*	31 December 2022 *RMB million*	Change %
Actual capital	**225,278**	215,415	4.6
Core capital	**196,685**	189,730	3.7
Minimum capital	**101,639**	93,964	8.2
Comprehensive solvency margin ratio (%)	**221.6**	229.3	Decreased by 7.7 pp
Core solvency margin ratio (%)	**193.5**	201.9	Decreased by 8.4 pp

Note: The solvency margin results were calculated in accordance with the Rules for the Supervision of Insurance Company Solvency (II) and the relevant notices issued by the National Administration of Financial Regulation (former CBIRC).

(II) RISK MANAGEMENT

Credit Risk

Credit risk is the risk of economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payments when due. The assets of the Company and its subsidiaries which are subject to credit risk are principally concentrated on insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

The Company and its subsidiaries are only committed to credit sales to corporate customers or individual customers who purchase certain insurance policies through insurance intermediaries. The capability to collect premiums in a timely manner is one of the key performance indicators of the Company. The Company's premiums receivable involve a large number of diversified customers, therefore there are no major credit concentration risks in insurance receivables.

Other than the state-owned reinsurance companies, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with A- rating or above by Standard & Poor's (or equivalent ratings granted by other international rating agencies such as A.M. Best, Fitch and Moody's). The management of the Company and its subsidiaries regularly reviews the creditworthiness of the reinsurance companies in order to update the reinsurance strategies and determine reasonable impairment provision on reinsurance assets of the Company and its subsidiaries.

The Company and its subsidiaries diligently manage credit risk in debt securities mainly by analyzing the creditworthiness of investee companies prior to making investments and by strictly conforming to the relevant regulations issued by the National Administration of Financial Regulation (former CBIRC) on the investment ratings of corporate bonds. The majority of the bonds held by the Company and its subsidiaries have credit ratings of AA or above.

The Company and its subsidiaries manage and lower credit risk affecting their bank deposits mainly by depositing most of their deposits with state-owned banks or state-controlled commercial banks.

Exchange Rate Risk

The Company and its subsidiaries conduct their business primarily in RMB, which is also their functional and financial reporting currency. Certain businesses of the Company and its subsidiaries (including certain commercial property insurance, international cargo insurance and aviation insurance business) are conducted in foreign currencies (primarily in US dollars). The Company and its subsidiaries are also exposed to exchange rate risks for assets which are valued based on foreign currencies such as parts of their bank deposits and debt securities and certain insurance business liabilities which are denominated in foreign currencies (primarily in US dollars).

Foreign exchange transactions under the capital accounts of the Company and its subsidiaries are subject to foreign exchange control and the approval of the administration authority for foreign exchange. Exchange rate fluctuations may arise as a result of the foreign exchange policy adopted by the PRC government.

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 the changes in market interest rates. The Company and its subsidiaries' interest rate risk policy requires to manage interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, reprice interest on floating rate instruments at intervals of less than one year and manage floating interest rate risk through interest rate swap and other instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Interest Rate Swaps

The Company and its subsidiaries' financial assets which bear interest at different rates generate uncertain cash flows. As such, interest rate swap contracts are used by the Company and its subsidiaries to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties.

(III) OTHER SPECIFIC ANALYSIS

Contingent Events

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, acting as the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Company and its subsidiaries believe that any liabilities resulted therefrom will not have a material adverse effect on the financial position or operating results of the Company and its subsidiaries.

As at 30 June 2023, there were certain pending legal proceedings of the Company and its subsidiaries. After taking professional opinions into account, the management of the Company believes that such legal proceedings will not induce a significant impact on the operation of the Company and its subsidiaries.

Events after the Reporting Period

In late July and early August 2023, many districts in North China and Northeastern China were hit by heavy rainfalls, which caused major casualties and property losses. Since the occurrence of the disaster, the Company and its subsidiaries have launched disaster emergency plan immediately and have been mobilizing all levels of resources for rescue and claims. The Company and its subsidiaries will keep continuous attention on the development of subsequent reported cases and paid claims of the disaster, assess and react actively to its impacts on the financial position and operating results of the Company and its subsidiaries. Up to the date of announcement of this report, the assessment is still in progress.

Development of New Products

In the first half of 2023, the Company closely focused on national strategies, accelerated the construction of a diversified insurance product system that serves Chinese modernization, focused on hot spots of the market and customers' demands, and developed or amended a total of 758 insurance provisions, including 191 national provisions and 567 regional provisions, or 607 main insurance provisions and 151 rider provisions.

Employees

As at 30 June 2023, the Company had 163,439 employees. In the first half of 2023, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB19,129 million, mainly including basic salaries, performance related bonuses, and various insurance and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and working efficiency of employees by providing various career development paths, strengthening employee trainings, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

IV. LOOKING FORWARD

In the first half of 2023, the market demand in China recovered gradually, the production and supply continued to increase, and the overall economy made a turnaround, providing a favourable external environment for the development of property insurance business. The Company and its subsidiaries will, for the purpose of serving China's overall economic and social development, in the light of "To be Prominent Strategy" and by focusing on "Eight Strategic Services", continue to develop insurance services and promote high-quality development of the Company while serving the development of Chinese modernization.

Firstly, serving the construction of modern industrial system and supporting the development of real economy. We will launch "Industry + Sector" insurance solutions and develop innovative comprehensive insurance services covering property insurance, liability insurance and surety insurance to support the industrial transformation and upgrade; we will also actively develop product liability insurance, product quality insurance and other product insurance, which will facilitate the settlement of product quality disputes and ensure the protection of rights and interests of consumers.

Secondly, serving the rural revitalization and supporting the construction of a powerful nation of agriculture. We will deepen the innovation of system and mechanism for rural revitalization to support revitalizations of rural industries, rural talents, rural cultures, rural ecological environment and rural organizations as well as construction of rural modernization, strengthen the top-level design, innovate and upgrade the product supply for rural revitalization, continue to promote the "improvement of standards of agriculture insurance, expansion of coverage of agriculture insurance and increase of varieties of agriculture insurance products", make more efforts in the development of agricultural facility insurance and rural governance insurance, and ensure the high-quality development of agriculture insurance.

Thirdly, serving the building of China's self-reliance and strength in science and technology and supporting the construction of a powerful nation of science and technology. We will continue to increase the varieties of science and technology insurance products, optimize and promote the "first set of key technological equipment insurance, first batch of new materials insurance and first version of software insurance", increase the support to key areas such as integrated circuits, industrial machines, new generation information technology and high-end medical equipment, and further integrate into the virtuous cycle of "technology-industry-finance".

Fourthly, serving the improvement of people's livelihood and wellbeing and supporting the construction of a healthy China. We will support the construction of a multi-tier medical system, continue to consolidate advantages in critical illness insurance services, actively participate in long-term care insurance and medical assistance insurance services, and promote rapid development of outpatient chronic and special illness insurance and policy-oriented "Huimin insurance".

Fifthly, serving the green development and supporting the construction of a beautiful China. We will implement the "carbon peaking and carbon neutrality" strategy, promote innovative carbon sink insurance products, photovoltaic insurance products and offshore wind power insurance products to make contribution to carbon reduction. We will support the construction of new energy system and strategically develop new energy vehicle insurance business.

Sixthly, serving the safe development and supporting the construction of a peaceful China of a higher level. We will further develop catastrophe insurance and promote its coverage of major natural disasters such as floods, earthquakes and typhoons, further improve the combination of catastrophe insurance and commercial insurance, and enhance the disaster prevention capabilities; we will serve the public safety and social governance, and further exert the role of liability insurance in multiple areas such as campus safety, medical safety and dispute resolution.

Seventhly, serving the regional development and supporting the improvement of internal driving force for domestic circulation. By focusing on coordinated development of Beijing-Tianjin-Hebei Province, development of the Yangtze River Economic Belt, construction of the Guangdong-Hong Kong-Macao Big Bay Area and other major regional development initiatives, we will promote the implementation of unilateral recognition policy (Northbound Travel of Macau Vehicles), establish the first shipping insurance trading platform, actively develop cross-border insurance products such as cross-border vehicle insurance and cross-border medical insurance products in Guangdong Province, Hong Kong and Macao, and support the interconnection among Guangdong Province, Hong Kong and Macao; we will actively serve the development of Xiong'an New Area and the integration of the Beijing-Tianjin-Hebei Province, put forward cross-regional e-policies of the motor vehicle insurance and establish quick claim settlement mechanism for traffic accidents.

Eighthly, serving the "Belt and Road" Initiative and supporting a high-level opening-up. We will build a high-quality insurance support system for the "Belt and Road" Initiative, actively insure the projects under the "Belt and Road" Initiative and serve the building of the "Belt and Road" Initiative; we will actively promote overseas engineering insurance, overseas property insurance and other overseas insurance products to protect the interests of Chinese company operating in overseas market; we will develop innovative cross-border e-commerce insurance products and overseas warehouse insurance products to support the development of new foreign trade models.

Ninthly, continuing to optimize the asset structure and ensuring its healthy development. It is expected that, in capital market, the bond yields will remain low, high-quality fixed income products will be in short supply, and stock market will fluctuate drastically. Under such market conditions, the Company will actively seize the structural opportunities while maintaining the proportion of equity assets; select quality equity projects and promote industrial investments; continue to uphold credit risk standards, maintain the neutral strategy for duration of bonds and allocate financial products on a selective basis.

Corporate Governance and Other Information

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Directors, Supervisors and President of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 30 June 2023 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

During the six months ended 30 June 2023, the Company did not grant any rights to the Directors, Supervisors or President of the Company (including their spouses or children under the age of 18) to subscribe for shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO. As at 30 June 2023, none of the abovementioned subscription right existed.

CHANGES IN THE BOARD AND SUPERVISORY COMMITTEE

CHANGES IN THE BOARD

Changes in the Board members during the period from 1 January 2023 to the date of this interim report are as follows:

The qualification of Mr. Wei Chenyang as an Independent Director was approved by the former CBIRC on 12 January 2023. The positions of Mr. Wei as members of the Nomination, Remuneration and Review Committee and the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) of the Board became effective simultaneously.

Mr. Lin Hanchuan resigned as an Independent Director with effect from 17 February 2023 due to age reason. The positions of Mr. Lin as members of the Audit Committee, the Nomination, Remuneration and Review Committee and the Related Party Transaction Control Committee of the Board also ceased simultaneously.

Mr. Luo Xi resigned as a Non-executive Director, the Chairman of the Board and the Chairman of the Strategic Planning Committee of the Board with effect from 16 March 2023 due to age reason.

The qualification of Mr. Hu Wei as a Director was approved by the former CBIRC on 16 March 2023. The position of Mr. Hu as a member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) of the Board became effective simultaneously.

The 45th meeting of the 5th session of the Board of the Company held on 29 May 2023 elected Mr. Yu Ze, an Executive Director and the President of the Company, as the Vice Chairman of the 5th session of the Board. The term of office of Mr. Yu as the Vice Chairman of the 5th session of the Board commenced from 29 May 2023 and ended upon the expiry of the term of appointment of the 5th session of the Board of the Company.

The Company received the approval letter from the National Administration of Financial Regulation on 9 August 2023, pursuant to which the qualification of Mr. Li Weibin as an Independent Director was approved by the National Administration of Financial Regulation on 31 July 2023.

The second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023 elected Mr. Wang Tingke as a Non-executive Director of the 6th session of the Board, Mr. Yu Ze, Mr. Jiang Caishi, Mr. Zhang Daoming and Mr. Hu Wei as Executive Directors of the 6th session of the Board, Mr. Li Tao as a Non-executive Director of the 6th session of the Board, and Ms. Qu Xiaohui, Mr. Cheng Fengchao, Mr. Wei Chenyang, Mr. Li Weibin and Mr. Qu Xiaobo as Independent Directors of the 6th session of the Board. Among them, the terms of office of Mr. Wang Tingke and Mr. Qu Xiaobo commence from the date of the approval of the election by the general meeting and the approval of their respective qualifications as Directors by the National Administration of Financial Regulation, and expire at the end of the term of the 6th session of the Board; the term of office of Ms. Qu Xiaohui commenced from the date of the approval of the election by the general meeting and expires at the time when she has served as an Independent Director of the Company for six years in total; and the terms of office of the others commenced from the date of the approval of the election by the general meeting and expire at the end of the term of the 6th session of the Board.

The 1st meeting of the 6th session of the Board of the Company held on 8 August 2023 elected Mr. Wang Tingke as the Chairman of the 6th session of the Board and Mr. Yu Ze as the Vice Chairman of the 6th session of the Board; elected Mr. Wang Tingke, Mr. Yu Ze, Mr. Jiang Caishi, Mr. Li Tao and Mr. Qu Xiaobo as members of the Strategic Planning Committee of the Board, Ms. Qu Xiaohui, Mr. Li Tao, Mr. Cheng Fengchao, Mr. Wei Chenyang and Mr. Li Weibin as members of the Audit Committee of the Board, Mr. Cheng Fengchao, Mr. Li Tao, Ms. Qu Xiaohui, Mr. Wei Chenyang and Mr. Li Weibin as members of the Nomination, Remuneration and Review Committee of the Board, Mr. Yu Ze, Mr. Jiang Caishi, Mr. Zhang Daoming, Mr. Hu Wei, Mr. Cheng Fengchao, Mr. Wei Chenyang and Mr. Qu Xiaobo as members of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) of the Board, and Mr. Li Weibin, Mr. Jiang Caishi, Mr. Zhang Daoming, Ms. Qu Xiaohui and Mr. Qu Xiaobo as members of the Related Party Transaction Control Committee of the Board; approved the appointment of Ms. Qu Xiaohui as the Chairman of the Audit Committee of the Board, Mr. Cheng Fengchao as the Chairman of the Nomination, Remuneration and Review Committee of the Board, Mr. Yu Ze as the Chairman of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) of the Board, and Mr. Li Weibin as the Chairman of the Related Party Transaction Control Committee of the Board (according to the Articles of Association, the Chairman of the Board shall act as the Chairman of the Strategic Planning Committee).

The term of office of Mr. Wang Tingke as the Chairman of the Board shall commence from the date of the approval of the election by the Board and the approval of his qualification as the Chairman of the Board by the National Administration of Financial Regulation and end upon the expiry of the term of the 6th session of the Board; and the term of office of Mr. Yu Ze as the Vice Chairman of the Board commenced from the date of the approval of the election by the Board and shall end upon the expiry of the term of the 6th session of the Board. Among the members of the Board committees as mentioned above, the term of office of Mr. Wang Tingke will commence from the date of the approval of his qualification as the Chairman of the Board by the National Administration of Financial Regulation and cease upon the expiry of the term of the 6th session of the Board of the Company; the term of office of Mr. Qu Xiaobo will commence from the date of the approval of his qualification as a Director by the National Administration of Financial Regulation and cease upon the expiry of the term of the 6th session of the Board of the Company; the term of office of Ms. Qu Xiaohui commenced from the date of the approval of the election by the Board and expires at the time when she has served as an Independent Director of the Company for six years in total; and the terms of office of other members of the Board committees commenced from the date of the approval of the election by the Board and shall end upon the expiry of the term of the 6th session of the Board of the Company.

Mr. Lo Chung Hing retired as a Director on 8 August 2023. The positions of Mr. Lo as a member of the Audit Committee of the Board, a member of the Nomination, Remuneration and Review Committee of the Board and the Chairman of the Related Party Transaction Control Committee of the Board also ceased simultaneously.

As at the date of this interim report, the Chairman of the Board of the Company is Mr. Wang Tingke, whose qualification as the Chairman of the Board is still subject to the approval by the National Administration of Financial Regulation. Before Mr. Wang takes office, Mr. Yu Ze, the Vice Chairman of the Board, shall act as the Chairman of the Board.

As at the date of this interim report, the Board comprises:

Mr. Yu Ze *(Vice Chairman of the Board, Executive Director)*
Mr. Jiang Caishi *(Executive Director)*
Mr. Zhang Daoming *(Executive Director)*
Mr. Hu Wei (*Executive Director*)
Mr. Li Tao *(Non-executive Director)*
Ms. Qu Xiaohui *(Independent Director)*
Mr. Cheng Fengchao *(Independent Director)*
Mr. Wei Chenyang *(Independent Director)*
Mr. Li Weibin *(Independent Director)*

CHANGES IN THE SUPERVISORY COMMITTEE

Changes in the Supervisory Committee members during the period from 1 January 2023 to the date of this interim report are as follows:

On 15 July 2022, Mr. Zhang Xiaoli resigned as a Supervisor, the Chairman of the Supervisory Committee and the Chairman of the Performance and Due Diligence Supervision Committee of the Supervisory Committee of the Company, due to other work arrangements. Given that the Supervisory Committee became inquorate due to Mr. Zhang's resignation, pursuant to relevant laws and regulations of the PRC and the Articles of Association, Mr. Zhang continued to perform his duties as a Supervisor in accordance with laws and regulations, regulatory provisions and the Articles of Association before a new Supervisor is elected and fills the vacancy caused by his resignation. On 23 May 2023, the qualifications of Mr. Dong Qingxiu, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang each as a Supervisor of the Company have been approved by the National Administration of Financial Regulation. Given that upon the approval of the qualifications of the above Supervisors, the Supervisory Committee of the Company has met the quorum, Mr. Zhang ceased to perform his duties as a Supervisor of the Company with effect from 23 May 2023.

The qualification of Ms. Li Shuk Yin Edwina as a Supervisor was approved by the former CBIRC on 31 January 2023. The position of Ms. Li as a member of the Financial and Internal Control Supervision Committee of the Supervisory Committee became effective simultaneously.

The qualification of Mr. Dong Qingxiu as a Supervisor was approved by the National Administration of Financial Regulation on 23 May 2023. The positions of Mr. Dong as the Chairman of the Supervisory Committee and the Chairman of the Performance and Due Diligence Supervision Committee of the Supervisory Committee became effective simultaneously.

The qualification of Mr. Zhou Zhiwen as a Supervisor was approved by the National Administration of Financial Regulation on 23 May 2023. The position of Mr. Zhou as a member of the Performance and Due Diligence Supervision Committee of the Supervisory Committee became effective simultaneously.

The qualification of Mr. Fu Xiaoliang as a Supervisor was approved by the National Administration of Financial Regulation on 23 May 2023. The position of Mr. Fu as a member of the Performance and Due Diligence Supervision Committee of the Supervisory Committee became effective simultaneously.

At the Meeting of Representatives of Employees of the Company held on 24 July 2023, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang were elected as Employee Representative Supervisors of the 6th session of the Supervisory Committee. Their terms of office commenced from 8 August 2023 and shall end upon the expiry of the term of the 6th session of the Supervisory Committee of the Company.

The second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023 elected Mr. Dong Qingxiu and Mr. Wang Yadong as Shareholder Supervisors of the 6th session of the Supervisory Committee of the Company, and elected Ms. Li Shuk Yin Edwina and Mr. Carson Wen as External Supervisors of the 6th session of the Supervisory Committee. Among them, the term of office of Mr. Carson Wen shall commence from the date of the approval of the election by the general meeting and the approval of his qualification as a Supervisor by the National Administration of Financial Regulation and end upon the expiry of the term of the 6th session of the Supervisory Committee of the Company; and the terms of office of the others commenced from the date of the approval of the election by the general meeting and shall end upon the expiry of the term of the 6th session of the Supervisory Committee of the Company.

The 1st meeting of the 6th session of the Supervisory Committee of the Company held on 8 August 2023 elected Mr. Dong Qingxiu as the Chairman of the Supervisory Committee of the 6th session of the Supervisory Committee; elected Mr. Dong Qingxiu, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang as members of the Performance and Due Diligence Supervision Committee of the Supervisory Committee, elected Mr. Wang Yadong, Ms. Li Shuk Yin Edwina, Mr. Carson Wen and Mr. Fu Xiaoliang as members of the Financial and Internal Control Supervision Committee of the Supervisory Committee; elected Mr. Wang Yadong as the Chairman of the Financial and Internal Control Supervision Committee of the Supervisory Committee (according to the Articles of Association, the Chairman of the Supervisory Committee shall serve as the Chairman of the Performance and Due Diligence Supervision Committee). Among the members of the special committees of the Supervisory Committee, the term of office of Mr. Carson Wen shall commence from the date of the approval of his qualification as a Supervisor by the National Administration of Financial Regulation and end upon the expiry of the term of the 6th session of the Supervisory Committee of the Company; and the terms of office of the Chairman of the Supervisory Committee and other members of the special committees of the Supervisory Committee commenced from the date of the approval of the election by the Supervisory Committee and shall end upon the expiry of the term of the 6th session of the Supervisory Committee of the Company.

Mr. Lu Zhengfei retired as a Supervisor on 8 August 2023. The position of Mr. Lu as the Chairman of the Financial and Internal Control Supervision Committee of the Supervisory Committee also ceased simultaneously.

As at the date of this interim report, the Supervisory Committee comprises:

Mr. Dong Qingxiu (*Chairman of the Supervisory Committee, Shareholder Supervisor*)
Mr. Wang Yadong (*Shareholder Supervisor*)
Ms. Li Shuk Yin Edwina (*External Supervisor*)
Mr. Zhou Zhiwen (*Employee Representative Supervisor*)
Mr. Fu Xiaoliang (*Employee Representative Supervisor*)

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

CHANGES IN THE INFORMATION ON DIRECTORS

Mr. Yu Ze, an Executive Director, currently also acts as the Vice Chairman of the Company.

Mr. Zhang Daoming, an Executive Director, currently also acts as a director of China Aerospace Investment Holdings Ltd.

Ms. Qu Xiaohui, an Independent Director, no longer serves as a professor, a doctoral supervisor and the leader of the Accounting Discipline of Harbin Institute of Technology, Shenzhen, and an independent non-executive director of Qingdao Doublestar Co., LTD*.

Mr. Cheng Fengchao, an Independent Director, no longer acts as an independent director of Minmetals Capital Company Limited**.

*	This company is listed on the Shenzhen Stock Exchange.

**	This company is listed on the Shanghai Stock Exchange.

CHANGES IN THE INFORMATION ON SUPERVISORS

Mr. Dong Qingxiu, a Shareholder Supervisor, currently also acts as the Chairman of the Supervisory Committee of the Company, a supervisor and the chairman of the board of supervisors of PICC Reinsurance Co., Ltd.

Ms. Li Shuk Yin Edwina, an External Supervisor, currently also acts as an independent non-executive director of CNOOC Limited*.

*	This company is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Securities Transactions Guidelines") that are applicable to Directors, Supervisors and all employees. The terms of the Securities Transactions Guidelines are no less exacting than those set out in the Model Code. The Company enquired with all the Directors and Supervisors, and they all confirmed that they complied with the requirements under the Model Code and the Securities Transactions Guidelines during the first half of 2023.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2023, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
PICC Group	Beneficial owner	15,343,471,470	Long position	100%	68.98%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
Citigroup Inc.	Interest of controlled corporations, approved lending agent	476,033,857 *(Note 2)*	Long position	6.89%	2.14%
	Interest of controlled corporations	93,937,843 *(Note 2)*	Short position	1.36%	0.42%
	Approved lending agent	445,265,195	Lending pool	6.45%	2.0%
BlackRock, Inc.	Interest of controlled corporations	426,684,930 *(Note 3)*	Long position	6.18%	1.92%
	Interest of controlled corporations	17,942,000 *(Note 3)*	Short position	0.26%	0.08%

Notes:

1. As at 30 June 2023, the Company has issued domestic shares totaling 15,343,471,470 shares and H shares totaling 6,899,293,833 shares. The total number of its issued shares is 22,242,765,303.

2. Among which, 6,025 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 1,364,736 H shares (Long position) and 388,000 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 80,096,368 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

3. Among which, 6,134,000 H shares (Long position) and 17,604,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept under Section 336 of the SFO, or being substantial shareholders of the Company as at 30 June 2023.

INTERIM DIVIDEND

The Board of Directors did not propose any interim dividend for the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2023.

CORPORATE GOVERNANCE

Under code provision B.2.2 set out in Part 2 of the Corporate Governance Code, every Director should be subject to retirement by rotation at least once every three years. The term of office of the Directors of the fifth session of the Board should have expired on 6 March 2022, but in accordance with the provisions of the Company Law, if a Director is not re-elected in a timely manner upon the expiration of the term of office of the Directors, the original Directors shall continue to serve as Directors until the re-elected Directors take office. Due to the progress of selecting candidates for directorships, the Company had not been able to complete re-electing Directors in a timely manner. Therefore, the Directors of the 5th session of the Board continued to serve as Directors until the Directors of the 6th session of the Board take office. As the Directors of the fifth session of the Board did not retire by rotation at the end of their term of office, the Company failed to comply with code provision B.2.2 of the Corporate Governance Code during the first half of 2023. The Company has complied with all the code provisions of the Corporate Governance Code during the first half of 2023 except for code provision B.2.2.

The 6th session of the Board of the Company has been elected at the extraordinary general meeting of the Company held on 8 August 2023. Therefore, as at the date of this interim report, the Company has complied with all the code provisions of the Corporate Governance Code.

REVIEW OF INTERIM RESULTS

PricewaterhouseCoopers, the Company's auditor, and the Audit Committee of the Company have reviewed the unaudited interim condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2023.

Report on Review of Interim Financial Information

To the Board of Directors of PICC Property and Casualty Company Limited
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 115, which comprises the interim condensed consolidated statement of financial position of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,
29 August 2023

Interim Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2023
(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June 2023 (Unaudited)	 2022 (Restated, unaudited)
Insurance revenue	*5*	**224,368**	205,189
Insurance service expenses	*5*	**(204,715)**	(189,368)
Net expenses from reinsurance contracts held		**(5,818)**	(2,877)
INSURANCE SERVICE RESULT		**13,835**	12,944
Finance expenses from insurance contracts issued		**(4,998)**	(4,649)
Finance income from reinsurance contracts held		**632**	552
Investment income	*6*	**Not applicable**	10,497
Net realised and unrealised gains on investments	*7*	**Not applicable**	1,797
Investment related expenses		**Not applicable**	(241)
Interest income from financial assets not measured at fair value through profit or loss	*8*	**5,893**	Not applicable
Other investment income	*8*	**5,817**	Not applicable
Credit impairment losses	*8*	**(239)**	Not applicable
Other income		**276**	327
Other finance costs	*9*	**(522)**	(526)
Other operating expenses		**(686)**	(810)
Share of profit or loss of associates and joint ventures		**3,469**	2,314
Foreign exchange gains, net		**274**	424
PROFIT BEFORE INCOME TAX		**23,751**	22,629
Income tax expense	*11*	**(3,495)**	(3,409)
NET PROFIT FOR THE PERIOD		**20,256**	19,220
Attributable to:			
Owners of the parent		**20,254**	19,218
Non-controlling interests		**2**	2
Basic earnings per share	*12*	**RMB0.911**	RMB0.864
Diluted earnings per share	*12*	**RMB0.911**	RMB0.864

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023
(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Restated, unaudited)
NET PROFIT FOR THE PERIOD		**20,256**	19,220
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Finance expenses from insurance contracts issued that may be reclassified to profit or loss		**(631)**	(323)
Finance income from reinsurance contracts held that may be reclassified to profit or loss		**105**	51
Net gains from changes in fair value of debt instruments at fair value through other comprehensive income		**1,310**	Not applicable
Net gains on debt instruments at fair value through other comprehensive income reclassified to profit or loss on disposal		**(464)**	Not applicable
Credit loss provision of debt instruments at fair value through other comprehensive income		**(43)**	Not applicable
Changes in fair value of available-for-sale financial assets			
Fair value losses		**Not applicable**	(3,361)
Reclassification of gains on disposals to profit or loss		**Not applicable**	(4,069)
Impairment losses		**Not applicable**	92
Income tax effect		**(69)**	1,841
Share of other comprehensive income of associates and joint ventures		**(238)**	(425)
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(30)**	(6,194)
Items that will not be reclassified to profit or loss in subsequent periods:			
Gains on revaluation of properties and right-of-use assets upon transfer to investment properties		**395**	344
Changes in fair value of equity instruments at fair value through other comprehensive income		**(1,094)**	Not applicable
Income tax effect		**171**	(85)

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Restated, unaudited)
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(528)**	259
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(558)**	(5,935)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,698**	13,285
Attributable to			
Owners of the parent		**19,689**	13,283
Non-controlling interests		**9**	2

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2023
(All amounts expressed in RMB million unless otherwise specified)

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Restated, unaudited)
ASSETS			
Cash and cash equivalents	*14*	**19,219**	21,250
Financial investments:			
Debt securities	*15*	**Not applicable**	192,970
Equity securities and mutual funds	*16*	**Not applicable**	140,718
Investments classified as loans and receivables	*17*	**Not applicable**	71,313
Financial investments at amortised cost	*18*	**118,144**	Not applicable
Financial assets at fair value through other comprehensive income	*19*	**165,677**	Not applicable
Financial assets at fair value through profit or loss	*20*	**149,064**	Not applicable
Insurance contract assets	*21*	**458**	611
Reinsurance contract assets	*21*	**33,515**	36,827
Term deposits	*22*	**71,139**	73,657
Investments in associates and joint ventures	*23*	**60,039**	58,085
Investment properties	*24*	**7,649**	7,440
Property and equipment	*25*	**23,967**	24,774
Right-of-use assets	*26*	**5,594**	5,558
Deferred income tax assets		**15,102**	12,083
Prepayments and other assets	*27*	**23,331**	27,176
TOTAL ASSETS		**692,898**	672,462
LIABILITIES			
Securities sold under agreements to repurchase		**29,525**	41,690
Income tax payable		**2,663**	3,446
Investment contract liabilities	*28*	**1,738**	1,741
Insurance contract liabilities	*21*	**366,144**	351,254
Bonds payable	*29*	**8,197**	8,097
Lease liabilities		**1,438**	1,484
Accruals and other liabilities	*30*	**52,627**	43,145
TOTAL LIABILITIES		**462,332**	450,857

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated, unaudited)
EQUITY			
Issued capital	*31*	**22,242**	22,242
Reserves		**205,423**	196,471
Equity attributable to owners of the parent		**227,665**	218,713
Non-controlling interests		**2,901**	2,892
TOTAL EQUITY		**230,566**	221,605
TOTAL LIABILITIES AND EQUITY		**692,898**	672,462

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes In Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023
(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2023 (Unaudited)													
	Attributable to owners of the parent													
		Reserves*												
	Issued capital	Share premium and other reserves	Asset revaluation reserve**	Revaluation reserve of financial assets at fair value through other comprehensive Income	Revaluation reserve of available-for-sale securities	Insurance finance reserve	Surplus reserve***	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income of associates and joint ventures	Retained earnings	Sub-total	Non-controlling interests	Total equity
31 December 2022 (Restated, unaudited)	22,242	11,347	4,738	-	11,878	(227)	67,526	23,249	85	(1,707)	79,582	218,713	2,892	221,605
Impact of initial application of HKFRS 9 *(note 2.2(1))*	-	-	-	10,092	(11,878)	-	165	165	-	1,155	200	(101)	-	(101)
1 January 2023 (Unaudited)	22,242	11,347	4,738	10,092	-	(227)	67,691	23,414	85	(552)	79,782	218,612	2,892	221,504
Total comprehensive income														
Net profit for the period	-	-	-	-	-	-	-	-	-	-	20,254	20,254	2	20,256
Other comprehensive income	-	-	293	(226)	-	(394)	-	-	-	(238)	-	(565)	7	(558)
Appropriation to discretionary surplus reserve	-	-	-	-	-	-	10,000	-	-	-	(10,000)	-	-	-
Dividends declared *(note 13)*	-	-	-	-	-	-	-	-	-	-	(10,632)	(10,632)	-	(10,632)
Others	-	(4)	-	-	-	-	-	-	-	-	-	(4)	-	(4)
30 June 2023 (Unaudited)	22,242	11,343	5,031	9,866	-	(621)	77,691	23,414	85	(790)	79,404	227,665	2,901	230,566

* The consolidated reserves of RMB205,423 million in the interim condensed consolidated statement of financial position at 30 June 2023 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserves.

The accompanying notes form an integral part of the interim condensed consolidated financial information.

For the six months ended 30 June 2022 (Restated, unaudited)

	Attributable to owners of the parent												
		Reserves*											
	Issued capital	Share premium and other reserves	Asset revaluation reserve**	Revaluation reserve of available-for-sale securities	Insurance finance reserve	Surplus reserve***	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income of associates and joint ventures	Retained earnings	Sub-total	Non-controlling interests	Total equity
31 December 2021 (Audited)	22,242	11,412	4,269	21,355	–	64,100	19,823	307	1,061	58,318	202,887	2,762	205,649
Impact of initial application of HKFRS 17 *(note 2.2(2))*	–	–	–	–	(101)	568	568	–	(1,758)	6,648	5,925	–	5,925
1 January 2022 (Restated, unaudited)	22,242	11,412	4,269	21,355	(101)	64,668	20,391	307	(697)	64,966	208,812	2,762	211,574
Total comprehensive income for the period													
Net profit for the period	–	–	–	–	–	–	–	–	–	19,218	19,218	2	19,220
Other comprehensive income	–	–	259	(5,564)	(205)	–	–	–	(425)	–	(5,935)	–	(5,935)
Dividends declared (note 13)	–	–	–	–	–	–	–	–	–	(9,053)	(9,053)	–	(9,053)
Capital invested by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	13	13
30 June 2022 (Restated, unaudited)	22,242	11,412	4,528	15,791	(306)	64,668	20,391	307	(1,122)	75,131	213,042	2,777	215,819

* The consolidated reserves of RMB190,800 million in the interim condensed consolidated statement of financial position at 30 June 2022 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserves.

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023
(All amounts expressed in RMB million unless otherwise specified)

		Six months ended 30 June	
	Notes	**2023**	2022
		(Unaudited)	(Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**17,702**	28,225
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES			
Interest received		**8,711**	7,393
Rental income received from investment properties		**181**	140
Dividends received from financial investments		**3,294**	Not applicable
Dividends received from equity securities and mutual funds		**Not applicable**	3,724
Payment for capital expenditure		**(798)**	(884)
Proceeds from sales of financial investments		**55,083**	Not applicable
Payment for purchase of financial investments		**(77,998)**	Not applicable
Proceeds from sales of debt securities, equity securities and mutual funds		**Not applicable**	87,062
Proceeds from maturities of investments classified as loans and receivables		**Not applicable**	3,410
Payment for purchase of debt securities, equity securities and mutual funds		**Not applicable**	(95,537)
Payment for purchase of investments classified as loans and receivables		**Not applicable**	(9,457)
Dividends received from associates and joint ventures		**1,047**	900
Proceeds from disposal of property and equipment, intangible assets and other assets		**108**	23
Decrease in term deposits, net		**3,705**	4,431
Subtotal		**(6,667)**	1,205
NET CASH FLOWS USED IN FINANCING ACTIVITIES			
Decrease in securities sold under agreements to repurchase, net		**(12,172)**	(22,584)
Principal elements of lease payments		**(384)**	(367)
Interest paid		**(638)**	(648)
Funds from capital invested by non-controlling shareholders		**–**	13
Subtotal		**(13,194)**	(23,586)

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**124**	188
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,035)**	6,032
Cash and cash equivalents at beginning of the period		**21,250**	17,414
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*14*	**19,215**	23,446
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Demand deposits	*14*	**9,057**	11,292
Securities purchased under resale agreements with original maturity of no more than three months	*14*	**10,158**	12,154
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*14*	**19,215**	23,446

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2023
(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited (the "Company") is a joint stock company with limited liability incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC. The Company is listed on The Stock Exchange of Hong Kong Limited. The parent and the ultimate holding company of the Company is The People's Insurance Company (Group) of China Limited (the "PICC Group"), which is incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in property and casualty insurance business. Details of the operating segments are set out in note 4 to the interim condensed consolidated financial information.

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than the changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for investment properties, certain financial instruments, insurance contract assets and reinsurance contract assets.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services and certain financial instruments.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments

In the current interim period, the Group has applied, for the first time, the following new standards and amendments which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's interim condensed consolidated financial information:

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

[1] Effective for accounting periods beginning on or after 1 January 2018.

Except for the application of HKFRS 9 and HKFRS 17, other amendments and interpretations mentioned above have had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial information.

(1) HKFRS 9 – Financial Instruments

HKFRS 9 "Financial Instruments" – Impact of Adoption

The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in Hong Kong Accounting Standards ("HKAS") 39 that relates to the classification and measurement of financial instruments, and introduces new requirements for the classification and measurement of financial assets and liabilities, general hedge accounting and impairment of financial assets.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The Group was previously eligible and elected to apply the temporary option to defer the effective date of HKFRS 9 to 1 January 2023 under the amendments to HKFRS 4.

In accordance with the transitional provisions in HKFRS 9, the Group elected not to restate comparative figures. The carrying amounts of financial assets and financial liabilities as at 1 January 2023 with adoption of HKFRS 9 are adjusted, which has an impact on the opening balances of reserves. The Group discloses the related information for this period in relation to the adjustments while the comparative period has not been restated. The adoption of HKFRS 9 results in changes in accounting policies related to recognition, classification and measurement of financial assets and financial liabilities, and the impairment provision for financial assets. The specific accounting policies adopted in the current period are set out in note 2.4 (2).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(1) HKFRS 9 – Financial Instruments (continued)

(a) The impact on the financial assets of the Group's consolidated statement of financial position as at January 1 2023 is as follows:

HKAS 39			HKFRS 9		
Financial statement line item	Measurement category	Carrying amount	Financial statement line item	Measurement category	Carrying amount
Cash and cash equivalents	Amortised cost	21,250	Cash and cash equivalents	Amortised cost	21,254
Debt securities	Amortised cost	39,552	Financial investments at amortised cost	Amortised cost	31,182
			Financial assets at fair value through other comprehensive income	FVOCI	5,564
			Financial assets at fair value through profit and loss	FVPL	3,936
	FVOCI	145,274	Financial investments at amortised cost	Amortised cost	13,264
			Financial assets at fair value through other comprehensive income	FVOCI	80,780
			Financial assets at fair value through profit and loss	FVPL	53,463
	FVPL	8,144	Financial assets at fair value through profit and loss	FVPL	8,286
Equity securities and mutual funds	FVOCI	137,688	Financial assets at fair value through other comprehensive income	FVOCI	67,941
			Financial assets at fair value through profit and loss	FVPL	69,779
	FVPL	3,030	Financial assets at fair value through profit and loss	FVPL	3,030
Investments classified as loans and receivables	Amortised cost	71,313	Financial investments at amortised cost	Amortised cost	69,344
			Financial assets at fair value through profit and loss	FVPL	2,236
Term deposits	Amortised cost	73,657	Term deposits	Amortised cost	74,844
Prepayments and other assets	Amortised cost	27,176	Prepayments and other assets	Amortised cost	22,039

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(1) HKFRS 9 – Financial Instruments (continued)

(b) Following the adoption of HKFRS 9, the adjustments to the carrying amounts of each financial statement line item are illustrated as follows:

	31 December 2022	Reclassification effects	Remeasurement effects	**1 January 2023**
Cash and cash equivalents	21,250	4	–	**21,254**
Transfer from prepayments and other assets		4	–	
Debt securities	192,970	(192,970)	–	**Not applicable**
Held-to-maturity securities, at amortised cost				
Reclassification to financial assets at fair value through profit and loss		(3,660)	–	
Reclassification to financial investments at amortised cost		(30,715)	–	
Reclassification to financial assets at fair value through other comprehensive income		(5,177)	–	
Financial assets at fair value through profit and loss				
Reclassification to financial assets at fair value through profit and loss		(8,144)	–	
Available-for-sale financial assets, at fair value				
Reclassification to financial assets at fair value through profit and loss		(52,670)	–	
Reclassification to financial investments at amortised cost		(13,122)	–	
Reclassification to financial assets at fair value through other comprehensive income		(79,482)	–	

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(1) HKFRS 9 – Financial Instruments (continued)

(b) Following the adoption of HKFRS 9, the adjustments to the carrying amounts of each financial statement line item are illustrated as follows (continued):

	31 December 2022	Reclassification effects	Remeasurement effects	**1 January 2023**
Equity securities and mutual funds	140,718	(140,718)	–	**Not applicable**
Financial assets at fair value through profit and loss				
Reclassification to financial assets at fair value through profit and loss		(3,030)	–	
Available-for-sale financial assets, at fair value				
Reclassification to financial assets at fair value through profit and loss		(69,779)	–	
Reclassification to financial assets at fair value through other comprehensive income		(67,909)	–	
Investments classified as loans and receivables	71,313	(71,313)	–	**Not applicable**
Reclassification to financial assets at fair value through profit and loss		(2,130)	–	
Reclassification to financial investments at amortised cost		(69,183)	–	
Financial investments at amortised cost	Not applicable	114,032	(242)	**113,790**
Transfer from debt securities				
Transfer from held-to-maturity securities, at amortised cost		30,715	(16)	
Transfer from available-for-sale financial assets, at fair value		13,122	(207)	
Transfer from investments classified as loans and receivables		69,183	(19)	
Transfer from prepayments and other assets		1,012	–	

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(1) HKFRS 9 – Financial Instruments (continued)

(b) Following the adoption of HKFRS 9, the adjustments to the carrying amounts of each financial statement line item are illustrated as follows (continued):

	31 December 2022	Reclassification effects	Remeasurement effects	**1 January 2023**
Financial assets at fair value through other comprehensive income	Not applicable	154,013	272	**154,285**
Transfer from debt securities				
Transfer from held-to-maturity securities, at amortised cost		5,177	272	
Transfer from available-for-sale financial assets, at fair value		79,482	–	
Transfer from equity securities and mutual funds				
Transfer from available-for-sale financial assets, at fair value		67,909	–	
Transfer from prepayments and other assets		1,445	–	
Financial assets at fair value through profit and loss	Not applicable	140,513	217	**140,730**
Transfer from debt securities				
Transfer from held-to-maturity securities, at amortised cost		3,660	151	
Transfer from financial assets at fair value through profit and loss		8,144	–	
Transfer from available-for-sale financial assets, at fair value		52,670	–	
Transfer from equity securities and mutual funds				
Transfer from financial assets at fair value through profit and loss		3,030	–	
Transfer from available-for-sale financial assets, at fair value		69,779	–	
Transfer from investments classified as loans and receivables		2,130	66	
Transfer from prepayments and other assets		1,100	–	

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(1) HKFRS 9 – Financial Instruments (continued)

(b) Following the adoption of HKFRS 9, the adjustments to the carrying amounts of each financial statement line item are illustrated as follows (continued):

	31 December 2022	Reclassification effects	Remeasurement effects	**1 January 2023**
Term deposits	73,657	1,341	(154)	**74,844**
Transfer from prepayments and other assets		1,341	–	
Prepayments and other assets	27,176	(4,902)	(235)	**22,039**
Reclassification to cash and cash equivalents		(4)	–	
Reclassification to term deposits		(1,341)	–	
Reclassification to financial assets at fair value through profit and loss		(1,100)	–	
Reclassification to financial investments at amortised cost		(1,012)	–	
Reclassification to financial assets at fair value through other comprehensive income		(1,445)	–	

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(1) HKFRS 9 – Financial Instruments (continued)

(c) Reconciliation from impairment provision for financial assets classified and measured under HKAS 39 to impairment provision for financial assets classified and measured under HKFRS 9:

	Impairment provision under HKAS 39	Reclassification effects	Remeasurement effects	**Impairment provision under HKFRS 9**
Held-to-maturity securities and investments classified as loans and receivables/ Financial investments at amortised cost	1,135	(139)	52	**1,048**
Available-for-sale financial assets/ Financial assets at fair value through other comprehensive income	2,807	(2,675)	116	**248**
Term deposits	–	–	154	**154**
Prepayment and other assets	922	–	235	**1,157**

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Application of new standards and amendments (continued)

(2) HKFRS 17- Insurance Contract

HKFRS 17 "Insurance Contracts" – Impact of Adoption

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 "Insurance Contracts".

Measurement models of HKFRS 17 include the general measurement model ("GMM"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA") by the nature of insurance contracts. Entities have the option to simplify the measurement of a group of insurance contracts by using the PAA model when certain criterion is met. The Group chooses to apply the PAA model for most of its insurance contracts while GMM applies for the rest in some circumstances.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the annual reporting period immediately preceding the date of initial application. The Group adopted HKFRS 17 on 1 January 2023 and the transition date is 1 January 2022, hence the comparative figures have been restated.

The specific accounting policies adopted at the transition date are set out in note 2.4(1)(g).

The following table shows the effect of applying the modified retrospective approach and the fair value approach on contractual service margin ("CSM") of insurance contracts that applied the GMM at the transition date.

	1 January 2022 (Unaudited)
Contracts under the modified retrospective approach	–
Contracts under the fair value approach	642
CSM	642

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Revised standards not yet adopted

The Group has not applied the following key amendments that have been issued but are not yet effective, in the interim condensed consolidated financial information:

Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKFRS 16	Lease liabilities in Sale and Leaseback[2]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture[3]

[1] Issued in July 2023 and effective immediately upon the issuance

[2] Effective for annual periods beginning on or after 1 January 2024

[3] Effective for annual periods beginning on or after a date to be determined

None of these amendments is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

2.4 Material accounting policies information

(1) Insurance contract

(a) Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts, and they follow financial instruments accounting under HKFRS 9, if they do not contain a discretionary participation feature ("DPF"). The Group does not issue any investment contracts with DPF.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in the interim condensed consolidated financial information apply to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held, unless specifically stated otherwise.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(b) Unit of accounts

Level of aggregation of insurance contracts

The Group categorises insurance contracts with similar risks and unified management into the same portfolio. The Group further subdivides a portfolio into contract groups based on the profitability level, degree of loss, or the possibility of future losses after initial recognition.

The Group divides a portfolio of insurance contracts issued into a minimum of:

(1) a group of contracts that are onerous at initial recognition, if any;

(2) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and

(3) a group of the remaining contracts in the portfolio, if any.

The Group divides a portfolio of reinsurance contracts held into a minimum of:

(1) a group of contracts on which there is a net gain on initial recognition, if any;

(2) a group of contracts that at initial recognition have no significant possibility of generating a net gain subsequently, if any; and

(3) a group of the remaining contracts in the portfolio, if any.

The Group does not include contracts issued or held more than one year apart in the same group.

Separation of insurance contracts

If an insurance contract contains multiple components, the Group will separate the following components:

(1) cash flows relating to embedded derivatives that are required to be separated;

(2) cash flows relating to distinct investment components; and

(3) promises to transfer distinct goods or distinct services other than insurance contract services.

The Group applies HKFRS 17 to all remaining components of the contract.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(c) Recognition of insurance contracts

Groups of insurance contracts issued are initially recognised from the earliest of the following:

(1) the beginning of the coverage period;

(2) the date when the first payment from the policyholder is due or actually received, if there is no due date; and

(3) when the Group determines that a group of contracts becomes onerous.

Groups of reinsurance contracts held are recognised as follows:

(1) a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

i the beginning of the coverage period of the group; and

ii the initial recognition of any underlying insurance contract;

(2) all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the group of reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts

Insurance acquisition cash flow

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Fulfilment cash flows ("FCF") and contract boundary

The FCF, which comprise:

(1) estimates of future cash flows;

(2) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and

(3) a risk adjustment for non-financial risk.

The estimates of future cash flows:

(1) are based on a probability-weighted mean of the full range of possible outcomes;

(2) are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and

(3) reflect conditions existing at the measurement date.

The Group adjusts the estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The measurement of the FCF of a group of contracts does not reflect the Group's nonperformance risk.

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Estimates of cash flows in a scenario include all cash flows within the boundary of an existing contract and no other cash flows. The Group does not consider any amounts relating to expected premiums or expected claims outside the boundary of the insurance contract.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Insurance contracts not measured under the PAA

Initial measurement

The Group measures the insurance contracts at group level.

On initial recognition, the Group measures a group of contracts as the total of the FCF and the CSM.

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

(1) the initial recognition of the FCF;

(2) cash flows arising from the contracts in the group at that date;

(3) the derecognition of any insurance acquisition cash flows asset; and

(4) the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Insurance contracts not measured under the PAA (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts issued at the end of each reporting period shall be the sum of:

(1) the liability for remaining coverage ("LRC"), comprising:

i the FCF related to future service allocated to the group at that date; and

ii the CSM of the group at that date.

(2) the liability for incurred claims ("LIC"), comprising the FCF related to past service allocated to the group at that date.

For insurance contracts issued, the carrying amount of the CSM of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

(1) the effect of any new contracts added to the group during the reporting period;

(2) interest accreted on the carrying amount of the CSM during the reporting period;

(3) the changes in FCF relating to future service as, except to the extent that:

i such increases in the FCF exceed the carrying amount of the CSM, giving rise to a loss; or

ii such decreases in the FCF are allocated to the loss component of the LRC.

(4) the effect of any currency exchange differences on the CSM; and

(5) the amount recognised as insurance revenue because of the transfer of the insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Insurance contracts not measured under the PAA (continued)

Subsequent measurement (continued)

For the following changes in FCF that relate to future service, an adjustment to the CSM is required:

(1) experience adjustments arising from premiums received in the period that relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes;

(2) changes in estimates of the present value of future cash flows in the LRC, except those described in the above paragraph;

(3) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

(4) changes in the risk adjustment for non-financial risk that relate to future service.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Insurance contracts not measured under the PAA (continued)

Measurement of onerous contracts

An insurance contract is onerous at the date of initial recognition if the FCF allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group recognises a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

If estimates of future cash flows and the risk adjustment for non-financial risk relating to future service resulting changes and a group of insurance contracts becomes onerous on subsequent measurement because of the increase of FCF exceeds the carrying amount of the CSM, the Group recognises a loss in profit or loss to the extent of that excess.

The Group reverses the loss component of LRC and insurance service expenses for the decrease of the estimates in FCF and non-financial risk adjustments relating to future services. If the decrease of LRC exceeds the loss component amount, the CSM is recognised.

After the Group has recognised a loss on an onerous group of insurance contracts, the Group allocates the subsequent changes in the LRC on a systematic basis between the loss component and the others. The subsequent changes in the LRC to be allocated are:

(1) estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses;

(2) changes in the risk adjustment for non-financial risk recognised in profit or loss because of the release from risk; and

(3) insurance finance income or expenses.

The amounts allocated to loss component are not recognised in insurance revenue during the reporting period.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Insurance contracts measured under the PAA

Initial measurement

The Group simplifies the measurement of a group of insurance contracts using the PAA if, and only if any of the conditions below is satisfied, at the inception of the group:

(1) the Group reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies for insurance contracts not measured under the PAA.

(2) the coverage period of each contract in the group is one year or less.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset.

Subsequent measurement

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

(1) the LRC; and

(2) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Insurance contracts measured under the PAA (continued)

Subsequent measurement (continued)

For insurance contracts issued, at the end of each subsequent reporting period, the carrying amount of the LRC is the carrying amount at the start of the reporting period:

- plus the premiums received in the period;
- minus insurance acquisition cash flows;
- plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period;
- plus any adjustment to a financing component;
- minus the amount recognised as insurance revenue for services provided in that period;
- minus any investment component paid or transferred to the LIC.

The Group adjusts the carrying amount of the LRC to reflect the time value of money and the effect of financial risk using the discount rates determined on initial recognition.

Insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated to the period. The Group allocates the expected premium receipts to each period of coverage on the basis of the passage of time.

If facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises the amount that the FCF exceeds the carrying amount of the LRC to the insurance service expenses and increase the the LRC.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money and other financial risks.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Reinsurance contracts held

Reinsurance contracts held not measured under the PAA

On initial recognition, the Group measures a group of reinsurance contracts held as the total of the FCF and the CSM.

For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future.

The Group uses consistent assumptions to measure the estimates of the present value of the future cash flows for the group of reinsurance contracts held and the estimates of the present value of the future cash flows for the group(s) of underlying insurance contracts. In addition, the Group includes in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the issuer of the reinsurance contract.

The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

On initial recognition, the Group recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a CSM measured at an amount equal to the sum of the following items. If the net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts held, the Group recognises such a cost immediately in profit or loss as an expense.

(1) the FCF;

(2) the amount derecognised at that date of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held;

(3) any cash flows arising at that date; and

(4) any income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Reinsurance contracts held (continued)

Reinsurance contracts held not measured under the PAA (continued)

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of the remaining coverage and the incurred claims.

The remaining coverage comprises the FCF related to future service allocated to the group at that date and the CSM of the group at that date.

The incurred claims comprise the FCF related to past service allocated to the group at the reporting date.

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

(1) the loss recognised on the underlying insurance contracts; and

(2) the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(d) Measurement of insurance contracts (continued)

Reinsurance contracts held (continued)

Reinsurance contracts held not measured under the PAA (continued)

The Group measures the CSM at the end of the reporting period for a group of reinsurance contracts held as the carrying amount determined at the start of the reporting period, adjusted for:

(1) the effect of any new contracts added to the group;

(2) interest accreted on the carrying amount of the CSM;

(3) income recognised in profit or loss when the Group recognises a loss on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised;

(4) reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held;

(5) changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts;

(6) the effect of any currency exchange differences; and

(7) the amount recognised in profit or loss for insurance contract services received during the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held.

Reinsurance contracts held measured under the PAA

The Group applies the same accounting principles to measure a group of insurance contracts issued or reinsurance contracts held under the PAA.

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(e) Derecogniton of insurance contracts

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

(f) Presentation

Insurance contract asset and liability

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(f) Presentation (continued)

Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts, the amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

(1) amounts relating to the changes in the LRC:

i. claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:

- amounts allocated to the loss component;
- repayments of investment components;
- amounts of transaction-based taxes collected in a fiduciary capacity;
- insurance acquisition expenses; and
- amounts related to the risk adjustment for non-financial risk (see (ii)).

ii. changes in the risk adjustment for non-financial risk, excluding:

- changes that relate to future coverage (which adjust the CSM); and
- amounts allocated to the loss component;

iii. amounts of the CSM recognised for the services provided in the period;

iv. experience adjustments – arising from premiums received in the period other than those that relate to future service; and

v. other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(f) Presentation (continued)

Insurance revenue (continued)

(2) amounts related to insurance acquisition cash flows. Amortisation of insurance acquisition cash flows is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

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

Insurance service expenses

Insurance service expenses include the following:

(1) incurred claims and benefits, excluding investment components;

(2) other incurred directly attributable expenses;

(3) insurance acquisition cash flows amortisation;

(4) changes that relate to past service – changes in the FCF relating to the LIC; and

(5) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

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

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the income statement.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(f) Presentation (continued)

Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income/(expenses) from reinsurance contracts held, comprising the following amounts:

(1) reinsurance expenses;

(2) incurred claims recovery, excluding investment components;

(3) other incurred directly attributable expenses recovery;

(4) effect of changes in the risk of reinsurers' non-performance;

(5) amounts relating to accounting for onerous groups of underlying insurance contracts issued:

  i. income on initial recognition of onerous underlying contracts and on addition of onerous underlying insurance contracts to a group;

  ii. reinsurance contracts held under the GMM: changes that relate to future services;

(6) changes that relate to past service – changes in the FCF relating to incurred claims recovery.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(f) Presentation (continued)

Net income/(expenses) from reinsurance contracts held (continued)

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

(1) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;

(2) changes in the risk adjustment for non-financial risk, excluding:

i. changes included in finance income/(expenses) from reinsurance contracts held;

ii. changes that relate to future coverage (which adjust the CSM);

(3) amounts of the CSM recognised for the services received in the period; and

(4) experience adjustments – arising from premiums paid in the period other than those that relate to future service.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Reinsurance cash flows that are contingent on claims of th underlying contracts, for examples profit or sliding commissions, are accounted for part of the claims that are expected to be reimbursed under the reinsurance contract held.

Insurance finance income or expenses

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

(1) the effect of the time value of money and changes in the time value of money; and

(2) the effect of financial risk and changes in financial risk.

The Group disaggregates insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation over the duration of the group. The cumulative amount recognised in other comprehensive income at any date is the difference between the carrying amount of the group of contracts and the amount that the group would be measured at when applying the systematic allocation.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(g) Transition approaches

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

Modified retrospective approach

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

(1) The future cash flows at the date of initial recognition of a group of insurance contracts were estimated as the future cash flows at the transition date, adjusted by the actual cash flows that have occurred between the transition (or earlier) date and the date of initial recognition;

(2) The risk adjustment for non-financial risk was estimated at the transition date by adjusting the risk adjustment for non-financial risk at the transition date by the expected release of risk before the transition date. In estimating the release of risk, reference was made to the release of risk for similar insurance contracts that were issued or ceded at the transition date;

(3) For groups of contracts which are profitable at initial recognition, the CSM was reduced for the allocation to profit or loss for services provided or received before the transition date, by comparing the remaining coverage units as at the transition date with the coverage units provided or received under the group of contracts before the transition date;

(4) For groups of contracts which are onerous at initial recognition, the amount allocated to the loss component before transition date is determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows and the risk adjustment for non-financial risk on initial recognition;

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(1) Insurance contract (continued)

(g) Transition approaches (continued)

Modified retrospective approach (continued)

(5) For groups of reinsurance contracts held covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the loss-recovery components of the asset for remaining coverage were determined at the transition date by multiplying the loss components of the LRC for the respective groups of underlying insurance contracts by the percentage of claims for the group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

The Group disaggregates insurance finance income or expenses between profit or loss and other comprehensive income and use appropriate method to determine the amount of accumulated other comprehensive income when applying modified retrospective approach for financial changes of insurance contracts.

Fair value approach

For groups of contracts that are measured under the fair value approach, the Group determines the CSM or loss component of the LRC at transition date as the difference between the fair value of a group of contracts at that date and the FCF at that date.

The Group applies the fair value approach with considerations of the following:

(1) The discount rates on initial recognition and subsequent measurement were determined at transition date;

(2) For groups of reinsurance contracts held covering onerous underlying contracts, the Group established a loss-recovery component at the transition date. The Group determined the loss-recovery component by multiplying the amount of the loss component that relates to the underlying contracts at the transition date and the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts held;

(3) The amount of accumulated other comprehensive income was determined to be zero at the transition date.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(2) Financial instruments

(a) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

The Group classifies its financial assets into the following categories since 1 January 2023 based on the business model for managing the financial assets and the contractual cash flows characteristics of financial assets:

(1) Financial assets measured at amortized cost (“AC”);

(2) Financial assets measured at fair value through other comprehensive income (“FVOCI”);

(3) Financial assets measured at fair value through profit or loss (“FVPL”).

The debt instruments shall be classified as FVPL if the cash flows characteristics cannot pass the test on solely payments of principal and interest on the principal amount (“SPPI”). Otherwise, the classification of debt instruments will depend on the business model. For investments in equity instruments, investments will be classified as FVPL in general, except those designated as FVOCI. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

For financial assets measured at fair value, gains and losses will be recorded in either profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(2) Financial instruments (continued)

(a) Financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of a debt instrument depends on the Group's business model managing the asset and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

(1) AC: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognised using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other investment income together with foreign exchange gains and losses. Impairment losses are presented separately in the income statement.

(2) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other investment income/(losses). Interest income from these financial assets is recognised using the effective interest rate method. Foreign exchange gains and losses are presented in foreign exchange gains/(losses), net and impairment losses are presented separately in the income statement.

(3) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(2) Financial instruments (continued)

(a) Financial assets (continued)

Measurement (continued)

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss and presented within other investment income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other investment income/ (losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate. Among them, for financial assets which are purchased or originated that have experienced credit loss, they are discounted at the effective interest rate adjusted for credit risk of the financial assets.

On each balance sheet date, the Group measures financial instruments at different stages separately. If the credit risk of financial instruments has not significantly increased since initial recognition, and they are in stage 1. The impairment provision is measured at an amount equal to the 12-month expected credit losses; If a significant increase in credit risk since initial recognition is identified but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The impairment provision is measured based on expected credit losses on a lifetime basis; If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The impairment provision is measured based on expected credit losses on lifetime basis.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(2) Financial instruments (continued)

(a) Financial assets (continued)

Impairment (continued)

For those financial instruments in Stage 1 and 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before netting off of any expected credit loss provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net off of any expected credit loss provision).

The Group recognises the accrual or reversal of the impairment provision in profit or loss. For debt instruments measured at fair value through other comprehensive income, impairment losses or gains are reclassified to profit or loss from other comprehensive income.

(b) Financial liabilities

Classification, recognition, and measurement

Financial liabilities are classified as financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss at initial recognition. For financial liabilities at fair value through profit or loss, related transaction costs that are directly attributable to the acquisition or issue of the financial liability are recognised in the profit or loss, while the transaction costs related to other financial liabilities are added to the fair value at initial recognition.

The financial liabilities of the Group are mainly measured at amortised cost, including bonds payable and other payables. These financial liabilities are initially measured at fair value after deducting transaction costs, and are subsequently measured using the effective interest rate method.

Derecognition of financial liabilities

When the present obligations of a financial liability have been fully or partially relieved, the Group derecognises the financial liability or part of it. The difference between the carrying amount of the derecognised liability and the consideration paid is recognised in profit or loss.

If an existing financial liability is replaced by another financial liability with substantially different terms by the same creditor, or if the terms of the existing liability are substantially modified, such replacement or modification shall be treated as derecognition of the original liability and recognition of a new liability, and the difference shall be included in profit and loss.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(2) Financial instruments (continued)

(c) Derivatives and embedded derivatives

The Group's derivative financial instruments mainly include interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date of which the related derivative contracts entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The gains or losses arising from changes in the fair value of derivative instruments of the Group are recognised in profit or loss.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not an asset within the scope of HKFRS 9, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if:

(1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;

(2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(3) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

If it is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract as at fair value through profit or loss.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies information (continued)

(2) Financial instruments (continued)

(d) Offset of financial assets and financial liabilities

When the Group has the legal right to offset recognised financial assets and financial liabilities, such legal right is currently enforceable, and the Group has the intention to settle on a net basis or realise the financial assets and settle the financial liabilities simultaneously, the financial assets and financial liabilities are offset in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset.

(e) Fair value measurement

The fair value of financial instruments with an active market is determined based on the quoted prices in the active market. The fair value of financial instruments without an active market is determined using valuation techniques. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the input value should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The unobservable inputs can be used if the relevant observable input is not accessible or the acquisition is not practical.

Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate such as reference to prices used in the most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same. For a discounted cash flow analysis, estimated future cash flows and discount rates are the best estimations made based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics.

For financial instruments that use significant unobservable inputs in valuation, they are classified in level 3 in the fair value hierarchy.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the preparation of the interim condensed consolidated financial information, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Except for the following significant judgments and estimates, all significant judgments and estimates are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

(1) Estimates of FCF

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make reasonable estimates in payments that the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

The main assumptions applied in making the estimates of FCF are as follows:

Discount rate

The Group determines the discount rates for insurance contracts based on a bottom-up approach.

The Group starts with a high liquidity risk-fee yield curve and adjusts it to reflect the difference between the liquidity characteristics of the financial instrument and the cash flow of the insurance contract. The Group's spot discount rate curve, to measure insurance contract liabilities, consists of the base interest rate curve as a high-liquidity risk-free yield curve, with consideration of tax effect and liquidity premiums.

Expenses assumption

The Group develops its expense assumptions on its expense analysis and future development trends. The expense assumptions include assumptions of insurance acquisition cash flows and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(1) Estimates of FCF (continued)

Expected claim ratio and future claim development pattern

The major assumptions applied in measuring LIC include the expected claim ratios and future claim development pattern. The expected claim ratios and future claim development pattern of each measurement unit are based on the Group's historical claims development experience and loss ratios, with consideration of adjustments to company policies such as underwriting policies, level of premium rates, claims handling processes, and the changing trends in external environment such as macroeconomic, regulations, and legislation.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment for non-financial risk is determined by applying a confidence level of 75 % using the confidence interval method (2022: 75%).

(2) Measurement of expected credit losses on financial assets

The measurement of the expected credit loss provision for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(1) Determining criteria for significant increase in credit risk;

(2) Choosing appropriate models and assumptions for the measurement of ECL;

(3) Establishing the number and relative weightings of forward-looking scenarios and the associated ECL; and

(4) Establishing groups of similar financial assets for the purposes of measuring ECL.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the chief operating decision maker for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on their products and services and has seven operating and reportable segments as follows:

(a) the motor vehicle segment provides insurance products covering motor vehicles;

(b) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;

(c) the agriculture segment provides insurance products covering agriculture business;

(d) the liability segment provides insurance products covering policyholders' liabilities;

(e) the commercial property segment provides insurance products covering commercial properties;

(f) the others segment mainly represents insurance products related to cargo, credit and surety, household property, special risks, marine hull and construction; and

(g) the corporate and other segment includes the income and expenses from reinsurance contracts issued and held, the income and expenses from investment activities, share of results of associates and joint ventures, other net income, unallocated income and expenditures of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on reportable segment result, in which insurance business income and expense (for segments (a) to (f)) is a major measure of insurance service result for direct insurance contracts issued and corporate business income and expense (for segment (g)), primarily including the income and expenses from reinsurance contracts issued and held and investment related income and expense, is a measure of income and expense excluding insurance service result for direct insurance contracts issued. Income tax expense is not further allocated but assigned to corporate and other business segment.

Insurance business assets and liabilities directly attributable to operating segments of insurance business will be allocated to each segment. Investment assets and liabilities managed on a group basis will be allocated to the corporate and other business segment together with property and equipment, investment properties, prepaid land premiums, other assets, bonds payable, income tax payable, deferred tax assets and other payables, which are not allocated further.

Geographical information is not presented as the Group's customers, business, assets and liabilities are mainly located and operations are mainly carried out in the PRC for relevant entities. No inter-segment transactions occurred for the six months ended 30 June 2023 and 2022.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment income statements for the six months ended 30 June 2023 (unaudited) are as follows:

	Insurance							
	Motor vehicle	Accidental injury and health	Agriculture	Liability	Commercial property	Others	Corporate & other	Total
Insurance revenue	137,904	23,019	25,024	16,836	7,735	12,705	1,145	224,368
Insurance service expenses	(130,028)	(21,569)	(22,293)	(16,511)	(5,239)	(8,047)	(1,028)	(204,715)
Net expenses from reinsurance contracts held	-	-	-	-	-	-	(5,818)	(5,818)
INSURANCE SERVICE RESULT	7,876	1,450	2,731	325	2,496	4,658	(5,701)	13,835
Finance expenses from insurance contracts issued	(3,096)	(604)	(70)	(547)	(227)	(446)	(8)	(4,998)
Finance income from reinsurance contracts held	-	-	-	-	-	-	632	632
Interest income from financial assets not measured at fair value through profit or loss	-	-	-	-	-	-	5,893	5,893
Other investment income	-	-	-	-	-	-	5,817	5,817
Credit impairment losses	-	-	-	-	-	-	(239)	(239)
Other income	-	-	-	-	-	-	276	276
Other finance costs	-	-	-	-	-	-	(522)	(522)
Other operating expenses	-	-	-	-	-	-	(686)	(686)
Share of profit or loss of associates and joint ventures	-	-	-	-	-	-	3,469	3,469
Foreign exchange gains, net	-	-	-	5	12	-	257	274
Profit/(loss) before income tax	4,780	846	2,661	(217)	2,281	4,212	9,188	23,751
Income tax expense	-	-	-	-	-	-	(3,495)	(3,495)
Net profit/(loss) for the period Segment operating result	4,780	846	2,661	(217)	2,281	4,212	5,693	20,256

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment income statements for the six months ended 30 June 2022 (restated, unaudited) are as follows:

	Insurance							
	Motor vehicle	Accidental injury and health	Agriculture	Liability	Commercial property	Others	Corporate & other	Total
Insurance revenue	131,114	17,166	20,491	15,947	7,535	12,360	576	205,189
Insurance service expenses	(122,606)	(18,334)	(18,125)	(15,903)	(5,642)	(8,370)	(388)	(189,368)
Net expenses from reinsurance contracts held	–	–	–	–	–	–	(2,877)	(2,877)
INSURANCE SERVICE RESULT	8,508	(1,168)	2,366	44	1,893	3,990	(2,689)	12,944
Finance expenses from insurance contracts issued	(2,942)	(584)	(101)	(440)	(215)	(350)	(17)	(4,649)
Finance income from reinsurance contracts held	–	–	–	–	–	–	552	552
Investment income	–	–	–	–	–	–	10,497	10,497
Net realised and unrealised gains on investments	–	–	–	–	–	–	1,797	1,797
Investment related expenses	–	–	–	–	–	–	(241)	(241)
Other income	–	–	–	–	–	–	327	327
Other finance costs	–	–	–	–	–	–	(526)	(526)
Other operating expenses	–	–	–	–	–	–	(810)	(810)
Share of profit or loss of associates and joint ventures	–	–	–	–	–	–	2,314	2,314
Foreign exchange gains, net	–	–	–	2	3	19	400	424
Profit/(loss) before income tax	5,566	(1,752)	2,265	(394)	1,681	3,659	11,604	22,629
Income tax expense	–	–	–	–	–	–	(3,409)	(3,409)
Net profit/(loss) for the period								
Segment operating result	5,566	(1,752)	2,265	(394)	1,681	3,659	8,195	19,220

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities of the Group and other segment information for the six months ended 30 June 2023 are as follows:

	Insurance							
	Motor vehicle	Accidental injury and health	Agriculture	Liability	Commercial property	Others	Corporate & other	Total
30 June 2023 (Unaudited)								
Segment assets	**90**	**1,000**	**521**	**1,179**	**641**	**1,406**	**688,061**	**692,898**
Segment liabilities	**232,768**	**43,556**	**5,113**	**38,794**	**15,734**	**30,527**	**95,840**	**462,332**
For the six months ended 30 June 2023 (Unaudited)								
Other segment information:								
Capital expenditures	**497**	**83**	**88**	**62**	**25**	**40**	**3**	**798**
Depreciation and amortisation	**1,136**	**189**	**202**	**141**	**56**	**91**	**9**	**1,824**

The segment assets and liabilities of the Group at 31 December 2022 and other segment information for the six months ended 30 June 2022 are as follows:

	Insurance							
	Motor vehicle	Accidental injury and health	Agriculture	Liability	Commercial property	Others	Corporate & other	Total
31 December 2022 (Restated, unaudited)								
Segment assets	56	979	749	889	604	1,308	667,877	672,462
Segment liabilities	230,382	38,190	722	36,893	16,124	30,342	98,204	450,857
For the six months ended 30 June 2022 (Restated, unaudited)								
Other segment information:								
Capital expenditures	568	79	87	71	30	48	1	884
Depreciation and amortisation	1,200	166	183	150	63	101	5	1,868

5. INSURANCE REVENUE AND INSURANCE SERVICE EXPENSES

The following table discloses insurance revenue and insurance service expenses.

	Six months ended 30 June	
	2023	2022
Insurance revenue		
Contracts not measured under the PAA	**2,644**	3,828
Contracts measured under the PAA	**221,724**	201,361
Total insurance revenue	**224,368**	205,189
Insurance service expenses		
The liability for remaining coverage	**(46,379)**	(42,153)
The liability for incurred claims	**(158,336)**	(147,215)
Total insurance service expenses	**(204,715)**	(189,368)

5. INSURANCE REVENUE AND INSURANCE SERVICE EXPENSES (CONTINUED)

An analysis of insurance revenue and CSM for insurance contracts issued by transition method is included in the following tables.

	Six months ended 30 June	
	2023	2022
Insurance revenue		
New contracts and contracts measured under the full retrospective approach at transition	**222,664**	201,644
Contracts measured under the modified retrospective approach at transition	**345**	645
Contracts measured under the fair value approach at transition	**1,359**	2,900
Total	**224,368**	205,189

	30 June 2023	31 December 2022
CSM		
New contracts and contracts measured under the full retrospective approach at transition	**39**	4
Contracts measured under the modified retrospective approach at transition	**–**	–
Contracts measured under the fair value approach at transition	**569**	775
Total	**608**	779

6. INVESTMENT INCOME

	Six months ended 30 June 2022
Operating lease income from investment properties	140
Interest income from:	
Current and term deposits	1,636
Debt securities	
Held-to-maturity securities	830
Available-for-sale financial assets	2,330
Financial assets at fair value through profit or loss	234
Investments classified as loans and receivables	1,590
Subtotal	6,620
Dividends from equity securities and mutual funds:	
Available-for-sale financial assets	3,712
Financial assets at fair value through profit or loss	25
Subtotal	3,737
Total	10,497

7. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Six months ended 30 June 2022
Realised gains from:	
Debt securities	
Available-for-sale financial assets	590
Financial assets at fair value through profit or loss	56
Equity securities and mutual funds	
Available-for-sale financial assets	1,320
Financial assets at fair value through profit or loss	4
Subtotal	1,970
Unrealised (losses)/gains from:	
Debt securities at fair value through profit or loss	(79)
Equity securities and mutual funds at fair value through profit or loss	41
Subtotal	(38)
Impairment losses on:	
Debt securities classified as available-for-sale financial assets and held-to-maturity financial assets (note 15)	(143)
Equity securities and mutual funds classified as available-for-sale financial assets (note 16)	(61)
Investments classified as loans and receivables	114
Subtotal	(90)
Loss on fair value changes of investment properties (note 24)	(45)
Total	1,797

8. NET INVESTMENT INCOME

	Six months ended 30 June 2023
Interest income from financial assets not measured at fair value through profit or loss (a)	5,893
Other investment income (b)	5,817
Credit impairment losses (c)	(239)
Total	11,471

(a) Interest income from financial assets not measured at fair value through profit or loss

	Six months ended 30 June 2023
Financial investments at amortised cost	2,617
Current and term deposits	1,738
Debt instruments at fair value through other comprehensive income	1,538
Total	5,893

8. NET INVESTMENT INCOME (CONTINUED)

(b) Other investment income

	Six months ended 30 June 2023
Operating lease income from investment properties	181
Interest income from financial assets at fair value through profit or loss	1,158
Dividends:	
Equity instruments at fair value through other comprehensive income	2,655
Financial assets at fair value through profit or loss	710
Subtotal	3,365
Unrealised losses on investments:	
Financial assets at fair value through profit or loss	(255)
Realised gains on investments:	
Financial assets at fair value through profit or loss	1,022
Debt instruments at fair value through other comprehensive income	453
Gains on derecognition of financial assets at amortised cost	1
Subtotal	1,476
Losses on fair value changes of investment properties (note 24)	(108)
Total	5,817

(c) Credit impairment losses

	Six months ended 30 June 2023
Financial investments at amortised cost	5
Term deposits	2
Debt instruments at fair value through other comprehensive income	(33)
Other financial assets	(213)
Total	(239)

9. OTHER FINANCE COSTS

	Six months ended 30 June	
	2023	2022
Interest on securities sold under agreements to repurchase	**324**	322
Interest on bonds payable	**161**	160
Interest on lease liabilities	**24**	37
Interest on Investment contracts	**13**	7
Total	**522**	526

10. SELECTED EXPENSES BY NATURE

The following expenses for the six months ended 30 June 2023 and 2022 were analysed by nature. Expenses incurred that were fulfilment cash flows are not presented in other operating expenses, but either presented as insurance service expenses or recognised as insurance acquisition cash flows according to HKFRS 17.

	Six months ended 30 June	
	2023	2022
Employee expenses (including directors', supervisors' and senior management's remunerations)	**25,593**	25,397
Salaries, allowances and performance related bonuses	**23,494**	23,316
Pension scheme contributions	**2,099**	2,081
Commissions	**20,594**	18,557
Depreciation of property and equipment	**876**	949
Depreciation of right-of-use assets	**492**	576
Amortisation of intangible assets	**456**	343
Net gains on disposal of property and equipment	**(37)**	(6)

11. INCOME TAX EXPENSE

The provision for income tax expense is calculated based on the statutory rate of 25% in accordance with the relevant PRC income tax rules and regulations during each period. Starting in 2020, the Company's branches in some western provinces and Hainan Province enjoy the preferential tax rate of 15% for eligible taxable income. According to relevant tax regulations, the preferential tax rate of some western provinces and Hainan Province are applicable until 2030 and 2024, respectively.

	Six months ended 30 June	
	2023	2022 (Restated)
Current tax	**6,436**	9,409
Deferred tax	**(2,941)**	(6,000)
Total	**3,495**	3,409

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the parent is based on the following:

	Six months ended 30 June	
	2023	2022 (Restated)
Earnings:		
Net profit attributable to owners of the parent (RMB million)	**20,254**	19,218
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (note 31)	**22,242**	22,242
Basic earnings per share	**0.911**	0.864

Basic earnings per share was calculated as the profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue for the six months ended 30 June 2023 and 2022.

(b) Diluted earnings per share

For the six months ended 30 June 2023 and 2022, the Group holds no dilutive potential ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

13. DIVIDENDS

	Six months ended 30 June	
	2023	2022
Dividends recognised as distribution during the period:		
Year 2021 Final- RMB0.407 per ordinary share	**–**	9,053
Year 2022 Final- RMB0.478 per ordinary share	**10,632**	–

No interim dividend will be distributed by the Company in respect of the interim period for the six months ended 30 June 2023 and 2022.

Pursuant to the shareholders' approval at the general meeting on 19 June 2023, a final dividend of RMB0.478 per ordinary share totaling RMB10,632 million in respect of the year ended 31 December 2022 was declared.

Pursuant to the shareholders' approval at the general meeting on 20 June 2022, a final dividend of RMB0.407 per ordinary share totaling RMB9,053 million in respect of the year ended 31 December 2021 was declared.

14. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Demand deposits and cash on hand	**9,057**	10,848
Securities purchased under resale agreements with original maturity of no more than three months	**10,158**	10,397
Term deposits with original maturity not exceeding 3 months	**–**	5
Subtotal	**19,215**	21,250
Add: Interest receivable	**4**	Not applicable
Less: provision for impairment	**–**	–
Total	**19,219**	21,250
Cash and cash equivalents by accounting categories:		
Loans and receivables	**Not applicable**	21,250
Financial assets at amortised cost	**19,219**	Not applicable

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the interim condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate the fair values of those collaterals at 30 June 2023 and 31 December 2022.

15. DEBT SECURITIES

	31 December 2022
Available-for-sale, at fair value	145,275
Held-to-maturity, at amortised cost	39,552
Financial assets at fair value through profit or loss	8,143
Total	192,970

During the six-month period ending 30 June 2022, an impairment loss of RMB143 million was provided by debt securities.

16. EQUITY SECURITIES AND MUTUAL FUNDS

	31 December 2022
Investments, at fair value:	
Mutual funds	40,586
Listed shares	39,296
Perpetual bonds	22,418
Equity schemes	14,275
Perpetual trust plans and perpetual debt plans	13,632
Preferred shares	7,377
Unlisted shares	3,134
Total	140,718

	31 December 2022
Classifications of equity securities and mutual funds:	
Available-for-sale financial assets, at fair value	137,688
Financial assets at fair value through profit or loss	3,030
Total	140,718

During the six-month period ending 30 June 2022, an impairment loss of RMB61 million was provided by the Group on equity securities and mutual funds.

17. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2022
Long-term debt investment schemes	33,209
Trust plans	30,419
Project support schemes	8,095
Others	588
Total	72,311
Less: provision for impairment	(998)
Net value	71,313

18. FINANCIAL INVESTMENTS AT AMORTISED COST

	30 June 2023
Bond investments:	
Corporate bonds	**18,328**
Government bonds	**16,388**
Financial bonds	**6,694**
Trust plans	**34,523**
Long-term debt investment schemes	**34,310**
Project support schemes	**8,351**
Others	**589**
Total	**119,183**
Less: provision for impairment	**(1,039)**
Net value	**118,144**

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023
Debt instruments:	
Bond investments	
Corporate bonds	49,296
Government bonds	24,194
Financial bonds	16,960
Subtotal	90,450
Compromising:	
Amortised cost	86,283
Accumulated fair value changes	4,167
Equity instruments:	
Listed shares	28,124
Perpetual bonds	25,812
Perpetual trust plans and perpetual debt plans	13,895
Preferred shares	7,396
Subtotal	75,227
Compromising:	
Cost	66,630
Accumulated fair value changes	8,597
Total	165,677

At 30 June 2023, the impairment provision of financial assets at fair value through other comprehensive income is RMB204 million.

The Group designates equity instruments held for the purpose of obtaining dividends from long-term holdings, rather than short-term price fluctuations, as financial assets at fair value through other comprehensive income. The dividends recognised by the Group for such equity instrument in the 6 months ended 30 June 2023 is RMB2,655 million. The group has not disposed these equity instruments.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 June 2023
Bond investments:	
Financial bonds	61,303
Corporate bonds	9,385
Government bonds	295
Mutual funds	48,457
Equity schemes	13,543
Listed shares	9,063
Unlisted shares	3,214
Trust plans	2,074
Perpetual bonds	1,530
Project support schemes	200
Total	149,064

21. INSURANCE CONTRACTS

Analysis by remaining coverage and incurred claims of insurance contracts issued:

	30 June 2023	31 December 2022
Insurance contract assets	**(458)**	(611)
Insurance contract liabilities	**366,144**	351,254
Net insurance contract liabilities	**365,686**	350,643
Liabilities for remaining coverage	**148,788**	145,463
Excluding loss component	**144,343**	141,610
Loss component	**4,445**	3,853
Liabilities for incurred claims	**216,898**	205,180

Analysis by remaining coverage and incurred claims of reinsurance contracts held:

	30 June 2023	31 December 2022
Reinsurer's share of the liability for remaining coverage	**(4,010)**	(1,818)
Excluding loss-recovery component	**(4,175)**	(2,128)
Loss-recovery component	**165**	310
Assets for incurred claims	**37,525**	38,645
Reinsurance contract assets	**33,515**	36,827

22. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2023	31 December 2022
More than 3 months to 1 year	**2,265**	2,228
More than 1 year to 2 years	**–**	25
More than 2 years to 3 years	**7,708**	9,394
More than 3 years	**60,011**	62,010
Subtotal	**69,984**	73,657
Add: Interest receivable	**1,307**	Not applicable
Less: provision for impairment	**(152)**	–
Total	**71,139**	73,657

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2023	31 December 2022 (Restated)
Associates		
Cost of investments in associates	**38,765**	38,765
Share of post-acquisition profit, and other equity movement, less dividends received or receivable	**21,233**	19,282
Subtotal	**59,998**	58,047
Joint ventures		
Cost of investment in joint ventures	**98**	98
Share of post-acquisition profit, and other equity movement, less dividends received or receivable	**(57)**	(60)
Subtotal	**41**	38
Total	**60,039**	58,085

24. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2023	2022
At 1 January	**7,440**	5,851
Transferred from property and equipment and right-of-use assets	**806**	990
Fair value gains on revaluation of investment properties transferred from property and equipment and right-of-use assets	**395**	344
Decrease in fair value of investment properties (note 8, note 7)	**(108)**	(45)
Transferred to property and equipment and right-of-use assets	**(884)**	(319)
At 30 June	**7,649**	6,821

The fair values were determined based on the valuation carried out by external independent valuers, Cushman & Wakefield Shenzhen Valuation Co., Ltd and Jones Lang LaSalle IP, Inc. Valuations were carried out by the following two approaches:

(i) The income approach determining the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or

(ii) The direct comparison approach comparing the target properties with the recent similar transaction cases, adjusting the difference of status, date, region and other specific factors between the target properties and the recent similar transaction cases, based on the recent similar transaction price.

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to his professional judgement. Therefore, these fair values are categorised as Level 3.

25. PROPERTY AND EQUIPMENT

For the six months ended 30 June 2023, the Group acquired assets with a cost of RMB110 million (for the six months ended 30 June 2022: RMB704 million) and incurred construction costs of RMB173 million (for the six months ended 30 June 2022: RMB534 million) for construction in progress.

Assets with a net book value of RMB43 million were disposed of by the Group for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB12 million), resulting in a net disposal gain of RMB36 million (for the six months ended 30 June 2022: gain of RMB6 million).

For the six months ended 30 June 2023, construction in progress with an aggregate amount of RMB148 million (for the six months ended 30 June 2022: RMB214 million) was transferred to lands and buildings upon completion.

For the six months ended 30 June 2023, property and equipment with a carrying amount of RMB740 million (for the six months ended 30 June 2022: RMB929 million) was transferred to investment properties, and investment properties with a carrying amount of RMB588 million (for the six months ended 30 June 2022: RMB186 million) was transferred to property and equipment.

26. RIGHT-OF-USE ASSETS

For the six months ended 30 June 2023, the Group entered into certain new lease agreements for the use of office building and vehicles for 1-10 years. The Group is required to make fixed payments periodically from the respective lease commencement dates. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB318 million of right-of-use assets and RMB316 million lease liabilities related to these new or modified leases.

At 30 June 2023, right-of-use assets included prepaid land premium of RMB4,213 million (31 December 2022: RMB4,088 million).

27. PREPAYMENTS AND OTHER ASSETS

	30 June 2023	31 December 2022 (Restated)
Interest receivables	**Not applicable**	5,185
Deductible input value-added tax	**5,047**	4,263
Restricted statutory deposits (i)	**4,691**	4,449
Receivables from co-insurers for amounts paid on their behalf	**2,836**	2,818
Intangible assets	**2,311**	2,765
Output value-added tax borne by policyholders	**2,223**	1,609
Deposit	**1,978**	1,338
Receivables from investment funds to be settled	**639**	2,415
Prepayments for assets and services	**549**	157
Reinsurance deposit	**247**	241
Amounts due from fellow subsidiaries under PICC Group (note 35(2))	**122**	13
Amounts due from PICC Group (note 35(2))	**52**	106
Amounts due from associates (note 35(2))	**26**	49
Others	**3,733**	2,690
Total	**24,454**	28,098
Less: Impairment provision	**(1,123)**	(922)
Net value	**23,331**	27,176

(i) In accordance with the PRC Insurance Law, the Company is required to maintain a deposit equivalent to 20% of its registered capital with banks designated by the National Administration of Financial Regulation as a security fund. The use of the security fund is subject to the approval of the National Administration of Financial Regulation.

28. INVESTMENT CONTRACT LIABILITIES

	30 June 2023	31 December 2022
Policyholders' deposits	**1,678**	1,681
Policy dividends payable	**60**	60
Total	**1,738**	1,741

29. BONDS PAYABLE

Bonds payable comprised one capital supplementary bonds.

	30 June 2023	31 December 2022
Carrying amount repayable in: More than five years	**8,197**	8,097

On 23 March 2020, the Company issued another capital supplementary bonds of RMB8,000 million. Terms of the capital supplementary bonds issued in 2020 are ten years. With proper notice to the counterparties, the Company has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 3.59% per annum in the first five years and 4.59% per annum in the following five years.

30. ACCRUALS AND OTHER LIABILITIES

	30 June 2023	31 December 2022 (Restated)
Salaries and staff welfare payables	**18,194**	17,281
Dividends payable	**10,632**	–
Other taxes payable	**6,994**	7,506
Payables to co-insurers	**3,728**	3,019
Premium received in advance	**2,563**	4,755
Insurance deposit received	**598**	648
Accrued capital expenditures	**194**	255
Amounts due to fellow subsidiaries under PICC Group (note 35(2))	**165**	168
Interest payable	**Not applicable**	247
Others	**9,559**	9,266
Total	**52,627**	43,145

31. ISSUED CAPITAL

	30 June 2023	31 December 2022
Issued and fully paid:		
Domestic shares of RMB1.00 each	**15,343**	15,343
H shares of RMB1.00 each	**6,899**	6,899
Total	**22,242**	22,242

32. RISK MANAGEMENT

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

There have been no significant changes in the Group's risk management processes or Group's risk management policies since 31 December 2022.

33. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 24 to the interim condensed consolidated financial information.

	Carrying amount		Fair value	
	30 June 2023	31 December 2022 (Restated)	**30 June 2023**	31 December 2022 (Restated)
Financial assets				
Cash and cash equivalents	**19,219**	21,250	**19,219**	21,250
Debt securities	**Not applicable**	192,970	**Not applicable**	196,338
Equity securities and mutual funds	**Not applicable**	140,718	**Not applicable**	140,718
Investments classified as loans and receivables	**Not applicable**	71,313	**Not applicable**	72,788
Financial investments at amortised cost	**118,144**	Not applicable	**123,952**	Not applicable
Financial assets at fair value through other comprehensive income	**165,677**	Not applicable	**165,677**	Not applicable
Financial assets at fair value through profit or loss	**149,064**	Not applicable	**149,064**	Not applicable
Term deposits	**71,139**	73,657	**71,139**	73,657
Other financial assets	**13,044**	18,549	**13,044**	18,549
Total financial assets	**536,287**	518,457	**542,095**	523,300
Financial liabilities				
Securities sold under agreements to repurchase	**29,525**	41,690	**29,525**	41,690
Investment contract liabilities	**1,738**	1,741	**1,738**	1,741
Bonds payable	**8,197**	8,097	**8,166**	8,062
Other financial liabilities	**26,623**	15,703	**26,623**	15,703
Total financial liabilities	**66,083**	67,231	**66,052**	67,196

(2) Determination of fair value and the fair value hierarchy of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

33. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

(a) Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets are determined (in particular, their fair value hierarchy, the valuation technique(s) and key input(s) used).

Items	30 June 2023	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss	43,202	Level 1	Quoted bid prices in an active market.
Financial assets at fair value through profit or loss	87,029	Level 2	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.
Financial assets at fair value through profit or loss	14,894	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Financial assets at fair value through profit or loss	3,939	Level 3	Fair value of the investments is based on the use of respective discounted cash flow valuation models.
Equity securities at fair value through other comprehensive income	25,166	Level 1	Quoted bid prices in an active market.
Equity securities at fair value through other comprehensive income	33,207	Level 2	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.
Equity securities at fair value through other comprehensive income	2,959	Level 3	Valuation of restricted securities in circulation
Equity securities at fair value through other comprehensive income	13,895	Level 3	Fair value of the investments is based on the use of respective discounted cash flow valuation models.
Debt securities at fair value through other comprehensive income	6,557	Level 1	Quoted bid prices in an active market.
Debt securities at fair value through other comprehensive income	83,893	Level 2	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.

33. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

(a) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

Items	31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)
Debt securities at fair value through profit or loss	1,147	Level 1	Quoted bid prices in an active market.
Debt securities at fair value through profit or loss	6,996	Level 2	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.
Available-for-sale debt securities	5,619	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	139,656	Level 2	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.
Equity securities and mutual funds at fair value through profit or loss	53	Level 1	Quoted bid prices in an active market.
Equity securities and mutual funds at fair value through profit or loss	2,977	Level 2	Quoted bid prices for identical or comparable assets in an inactive market or obtained from third party pricing services or recent quoted market prices.
Available-for-sale equity securities and mutual funds	65,224	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	39,249	Level 2	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.
Available-for-sale equity securities and mutual funds	14,916	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Available-for-sale equity securities and mutual funds	2,621	Level 3	Relative value that are assessed based on average price-to-earnings/price to sales ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities and mutual funds	15,678	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

33. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

(a) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

	30 June 2023			
	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**43,202**	**87,029**	**18,833**	**149,064**
Debt securities at fair value through other comprehensive income	**6,557**	**83,893**	**–**	**90,450**
Equity securities at fair value through other comprehensive income	**25,166**	**33,207**	**16,854**	**75,227**
Total	**74,925**	**204,129**	**35,687**	**314,741**

	31 December 2022			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities and mutual funds	53	2,977	–	3,030
Debt securities	1,147	6,996	–	8,143
Available-for-sale financial assets				
Equity securities and mutual funds	65,224	39,249	33,215	137,688
Debt securities	5,619	139,656	–	145,275
Total	72,043	188,878	33,215	294,136

For the six months ended 30 June 2023, financial assets at fair value through profit or loss with a carrying amount of RMB1,789 million and financial assets at fair value through other comprehensive income with a carrying amount of RMB1,212 million were transferred from Level 1 to Level 2 because the quoted prices in the market for such investments were no longer regularly available. Conversely, financial assets at fair value through profit or loss with a carrying amount of RMB1,333 million and financial assets at fair value through other comprehensive income with a carrying amount of RMB1,939 million were transferred from Level 2 to Level 1 because quoted prices in active markets were available at 30 June 2023.

33. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

(b) Fair value of financial assets and financial liabilities not measured at fair value

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate their fair values at 30 June 2023 and 31 December 2022 except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

	30 June 2023			
	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial investments at amortised cost	**1,287**	**52,454**	**70,211**	**123,952**
Financial liabilities				
Bonds payable	**–**	**8,166**	**–**	**8,166**

	31 December 2022			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity financial assets	1,347	41,573	–	42,920
Investments classified as loans and receivables	–	–	72,788	72,788
Financial liabilities				
Bonds payable	–	8,062	–	8,062

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 3 category above have been determined using discounted cash flows model, with most significant inputs being estimated cashflow and the discount rate that reflects the risk of counterparties and the Group.

33. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June	
	2023	2022
31 December	**33,215**	28,494
Impact of initial application of HKFRS 9	**2,261**	–
1 January	**35,476**	28,494
Addition	**57**	2,896
Realised and unrealised losses recognised in profit or loss	**(369)**	–
Unrealised gains/(losses) recognised in other comprehensive income	**1,021**	(562)
Disposal	**(498)**	(801)
30 June	**35,687**	30,027

34. CONTINGENCIES AND COMMITMENTS

(1) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies, and some losses arising therefrom will be partly indemnified by reinsurers or other recoveries including salvages and subrogation. During the six months ended 30 June 2023, the Group was involved in similar legal proceedings on certain insurance businesses. The legal claim amounts for certain cases are significant and the legal proceedings are still in progress. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities, if any, will not have a material adverse effect on the financial position at 30 June 2023 and 31 December 2022 or operating results of the Group for the six months ended 30 June 2023 and 2022.

(2) Capital commitments

	30 June 2023	31 December 2022
Property and equipment commitments:		
Contracted, but not provided for	**545**	655
Authorised, but not contracted	**281**	353
Investment commitments:		
Contracted, but not provided for	**1,639**	1,664
Total	**2,465**	2,672

35. RELATED PARTY TRANSACTIONS

(1) Material transactions with related parties

	6 months ended 30 June	
	2023	2022 (Restated)
Transactions with PICC Group:		
2022 final dividend distribution	**7,334**	–
2021 final dividend distribution	**–**	6,245
Addition to right-of-use assets	**74**	146
Addition to lease liabilities	**74**	146
Payment of lease liabilities	**78**	72
Interest on lease liabilities	**1**	2
WAN service fees	**31**	3
Transactions with fellow subsidiaries under PICC Group:		
Management fee	**145**	146
Service fee	**41**	4
Subscription amount of financial products set up and managed by fellow subsidiaries under PICC Group	**6,003**	2,910
Net expenses from reinsurance contracts held	**46**	103
Brokerage commission expense	**76**	197
Addition to right-of-use assets	**10**	12
Addition to lease liabilities	**10**	12
Payment of lease liabilities	**43**	25
Interest on lease liabilities	**5**	2
Rental income	**1**	3

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Material transactions with related parties (continued)

	6 months ended 30 June	
	2023	2022 (Restated)
Transactions with associates of the Company:		
Sale of insurance products	**11**	10
Insurance service expense	**80**	62
Net expenses from reinsurance contracts held	**342**	488
Dividend income	**1,345**	1,210
Agency services commission expense	**126**	167
Agency services commission income	**78**	75
Addition to right-of-use assets	**28**	1
Addition to lease liabilities	**28**	1
Payment of lease liabilities	**7**	2
Rental income	**9**	6
Transactions with associates of PICC Group:		
Dividend income	**1,494**	1,306
Interest income	**291**	284
Sale of insurance products	**40**	6
Insurance service expense	**20**	2
Transactions with joint ventures of the Company:		
Purchase of spare parts	**122**	203
Service fee	**2**	9
Transactions with associates of fellow subsidiaries:		
Service fee	**174**	175

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Outstanding balances with related parties

	30 June 2023	31 December 2022
Cash and cash equivalents:		
Associates of PICC Group	**2,247**	2,480
Associates	**3**	5
Term deposits:		
Associates of PICC Group	**12,520**	11,120
Associates	**35**	35
Debt securities at fair value through other comprehensive income:		
Associates of PICC Group	**692**	Not applicable
Equity securities at fair value through other comprehensive income:		
Associates of PICC Group	**19,230**	Not applicable
Debt securities:		
Associates of PICC Group	**Not applicable**	760
Equity securities and mutual funds:		
Associates of PICC Group	**Not applicable**	22,284
Receivables from reinsurers:		
Associates	**1,052**	988
Fellow subsidiaries under PICC Group	**523**	365
Dividends receivable		
Associates	**299**	–
Amounts due from related parties:		
Fellow subsidiaries under PICC Group (note 27)	**122**	13
PICC Group (note 27)	**52**	106
Associates (note 27)	**26**	49
Payables to reinsurers:		
Associates	**3,030**	2,554
Fellow subsidiaries under PICC Group	**648**	389
Dividends payable:		
PICC Group	**7,334**	–

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Outstanding balances with related parties (continued)

	30 June 2023	31 December 2022
Amounts due to related parties:		
Fellow subsidiaries under PICC Group (note 30)	**165**	168
PICC Group	**33**	–
Associates	**3**	21
Lease liabilities:		
Fellow subsidiaries under PICC Group	**68**	87
PICC Group	**37**	–
Associates	**22**	–

PICC Life Insurance Company Limited ("PICC Life"), PICC Health Insurance Company Limited ("PICC Health"), PICC Reinsurance Company Limited ("PICC Re") and PICC Financial Services Company Limited ("PICC Financial Services") are all associates of the Company and fellow subsidiaries of the Company as their parent company is PICC Group. In the above note, PICC Life, PICC Health, PICC Re and PICC Financial Services are included in "associates" and excluded from "fellow subsidiaries".

The balances with PICC Group, fellow subsidiaries, associates and an associate of PICC Group are settled according to respective arrangements between the Company and the related parties.

(3) Transactions with other government-related entities in the PRC

The Company is a state-owned enterprise which is subject to the indirect control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the "government-related entities").

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions paid to banks for insurance policies distributed.

The directors consider that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

No transactions have been entered with the key management personnel for the six months ended 30 June 2023 other than the emoluments paid to them (being the key management personnel compensation).

36. EVENTS AFTER THE REPORTING PERIOD

In late July and early August 2023, many districts in North China and Northeast China were hit by heavy rainfall, which caused major casualties and property losses. Since the occurrence of the disaster, the Group has launched disaster emergency plan immediately and has been mobilizing all levels of resources for rescue and claims. The Group will keep continuous attention on the development of subsequent reported cases and paid claims of the disaster, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Definitions

In this interim report, the following expressions shall have the following meanings unless the context otherwise requires:

"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission (currently known as the National Administration of Financial Regulation)
"Company"	PICC Property and Casualty Company Limited
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Director(s)"	director(s) of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"PICC Group"	The People's Insurance Company (Group) of China Limited
"pp"	percentage point(s)
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"%"	per cent

Corporate Information

REGISTERED NAME

Chinese name: 中國人民財產保險股份有限公司
(Abbreviation of Chinese name: 人保財險)

English name: PICC Property and Casualty Company Limited
(Abbreviation of English name: PICC P&C)

REGISTERED OFFICE

Tower 2, No. 2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC

WEBSITE

property.picc.com

STOCK NAME

PICC P&C

STOCK CODE

2328

TYPE OF STOCK

H Share

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

LEGAL REPRESENTATIVE

Yu Ze

SECRETARY OF THE BOARD OF DIRECTORS

Bi Xin

COMPANY SECRETARY

Zhang Xiao

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Certified Public Accountants and Registered Public Interest Entity Auditor

Domestic Auditor
PricewaterhouseCoopers Zhong Tian LLP