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 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors of PICC Property and Casualty Company Limited (the "**Company**") announces the audited results of the Company and its subsidiaries for the year ended 31 December 2023. This announcement sets out the full text of the 2023 Annual 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 annual results.

By Order of the Board
**PICC Property and Casualty Company Limited**
**Wang Tingke**
*Chairman*

Beijing, the PRC, 26 March 2024

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

# 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.

# Contents

# Financial Summary

Summaries of the results and the assets and liabilities of the Company and its subsidiaries for each of the past five financial years are set out as follows:

## RESULTS

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Restated) | Change | 2021 | 2020 | 2019 |
| | *RMB million* | *RMB million* | % | *RMB million* | *RMB million* | *RMB million* |
| Original insurance premium income[3] | **515,807** | 485,434 | 6.3 | 448,384 | 432,019 | 431,724 |
| Insurance revenue | **457,203** | 424,355 | 7.7 | Not applicable | Not applicable | Not applicable |
| Underwriting profit[4] | **10,189** | 14,364 | -29.1 | 1,521 | 4,177 | 3,177 |
| Investment income | **Not applicable** | 20,180 | Not applicable | 17,996 | 17,709 | 16,986 |
| Net realised and unrealised gains/(losses) on investments | **Not applicable** | (3,706) | Not applicable | 3,634 | 1,520 | 733 |
| Share of profit or loss of associates and joint ventures | **5,530** | 4,777 | 15.8 | 4,524 | 3,951 | 4,250 |
| Interest income from financial assets not measured at fair value through profit or loss | **11,710** | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Other investment income | **4,077** | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Profit before income tax | **28,035** | 34,020 | -17.6 | 26,028 | 24,676 | 23,783 |
| Income tax (expenses)/credits | **(3,469)** | (4,912) | -29.4 | (3,663) | (3,808) | 496 |
| Net profit for the year | **24,566** | 29,108 | -15.6 | 22,365 | 20,868 | 24,279 |

## ASSETS AND LIABILITIES

| | At 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 (Restated) | Change | 2021 | 2020 | 2019 |
| | *RMB million* | *RMB million* | % | *RMB million* | *RMB million* | *RMB million* |
| Total assets | **703,623** | 672,462 | 4.6 | 682,622 | 646,801 | 596,081 |
| Total liabilities | **469,319** | 450,857 | 4.1 | 476,973 | 456,770 | 426,127 |
| Total equity | **234,304** | 221,605 | 5.7 | 205,649 | 190,031 | 169,954 |

(1) The Company and its subsidiaries adopted the Hong Kong Financial Reporting Standards 17-Insurance Contracts and the Hong Kong Financial Reporting Standards 9-Financial Instruments on 1 January 2023. The financial information for the comparative period of the year 2022 was restated by the Company and its subsidiaries in accordance with the Hong Kong Financial Reporting Standards 17. In accordance with the transitional provisions of the Hong Kong Financial Reporting Standards 9, the Company and its subsidiaries elected not to restate comparative figures of the year 2022.

(2) The financial information for the years 2019, 2020 and 2021 was calculated in accordance with rules prior to the revisions of the insurance contracts accounting standards and financial instruments accounting standards.

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

(4) After application of the Hong Kong Financial Reporting Standards 17, the underwriting profit of the Company and its subsidiaries was calculated as set below:

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)]

# Financial Summary

| Original insurance premium income | Market Share | Underwriting profit | Combined ratio |
|---|---|---|---|
| RMB515,807 million | 32.5% | RMB10,189 million | 97.8% |

| Total investment income | Total investment yield | Net profit for the Year | Return on equity |
|---|---|---|---|
| RMB20,807 million | 3.5% | RMB24,566 million | 10.8% |

| Proposed dividend per share | Dividend payout ratio | Comprehensive solvency margin ratio | Core solvency margin ratio |
|---|---|---|---|
| RMB0.489 | over 40% | 232.4% | 208.7% |

# Company Honours

## BUSINESS STRENGTHS

JRJ.com
12th Navigation China "Golden Wisdom Award"

"Golden Wisdom Award" of the Year 2023 - Outstanding Property Insurance Company

*Financial News*
2023 The Gold Medal Award Ceremony of Chinese Financial Institutions – the Golden Dragon Medal

"Best Property Insurance Company of the Year"

## SOCIAL RESPONSIBILITY

Ministry of Agriculture and Rural Affairs

Top 10 Innovative Models and Top 10 Typical Cases in respect of Financial Support for Agriculture in 2022

The "leveraging agriculture insurance to enhance soybean production capacity model of PICC" was selected as one of the Top 10 Innovative Models in respect of Financial Support for Agriculture

Xinhuanet

Seminar on "ESG Practice in China"

"Excellent Case of Corporate ESG Green Finance of 2023"

## TECHNOLOGY INNOVATION

2023 (6th) FinTech Industry Conference

"Wanxiang Sky Eye - intelligent risk reduction platform" project was accredited as one of the 2023 "Jin Xin Tong" FinTech Innovation Application Top 10 Cases

"Panshi - intelligent application operation and maintenance platform" project was accredited as 2023 "Jin Xin Tong" FinTech Innovation Application Excellent Case

CIIP the 5th China InsurTech Innovation Partnering Conference of 2023

"PICC Infectious Disease Catastrophe Model in China's Animal Husbandry Industry" won the "Jinrui Award - Best Insurance Risk Model Innovation Award"

## CUSTOMER SERVICE

*Shanghai Securities News*

2023 "Golden Wealth Management" by Shanghai Securities News

Annual Insurance Service Award of 2023 "Golden Wealth Management" by Shanghai Securities News

China Electronics Chamber of Commerce

the 19th Annual Conference and the Annual Awards Ceremony on China Call Center Industry Development of 2023

The 95518 Customer Service Center was awarded the "2023 Top 10 Call Center (more than 1,000 seats) and Excellent Customer Experience Award"

# Chairman's Statement


## Dear Shareholders,

With the coming of a new year, everything revives with fresh prosperity with each passing day. The year 2023 is the first year for implementing the guiding principles of the 20th CPC National Congress in full and a year of economic recovery after the three-year COVID-19 pandemic prevention and control. The Central Financial Work Conference pointed out the direction for high-quality financial development in the new era and new journey, which inspired the confidence and boosted the driving force for development. PICC P&C, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core and sticking to the objective of building China's strength in finance, committed itself to the path of financial development with Chinese characteristics, delivered people's insurance in a more politically-oriented and people-centric way, implemented the "To be Prominent Strategy" of PICC Group, solidly promoted the high-quality development and achieved an outstanding performance result.

# Chairman's Statement

**We pursued the progress while ensuring stability and steadily improved the quality of development.** In 2023, the Company adhered to the high-quality development which is of primary importance, and developed a correct understanding of operation, performance and risk. The Company continued to promote the switch to new development mode, optimization of structure, and improvement of quality and profitability for the purpose of becoming better and stronger. Under the complex and severe development situations, the Company achieved an original insurance premium income of RMB515,807 million, representing a year-on-year increase of 6.3%. The market share steadily ranked first in the industry. The Company generated a combined ratio of 97.8%, an underwriting profit of RMB10,189 million, a total investment income of RMB20,807 million, a net profit of RMB24,566 million and a return on equity of 10.8%. The comprehensive capability and brand influence of the Company were highly appraised by all sectors of the society, and the Company received awards including the "Best Property Insurance Company of the Year", the "Outstanding Property Insurance Company" and the "Annual Insurance Service Award".

**We placed the utmost interests of the nation as the highest priority and duly performed our responsibilities as a central state-owned enterprise.** By putting the functionalities of the financial work first, the Company underwrote C919 aircrafts, the Chinese-made large cruise ship "Adora Magic City" and other national significant projects, made active responses to Typhoons Doksuri and Haikui, storms in Beijing, Tianjin and Hebei province, earthquake in Jishishan County in Gansu province, and other disasters and emergencies, and undertook an aggregated insurance liability of RMB3,344.8 trillion for the Year, and settled 130 million claim cases, representing a year-on-year increase of over 40%, provided fast and full claim payment and made reasonable prepayment, provided undifferentiated rescue services for over 62 thousand vehicles affected by disasters and emergences, provided people with medical assistance, emergency transfers and advanced payment of medical expenses for nearly 10,000 times. We have duly performed our functions as the economic shock absorber and social stabilizer and demonstrated the mission and responsibility of "People's Insurance serves the People".

**We duly positioned ourselves in serving the overall situation in a productive and effective way.** By focusing on Five Target Areas of "technology finance, green finance, inclusive finance, ageing finance and digital finance", and "seven major categories of insurance", the Company implemented the "Eight Strategic Services" to play the role of insurance in serving the Chinese modernization. The full cost and plantation income insurance for the three major staple foods covered 16 provinces, the agriculture insurance provided risk protection of RMB2.1 trillion for 64.90 million rural households, the critical illness insurance covered 480 million persons, and the "Huimin Insurance" covered 262 cities. We launched "Qiang Xin Bao", the first specialized insurance product for car chip in China, and obtained approval to establish the only national pilot comprehensive service platform for intellectual property right insurance. The annual sum insured by China Integrated Circuit Co-insurance Corporation for 24 integrated circuit enterprises amounted to RMB1.3 trillion, the number of insured new energy vehicles increased by 57.7% year on year, and the local catastrophe insurance covered 270 million people in 15 provinces. The Company has given full play to the demonstrating and guiding role of the people's insurance in serving the real economy and people's lives.

**We focused on our innovation-driven development and strived for abundant development momentum.** We upheld the integrity and innovation, implemented the new business model of "insurance + risk reduction service + technology", established our risk research and development center to improve the risk quantification and product innovation capability, implemented the principle of no underwriting without risk survey, established the "Wan Xiang Yun" risk control platform to provide online and offline accident prevention technical services, promoted the transformation of the insurance from simple "post-disaster" compensation to "pre-disaster" prevention and early warning, ensured a quick response "during the disaster" and an accurate "post-disaster" claim settlement, facilitated the reduction of overall economic and social risk level, and built and enhanced our long-term and sustainable competitiveness. We enhanced the technological empowerment, promoted the large models and other new technical applications, accelerated the digital transformation, improved the level of refined management, optimized the claim and customer service experiences and continued to consolidate the advantages in innovation-driven development.

**We strengthened the bottom-line thinking to ensure solid and effective risk prevention and control.** Adhering to the principle of taking risk prevention and control as the eternal theme of financial work, and regarding legal compliance and non-breaching of the boundary lines as the prerequisite and basic standard for operation and management, we improved the comprehensive risk management system, increased the weight of risk compliance in assessment, consolidated the responsibilities of the three lines of defense, and strengthened the risk early warning and correction mechanisms. We carried out business risk screening and verification, launched a unified risk management platform, and conducted dynamic monitoring to achieve early identification, early warning, early exposure and early mitigation of risks. We strengthened risk prevention and control in key areas, improved the level of legal and compliant operations at the grassroots level, resolutely safeguarded the bottom line of no systemic financial risks, and further consolidated the foundation for steady development.

At the moment, the trend of China's economic recovery and long-term improvement remain unchanged, and the construction of Chinese modernization is accelerated. The blueprint for building China's strength in finance was put forward at the Central Financial Work Conference, which endowed the insurance industry with new missions, created new historical development opportunities, and fostered a favorable environment for the Company to accelerate the promotion of high-quality development.

We have embarked on a new journey and are making confident strides on the march forward. The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, as well as a crucial year for the optimized implementation of PICC Group's "To be Prominent Strategy" and an important year for the Company to promote high-quality development. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will commit ourselves to the path of financial development with Chinese characteristics, stay committed to seeking progress while maintaining a stable performance, focus on promoting high-quality development, and solidly promote the implementation of the "To be Prominent Strategy" to become better and stronger. We will act as the main force to serve the real economy and the cornerstone for maintaining financial stabilisation, reward shareholders, clients, employees and the society with outstanding results, and make contributions to the realization of Chinese modernization and great rejuvenation of the Chinese nation!

**Wang Tingke**
*Chairman*

Beijing, the PRC
26 March 2024

# Discussion and Analysis of Operating Results and Financial Conditions

## I. BUSINESS OVERVIEW

In 2023, the Company and its subsidiaries practically promoted the "To be Prominent Strategy" of the PICC Group, well positioned itself in serving Chinese modernization with focuses on "Eight Strategic Services", innovated products and services, deepened the construction of distribution channels, implemented the new business model of "insurance + risk reduction services + technology", strengthened underwriting and claims management and control, promoted comprehensive cost reduction and efficiency enhancement, continuously improved the refined management, gave full play to the insurance sector's functions as the economic shock absorber and social stabilizer and promoted high-quality development in serving the macro economic and social development.

### *MORE BALANCED BUSINESS DEVELOPMENT AND EFFECTIVELY CONSOLIDATED MARKET POSITION*

In 2023, the Company and its subsidiaries persistently optimized business model and enhanced product innovation, and the scale of our business has steadily increased. Despite our proactive efforts in adjusting and optimizing our business structure, the amount of our insurance premium has reached a historic high of over RMB500 billion, and we have achieved an original insurance premium income *(Note 1)* of RMB515,807 million, representing a year-on-year increase of 6.3%. The market share accounted for 32.5% *(Note 2)* of the property insurance market in the PRC, continuing to maintain a leading position in the industry. The insurance revenue reached RMB457,203 million, representing a year-on-year increase of 7.7%, among which, insurance revenue of the motor vehicle insurance (including ceded-in motor vehicle insurance) reached RMB282,117 million, representing a year-on-year increase of 5.3%; and the insurance revenue of non-motor vehicle insurance (including ceded-in non-motor vehicle insurance) reached RMB175,086 million, representing a year-on-year increase of 11.9%. The insurance revenue of non-motor vehicle insurance (including ceded-in non-motor vehicle insurance) accounted for 38.3% of the insurance revenue, representing a year-on-year increase of 1.4 pp.

### *FURTHER REINFORCED PROFIT BASIS AND STEADY GROWTH IN COMPREHENSIVE STRENGTH*

The Company and its subsidiaries tightened risk selection, improved the refined and intelligent risk pricing, and deeply promoted cost reduction and efficiency improvement. Having overcome the impacts of both the normalization of claim frequency after the transition of pandemic prevention and control and catastrophes, the Company and its subsidiaries achieved an underwriting profit of RMB10,189 million *(Note 3)* with a combined ratio of 97.8%. The combined ratio for motor vehicle insurance and non-motor vehicle insurance were 96.9% and 99.1% respectively. The total investment income was RMB20,807 million. The net profit for the Year was RMB24,566 million. The return on equity was 10.8%, remaining at a relatively high level.

As at 31 December 2023, the total assets of the Company and its subsidiaries amounted to RMB703,623 million and the net assets amounted to RMB234,304 million. The comprehensive solvency margin ratio *(Note 4)* was 232.4%, representing an increase of 3.1 pp as compared to the beginning of 2023. The core solvency margin ratio *(Note 4)* was 208.7%, representing an increase of 6.8 pp as compared to the beginning of 2023.

*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 Financial Regulatory Administration. Commencing from June 2021, the aggregate data of property insurance companies published by the NFRA (former CBIRC) was temporarily exclusive of certain institutions undergoing settlement of risks in the insurance industry.

3. 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)]

4. 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 NFRA (former CBIRC).

## *INNOVATING AND UPGRADING STRATEGIC SERVICE AND CONTINUING TO EXPAND CUSTOMER BASE*

In light of the basic principle of serving the real economy, the Company and its subsidiaries implemented "Eight Strategic Services" to serve the construction of modernized industrial system, rural revitalization, building China's self-reliance and strength in science and technology, enhancement of the people's livelihood and wellbeing, green development, safe development, regional development and the "Belt and Road" Initiative. New room for business development was continuously expanded through optimized insurance products and innovated insurance services. The number of insured individual customers of the Company at the end of the year 2023 reached 120 million, representing an increase of 4.0% compared to the beginning of the Year. The renewal rate of household motor vehicle insurance was 77.8%, representing a year-on-year increase of 1.1 pp. The penetration rate of non-motor vehicle insurance products purchased by individual motor vehicle insurance customers reached 70.8%, representing a year-on-year increase of 2.1 pp. The number of our corporate customers reached 4.23 million at the end of the year 2023, representing an increase of 9.8% compared to the beginning of the Year. The Company underwrote 111 thousand high-tech enterprises, provided risk protection for 140 thousand enterprises in industrial parks and provided safe production liability insurance for 296 thousand enterprises. The agriculture insurance served 64.9 million rural households, and the full cost and plantation income insurance of three major staple foods covered 16 provinces. The social medical insurance served 880 million people, and the long-term care insurance served an insured population of nearly 53 million. The regional catastrophe insurance provided risk protection for over 270 million people. The Huimin Insurance project has been launched in 262 cities nationwide, covering over 75 million people.

# Discussion and Analysis of Operating Results and Financial Conditions

## MAKING ACTIVE RESPONSE TO DISASTERS AND ACCIDENTS, STRONGLY DEMONSTRATING OUR BRAND VALUE

Committing to its mission of "People's insurance serves the People", the Company made great efforts in risk reduction, disaster relief and claim settlement, and further integrated into the construction of national disaster prevention, disaster reduction and disaster relief system to fulfil the responsibility of the Company with concrete actions. In 2023, the Company established and perfected the "Wan Xiang Yun" risk control platform, promoted the implementation of comprehensive risk survey for corporate business and provided online and offline accident prevention technical services. The Company provided manual service of 1,098 thousand times in more than 10 key areas including safety liability insurance, assisted in identification of more than 663 thousand hidden risks, and provided meteorological early warnings and IoT early warnings of corporate business for more than 4 million times. The estimated amount of the loss reduced resulted from the manual and technological risk reduction services provided by the Company in aggregate reached RMB849 million. The Company made active responses to extreme rainfalls, earthquakes and other major disasters in certain areas, made 42 company-level major disaster emergency responses in total, installed more than 2,290 water immersion IoT equipments for enterprises, conducted risk review of 69 thousand enterprises, and deployed 72 thousand personnel for major disaster settlement and rescue. In response to Typhoon Doksuri, the Company actively coordinated professional rescue forces to provide support to disaster-stricken areas, provided 22.4 thousand times of undifferentiated vehicle rescues and rescued 100% of vehicles which met the rescue conditions. In response to Typhoon Saola and Typhoon Haikui, the Company arranged 903 rescue vehicles and made nearly 40 thousand times of undifferentiated rescues.

## II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

### (I) INSURANCE BUSINESS

#### 1. Business Overview

**Underwriting results**

In 2023, the Company and its subsidiaries achieved an insurance revenue of RMB457,203 million, representing a year-on-year increase of RMB32,848million (or 7.7%). The increase in insurance revenue was mainly driven by the growth in business scale of motor vehicle insurance, accidental injury and health insurance, agriculture insurance, etc. Affected by major disasters, the normalization of claim frequency after the transition of pandemic prevention and control and other factors, the Company and its subsidiaries recorded an insurance service result of RMB19,070 million, representing a year-on-year decrease of 14.9%. The underwriting profit was RMB10,189 million, representing a year-on-year decrease of 29.1%. The comprehensive loss ratio was 70.6%, representing a year-on-year increase of 1.2 pp. The comprehensive expense ratio was 27.2%, remaining stable as compared to the previous year. The combined ratio was 97.8%, representing a year-on-year increase of 1.2 pp.

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:

| | 2023<br>RMB million | 2022<br>(Restated)<br>RMB million | Change<br>% |
|---|---|---|---|
| Insurance revenue | **457,203** | 424,355 | 7.7 |
| Insurance service expenses | **(431,991)** | (395,966) | 9.1 |
| Net expenses from reinsurance contracts held | **(6,142)** | (5,993) | 2.5 |
| Insurance service result | **19,070** | 22,396 | -14.9 |
| Finance expenses from insurance contracts issued | **(10,127)** | (9,333) | 8.5 |
| Finance income from reinsurance contracts held | **1,246** | 1,301 | -4.2 |
| Underwriting profit | **10,189** | 14,364 | -29.1 |
| Comprehensive loss ratio (%) [1] | **(70.6)** | (69.4) | Increased by 1.2 pp |
| Comprehensive expense ratio (%) [2] | **(27.2)** | (27.2) | Remained the same |
| Combined ratio (%) [3] | **(97.8)** | (96.6) | Increased by 1.2 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:

| | 2023 | | | 2022 | |
|---|---|---|---|---|---|
| | Amount<br>*RMB million* | Percentage<br>% | Change<br>% | Amount<br>*RMB million* | Percentage<br>% |
| Insurance agents | **321,632** | **62.4** | **6.5** | 301,921 | 62.2 |
| Among which: | | | | | |
| Individual insurance agents | **174,713** | **33.9** | **4.1** | 167,779 | 34.6 |
| Ancillary insurance agents | **30,518** | **5.9** | **-7.7** | 33,050 | 6.8 |
| Professional insurance agents | **116,401** | **22.6** | **15.1** | 101,092 | 20.8 |
| Direct sales | **152,613** | **29.6** | **7.5** | 141,930 | 29.2 |
| Insurance brokers | **41,562** | **8.0** | **-0.1** | 41,583 | 8.6 |
| Total | **515,807** | **100.0** | **6.3** | 485,434 | 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:

| | 2023<br>*RMB million* | 2022<br>*RMB million* | Change<br>% |
|---|---|---|---|
| Guangdong Province | **54,496** | 50,443 | 8.0 |
| Jiangsu Province | **51,935** | 48,586 | 6.9 |
| Zhejiang Province | **42,398** | 39,813 | 6.5 |
| Shandong Province | **31,243** | 29,788 | 4.9 |
| Hebei Province | **26,035** | 26,696 | -2.5 |
| Sichuan Province | **24,920** | 23,551 | 5.8 |
| Hubei Province | **22,898** | 20,615 | 11.1 |
| Anhui Province | **21,417** | 20,070 | 6.7 |
| Hunan Province | **21,388** | 20,883 | 2.4 |
| Fujian Province | **20,613** | 19,576 | 5.3 |
| Other regions | **198,464** | 185,413 | 7.0 |
| Total | **515,807** | 485,434 | 6.3 |

## 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:

| | 2023 | 2022 (Restated) | Change |
|---|---|---|---|
| | *RMB million* | *RMB million* | % |
| Insurance revenue | **282,117** | 267,956 | 5.3 |
| Insurance service expenses | **(266,923)** | (247,327) | 7.9 |
| Underwriting profit [1] | **8,623** | 14,634 | -41.1 |
| Comprehensive loss ratio (%) | **(70.4)** | (68.3) | Increased by 2.1 pp |
| Comprehensive expense ratio (%) | **(26.5)** | (26.2) | Increased by 0.3 pp |
| Combined ratio (%) | **(96.9)** | (94.5) | Increased by 2.4 pp |

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

The Company and its subsidiaries actively implemented various regulatory requirements, always took the lead in abiding by the discipline of the motor vehicle insurance market and preserved a favourable market competition environment. We continued to optimize the business structure, continuously strengthened resource integration, promoted the capability building of distribution channels, improved the sale skills, optimized the quality and efficiency of services and ensured a stable business growth. The insurance revenue of motor vehicle insurance was RMB282,117 million, representing a year-on-year increase of 5.3%.

The Company and its subsidiaries made full use of technological means to improve their risk pricing, optimize risk factors and improve their risk identification capabilities, and strengthened control over underwriting and claim. However, due to rebound in social traffic after the transition of pandemic prevention and control, the claim frequency increased year-on-year, which combined with the impact of typhoons, storms and other major disasters, led to a year-on-year increase of 2.1 pp in the comprehensive loss ratio of the motor vehicle insurance to 70.4%. Affected by the amortization of policy acquisition costs under the new insurance contract accounting standards, the comprehensive expense ratio of the motor vehicle insurance was 26.5%, representing a year-on-year increase of 0.3 pp. The combined ratio was 96.9%, representing a year-on-year increase of 2.4 pp, and the underwriting profit was RMB8,623 million, representing a year-on-year decrease of 41.1%.

### (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:

| | 2023<br>*RMB million* | 2022<br>(Restated)<br>*RMB million* | Change<br>% |
|---|---|---|---|
| Insurance revenue | **52,857** | 47,808 | 10.6 |
| Insurance service expenses | **(50,190)** | (44,260) | 13.4 |
| Underwriting profit | **2,233** | 2,661 | -16.1 |
| Comprehensive loss ratio (%) | **(80.3)** | (78.1) | Increased by 2.2 pp |
| Comprehensive expense ratio (%) | **(15.5)** | (16.3) | Decreased by 0.8 pp |
| Combined ratio (%) | **(95.8)** | (94.4) | Increased by 1.4 pp |

The Company and its subsidiaries actively served the full promotion of rural revitalization and the building of China's strength in agriculture, accelerated the implementation of national agriculture insurance policies and grasped opportunities brought by policies such as the expansion of implementation scope of the full cost and plantation income insurance for the three major staple foods, and therefore the plant insurance and livestock insurance businesses continued to maintain rapid development. The insurance revenue of agriculture insurance achieved RMB52,857 million, representing a year-on-year increase of 10.6%.

Affected by typhoons, storms and other disasters, the comprehensive loss ratio of the agriculture insurance was 80.3%, representing a year-on-year increase of 2.2 pp. The comprehensive expense ratio of agriculture insurance was 15.5%, representing a year-on-year decrease of 0.8 pp. The combined ratio was 95.8%, representing a year-on-year increase of 1.4 pp. The underwriting profit was RMB2,233 million, representing a year-on-year decrease of 16.1%.

### (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:

| | 2023<br>*RMB million* | 2022<br>(Restated)<br>*RMB million* | Change<br>% |
|---|---|---|---|
| Insurance revenue | **43,747** | 35,344 | 23.8 |
| Insurance service expenses | **(40,885)** | (35,049) | 16.7 |
| Underwriting profit/(loss) | **1,007** | (176) | Not applicable |
| Comprehensive loss ratio (%) | **(59.3)** | (57.5) | Increased by 1.8 pp |
| Comprehensive expense ratio (%) | **(38.4)** | (43.0) | Decreased by 4.6 pp |
| Combined ratio (%) | **(97.7)** | (100.5) | Decreased by 2.8 pp |

The Company and its subsidiaries adhered to the customer-centric approach, optimized product supply based on the customer demand. We took the opportunities arising from significant increase in travel post the pandemic and actively developed accidental injury and health insurance by serving the development of the culture and travel industry, continuously innovating and improving protection as well as enhancing service capabilities. We actively served to enhance the people's livelihood and wellbeing, deeply participated in the construction of the multi-level medical insurance system, and laid emphasis on the active role of commercial health insurance in the improvement of medical insurance system, promotion of health industry and optimization of public health services. The insurance revenue of accidental injury and health insurance achieved RMB43,747 million, representing a year-on-year increase of 23.8%.

The Company and its subsidiaries strengthened the cost control and the risk control over underwriting and claims, and enhanced the service quality. The comprehensive expense ratio of accidental injury and health insurance was 38.4%, representing a year-on-year decrease of 4.6 pp. However, affected by the resumption of medical needs after the transition of pandemic prevention and control and further implementation of direct settlements of cross-provincial medical bills, the comprehensive loss ratio of accidental injury and health insurance was 59.3%, representing a year-on-year increase of 1.8 pp. The combined ratio was 97.7%, representing a year-on-year decrease of 2.8 pp. The accidental injury and health insurance achieved an underwriting profit of RMB1,007 million, reversing an underwriting loss of RMB176 million in the previous year.

*(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:

| | 2023<br>RMB million | 2022<br>(Restated)<br>RMB million | Change<br>% |
|---|---|---|---|
| Insurance revenue | **32,906** | 31,892 | 3.2 |
| Insurance service expenses | **(33,443)** | (33,939) | -1.5 |
| Underwriting loss | **(2,299)** | (2,903) | Not applicable |
| Comprehensive loss ratio (%) | **(73.6)** | (76.6) | Decreased by 3.0 pp |
| Comprehensive expense ratio (%) | **(33.4)** | (32.5) | Increased by 0.9 pp |
| Combined ratio (%) | **(107.0)** | (109.1) | Decreased by 2.1 pp |

The Company and its subsidiaries actively served the construction of the modernized industrial system, served the building of China's self-reliance and strength in science and technology and safe development, provided specialized, differentiated and customized insurance products based on service and innovation with focus on the social insurance needs, and explored new fields, new patterns and new modes. The insurance revenue of liability insurance reached RMB32,906 million, representing a year-on-year increase of 3.2%.

The Company and its subsidiaries continuously enhanced the ability to obtain high-quality business, took the initiative to adjust business structure, and optimized underwriting conditions, leading to an improvement in the quality of liability insurance business. The comprehensive loss ratio of the liability insurance was 73.6%, representing a year-on-year decrease of 3.0 pp. The Company and its subsidiaries practiced the new business model of "insurance + risk reduction services + technology" and increased resources investment to expand the coverage of risk reduction services. The comprehensive expense ratio of the liability insurance was 33.4%, representing a year-on-year increase of 0.9 pp. The combined ratio was 107.0%, representing a year-on-year decrease of 2.1 pp. The underwriting loss was RMB2,299 million, representing a year-on-year decrease in loss of RMB604 million.

### *(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:

| | 2023<br>*RMB million* | 2022<br>(Restated)<br>*RMB million* | Change<br>% |
|---|---|---|---|
| Insurance revenue | **17,229** | 16,387 | 5.1 |
| Insurance service expenses | **(16,736)** | (14,028) | 19.3 |
| Underwriting loss | **(661)** | (680) | Not applicable |
| Comprehensive loss ratio (%) | **(76.2)** | (75.9) | Increased by 0.3 pp |
| Comprehensive expense ratio (%) | **(27.6)** | (28.3) | Decreased by 0.7 pp |
| Combined ratio (%) | **(103.8)** | (104.2) | Decreased by 0.4 pp |

The Company and its subsidiaries actively seized the market opportunity in the improvement of the domestic economy, supported the upgrade of industrial chain and supply chain by focusing on serving the real economy, strengthened insurance product supply to enterprises that use special and sophisticated technologies to produce novel and unique products and small, medium and micro-sized enterprises, and enhanced market response capabilities and professional service capacity. The insurance revenue of commercial property insurance achieved RMB17,229 million, representing a year-on-year increase of 5.1%.

The Company and its subsidiaries continuously enhanced the professional operating capabilities, upgraded the risk reduction service level, and accurately allocated sales expenses to improve the efficiency of expense allocation. The comprehensive expense ratio of commercial property insurance was 27.6%, representing a year-on-year decrease of 0.7 pp. Due to the impact of catastrophes such as Typhoon Doksuri, Saola and Haikui, the combined loss ratio of commercial property insurance was 76.2%, representing a year-on-year increase of 0.3 pp. The combined ratio was 103.8%, representing a year-on-year decrease of 0.4 pp. The underwriting loss was RMB661 million, representing a year-on-year decrease in loss of RMB19 million.

### *(6) Other insurance*

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:

| | 2023<br>*RMB million* | 2022<br>(Restated)<br>*RMB million* | Change<br>% |
|---|---|---|---|
| Insurance revenue | **28,347** | 24,968 | 13.5 |
| Insurance service expenses | **(23,814)** | (21,363) | 11.5 |
| Underwriting profit | **1,286** | 828 | 55.3 |
| Comprehensive loss ratio (%) | **(64.5)** | (67.9) | Decreased by 3.4 pp |
| Comprehensive expense ratio (%) | **(31.0)** | (28.8) | Increased by 2.2 pp |
| Combined ratio (%) | **(95.5)** | (96.7) | Decreased by 1.2 pp |

The Company and its subsidiaries served the development of the country's real economy, served the building of self-reliance and strength in science and technology, escorted the development of the national significant projects and the "Belt and Road" Initiative, actively expanded new business markets, and continuously increased efforts in product innovation and promotion. The insurance revenue of other insurance achieved RMB28,347 million, representing a year-on-year increase of 13.5%.

The Company and its subsidiaries continued to optimize the underwriting and pricing models, strengthened risk control of key businesses and improved the key process of claims settlement to be more standard and intelligent. The comprehensive loss ratio of other insurance was 64.5%, representing a year-on-year decrease of 3.4 pp. Due to increased investment in risk reduction services and adjustment of business structure, the comprehensive expense ratio of other insurance was 31.0%, representing a year-on-year increase of 2.2 pp. The combined ratio was 95.5%, representing a year-on-year decrease of 1.2 pp. The underwriting profit was RMB1,286 million, representing a year-on-year increase of 55.3%.

## (II) INSURANCE FUND INVESTMENT BUSINESS

### 1. Investment results

| | 2023 | 2022 (Restated) | Change |
|---|---|---|---|
| | RMB million | RMB million | % |
| Interest income from financial assets not measured at fair value through profit or loss | **11,710** | Not applicable | Not applicable |
| Other investment income | **4,077** | Not applicable | Not applicable |
| Investment assets impairment losses | **(510)** | Not applicable | Not applicable |
| Investment income | **Not applicable** | 20,180 | Not applicable |
| Net realized and unrealized losses on investments | **Not applicable** | (3,706) | Not applicable |
| Share of profit or loss of associates and joint ventures | **5,530** | 4,777 | 15.8 |
| Dilution loss arising on a reduced stake in an associate | **–** | (95) | Not applicable |
| **Total investment income** | **20,807** | 21,156 | -1.6 |
| Total investment yield (%) [(1)] | **3.5** | 3.8 | Decreased by 0.3 pp |
| Total investment assets [(2)] | **600,711** | 576,019 | 4.3 |

(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 31 December 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 standards. 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 always adhere to the principle of long-term and steady investment to balance risk and yield. Under the new financial instrument accounting standards, the percentage of financial assets at fair value through profit and loss (FVPL) increased significantly. The decline in the capital market led to a significant decrease in the fair value changes through profit or loss of secondary equity assets; however, due to the decline of interest rates, the market value of bonds classified as FVPL increased, which partially offset the fluctuation of market value of equity assets. In addition, due to the improvement in performance of certain associates and joint ventures, the share of profit or loss of associates and joint ventures of the Company and its subsidiaries increased year on year. In 2023, under the new financial instrument accounting standards, the Company and its subsidiaries recorded a total investment income of RMB20,807million, representing a total investment yield of 3.5%.

# Discussion and Analysis of Operating Results and Financial Conditions

In 2022, in accordance with the previous financial instrument accounting standards, the Company and its subsidiaries recorded a total investment income of RMB21,156 million, representing a total investment yield of 3.8%.

### 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:

| | 31 December 2023 | | | 1 January 2023 | |
|---|---|---|---|---|---|
| | Balance | Percentage | Change | Balance | Percentage |
| | *RMB million* | % | % | *RMB million* | % |
| Classified by accounting measurement: | | | | | |
| Cash and cash equivalents | **16,526** | **2.7** | **-22.2** | 21,254 | 3.7 |
| Term deposits | **57,785** | **9.6** | **-22.8** | 74,844 | 13.0 |
| Financial investments at amortized cost | **126,192** | **21.0** | **10.9** | 113,790 | 19.7 |
| Financial assets at fair value through other comprehensive income | **180,142** | **30.0** | **16.8** | 154,285 | 26.8 |
| Financial assets at fair value through profit or loss | **144,047** | **24.0** | **2.4** | 140,730 | 24.4 |
| Investment properties | **7,576** | **1.3** | **1.8** | 7,440 | 1.3 |
| Investments in associates and joint ventures | **62,601** | **10.4** | **7.7** | 58,149 | 10.1 |
| Other investment assets [1] | **5,842** | **1.0** | **5.7** | 5,527 | 1.0 |
| Total investment assets | **600,711** | **100.0** | **4.3** | 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:

| | 31 December 2023 | | | 1 January 2023 | |
|---|---|---|---|---|---|
| | Balance | Percentage | Change | Balance | Percentage |
| | *RMB million* | % | % | *RMB million* | % |
| Classified by investment object: | | | | | |
| Cash and cash equivalents | **16,526** | **2.7** | **-22.2** | 21,254 | 3.7 |
| Fixed-income investments | **349,749** | **58.2** | **2.0** | 342,745 | 59.5 |
| Term deposits | **57,785** | **9.6** | **-22.8** | 74,844 | 13.0 |
| Treasury bonds and government bonds | **46,993** | **7.8** | **9.6** | 42,879 | 7.4 |
| Financial bonds | **85,816** | **14.3** | **2.0** | 84,129 | 14.6 |
| Corporate bonds | **73,354** | **12.2** | **5.6** | 69,465 | 12.1 |
| Long-term debt investment schemes | **37,737** | **6.3** | **14.6** | 32,929 | 5.7 |
| Other fixed-income investments (1) | **48,064** | **8.0** | **24.8** | 38,499 | 6.7 |
| Equity investments | **158,417** | **26.4** | **12.4** | 140,904 | 24.4 |
| Funds | **46,447** | **7.7** | **14.4** | 40,586 | 7.0 |
| Shares | **35,926** | **6.0** | **-8.6** | 39,296 | 6.8 |
| Unlisted equity | **17,298** | **2.9** | **-1.5** | 17,562 | 3.0 |
| Preferred shares | **7,454** | **1.3** | **1.0** | 7,377 | 1.3 |
| Perpetual bonds | **36,295** | **6.0** | **61.9** | 22,418 | 3.9 |
| Other equity investments (2) | **14,997** | **2.5** | **9.7** | 13,665 | 2.4 |
| Investment properties | **7,576** | **1.3** | **1.8** | 7,440 | 1.3 |
| Investments in associates and joint ventures | **62,601** | **10.4** | **7.7** | 58,149 | 10.1 |
| Other investment assets (3) | **5,842** | **1.0** | **5.7** | 5,527 | 1.0 |
| Total investment assets | **600,711** | **100.0** | **4.3** | 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 perpetual debt plans, trust plans, etc.

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

As at 31 December 2023, the balance of investment assets of the Company and its subsidiaries was RMB600,711 million, representing an increase of 4.3% 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.

In terms of fixed-income investments, the Company and its subsidiaries invested in non-standard financial products on a selective basis and increased investments in bonds. Due to the continued fall in deposit interest rates, the amount of matured deposits being reinvested in bank deposits is less than that of matured deposits, which led to a slight decrease in term deposits. As at 31 December 2023, the balance of fixed income investment assets was RMB349,749 million, representing an increase of RMB7,004 million (or 2.0%) as compared to the beginning of the Year, and its share in the total portfolio decreased by 1.3 pp as compared to the beginning of the Year.

In terms of equity investments, the Company and its subsidiaries increased investments in the stock funds when appropriate, and made more investments in perpetual bonds at the beginning of the Year when the interest rate was relatively high. As at 31 December 2023, the balance of equity investment assets was RMB158,417 million, representing an increase of RMB17,513 million (or 12.4%) as compared to the beginning of the Year, and its share in the total portfolio increased by 2.0 pp as compared to the beginning of the Year.

### 3. *Investments in associates and joint ventures*

As at 31 December 2023, the amount of investments in associates and joint ventures of the Company and its subsidiaries was RMB62,601 million, representing an increase of RMB4,452 million (or 7.7%) as compared to the beginning of the Year. Please refer to note 28 to the consolidated financial statements for details.

### 4. *Material investments*

The Company and its subsidiaries held equity in Hua Xia Bank to facilitate business interaction and obtain stable investment returns. Hua Xia Bank was classified as an associate of the Company and accounted using the equity method. As at 31 December 2023, the carrying amount of equity held by the Company and its subsidiaries in Hua Xia Bank was RMB45,128 million, accounting for approximately 6.4% of the total assets of the Company and its subsidiaries, and the fair value was RMB14,405 million, accounting for approximately 2.0% of the total assets of the Company and its subsidiaries. Detailed information of investment in such associate was described in note 28 to the consolidated financial statements.

### 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:

| | 2023 RMB million | 2022 (Restated) RMB million | Change % |
|---|---|---|---|
| Profit before income tax | **28,035** | 34,020 | -17.6 |
| Income tax expense | **(3,469)** | (4,912) | -29.4 |
| Net profit for the year | **24,566** | 29,108 | -15.6 |
| Total assets [1] | **703,623** | 672,361 | 4.6 |
| Net assets [1] | **234,304** | 221,504 | 5.8 |

(1) Based on the data as at 31 December 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 comparative period of 2022 was restated by the Company and its subsidiaries in accordance with the Hong Kong Financial Reporting Standards 17 – Insurance Contracts; in accordance with Hong Kong Financial Reporting Standards 9 – Financial Instruments, the Company and its subsidiaries chose not to restate the financial instruments related information for the comparative period of 2022.

***Profit before income tax***

As a result of the foregoing, the profit before income tax of the Company and its subsidiaries in 2023 was RMB28,035 million, representing a year-on-year decrease of RMB5,985 million (or -17.6%).

***Income tax expense***

In 2023, the Company and its subsidiaries recorded an income tax expense of RMB3,469 million, representing a year-on-year decrease of RMB1,443 million (or -29.4%). The decrease in income tax expense was mainly due to the decrease in taxable profit.

***Net profit for the year***

As a result of the foregoing, the net profit of the Company and its subsidiaries decreased by RMB4,542 million (or -15.6%) from RMB29,108 million in 2022 to RMB24,566 million in 2023. The basic earnings per share was RMB1.105.

## 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:

| | 2023<br>*RMB million* | 2022<br>*RMB million* | Change<br>*RMB million* |
|---|---|---|---|
| Net cash flows generated from operating activities | **20,542** | 42,710 | -22,168 |
| Net cash flows used in investing activities | **(11,130)** | (32,188) | 21,058 |
| Net cash flows used in financing activities | **(14,223)** | (6,997) | -7,226 |
| Effects of exchange rate changes on cash and cash equivalents | **49** | 311 | -262 |
| Net (decrease)/increase in cash and cash equivalents | **(4,762)** | 3,836 | -8,598 |

In 2023, the net cash flows generated from operating activities of the Company and its subsidiaries were RMB20,542 million, representing a year-on-year decrease of RMB22,168 million (or -51.9%). The decrease in net cash flows generated from operating activities was mainly due to the lower level of cash outflows for claims and expenses in the previous year, which was affected by the pandemic.

The net cash flows used in investing activities of the Company and its subsidiaries for 2023 and the previous year were RMB11,130 million and RMB32,188 million respectively. The decrease in net cash flows used in investing activities was mainly due to the decrease in net cash flows generated from operating activities and decrease in cash available for investment.

The net cash flows used in financing activities of the Company and its subsidiaries for 2023 and the previous year were RMB14,223 million and RMB6,997 million respectively. The increase in net cash flows used in financing activities was mainly due to the increase in the net cash flows used in relation to securities sold under agreements to repurchase and payment of dividend.

As at 31 December 2023, cash and cash equivalents of the Company and its subsidiaries (exclusive of accrued interests) amounted to RMB16,488 million.

### *Gearing Ratio*

As at 31 December 2023, the gearing ratio *(Note)* of the Company and its subsidiaries was 65.5%, representing a decrease of 0.3 pp as compared to the gearing ratio of 65.8% (Restated) at the beginning of 2023.

*Note:* The gearing ratio is represented by total liabilities (excluding bonds payable) divided by total assets.

### *Source of Working Capital*

The cash flows of the Company and its subsidiaries are primarily derived from cash generated from operating activities, which are mainly 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 primarily consist 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 2023, the capital expenditure of the Company and its subsidiaries was RMB2,734 million.

***Solvency Margin (Note)***

| | 31 December 2023 RMB million | 31 December 2022 RMB million | Change % |
|---|---|---|---|
| Actual capital | **226,182** | 215,415 | 5.0 |
| Core capital | **203,088** | 189,730 | 7.0 |
| Minimum capital | **97,334** | 93,964 | 3.6 |
| Comprehensive solvency margin ratio (%) | **232.4** | 229.3 | Increased by 3.1 pp |
| Core solvency margin ratio (%) | **208.7** | 201.9 | Increased by 6.8 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 NFRA (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 involves 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 granted 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 NFRA (former CBIRC) on the investment ratings of corporate bonds. More than 99% of the bonds held by the Company and its subsidiaries have actual subject rating of AAA or are exempted from rating.

The Company and its subsidiaries manage and lower credit risk from 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 in general floating interests are received from, and fixed 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 31 December 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***

On 26 March 2024, the Board of Directors of the Company proposed a final dividend of RMB0.489 per ordinary share in respect of the year ended 31 December 2023, and an amount of RMB7 billion to be appropriated to discretionary surplus reserve. The above events are subject to the approval of shareholders' general meeting of the Company.

***Development of New Products***

In 2023, the Company, by closely focusing on national strategies, actively practiced political-orientation and people-centeredness, continuously enriched the "Eight Strategic Services" product system, focused on hot spots of the market and customers' demands, and developed or amended a total of 1,560 insurance provisions, including 328 national provisions and 1,232 regional provisions, or 1,267 main insurance provisions and 293 rider provisions.

***Employees***

As at 31 December 2023, the Company had 164,653 employees. In 2023, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB37,285 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

At present, the basic trend of China's economic recovery and long-term improvement remains unchanged, and the insurance industry is still in an important development period of strategic opportunities. The Company and its subsidiaries will, by adhering to the general principle of seeking progress while maintaining stability and taking the "To be Prominent Strategy" as a guide, solidly implement the "Eight Strategic Services", practice the new business model of "insurance + risk reduction service + technology", and promote high-quality development of the Company in the process of expanding the coverage and penetration of services for Chinese modernization.

**Firstly,** we will deeply promote the "Eight Strategic Services". Based on the demand of individual, corporate and government customers, great efforts will be made in development of individual insurance businesses including motor vehicle insurance, vehicle-related combination products and insurance products that benefit people, agriculture and households. New model of insurance supporting industry chain and supply chain shall be incorporated in increasing product supply in areas including science and technology insurance, green insurance and catastrophe insurance products. We will improve overseas service network to serve the "Belt and Road" Initiative, and consolidate our development advantages in agriculture insurance, social medical insurance and other government businesses to support the building of China's strength in agriculture, the rural revitalization and the building of a healthy China. We will enhance our operating professionalism to bolster the high-quality development of Inclusive Finance, and improve our capabilities and market competitiveness in serving regional development with more supports for the construction of key areas.

**Secondly,** we will implement the risk reduction service projects. We will optimize the "Wan Xiang Yun" platform, innovate the supply of products providing risk-reduction services, strengthen the risk survey before underwriting and the early warning and risk screening during the term of insurance, and improve the disaster emergency response and claim settlement capability to build a closed cycle of "pre-underwriting – during the term of insurance – pre-disaster – during the disaster – post-disaster" services, and ensure a whole-process risk management by creating standardized, digital, systematic and professional risk reduction services.

**Thirdly,** we will further promote the digital transformation. We will enhance technological infrastructure, release the value of data elements and enhance the synergy between the technology and businesses to empower the key aspects of business operations. Tools dedicated for different distribution channels will be innovated and upgraded to support the professional construction of channels. Further progress will be made in the digital and intelligent transformation of underwriting and claim settlement and optimization of business model to build the capability of whole-process support for online customer interface.

**Fourthly,** we will strengthen the risk prevention and mitigation. By adhering to a compliant operation, we will reinforce the responsibilities of "three lines of defense", enhance standardized management of entire business process, fully implement risk examination and compliance inspection by focusing on key branches, key personnel, key areas and key risks, enhance the audit supervision and rectification, ensure the early identification, early warning, early discovery and early addressing of risks, and maintain the bottom line of zero systematic risks.

**Fifthly,** we will continue to optimize the asset structure and ensure its healthy development. The Company will maintain the credit risk standards, expand the scale of interest rate bonds, lengthen maturity when appropriate, and gradually reduce the proportion of non-standard financial products. We will actively seize the market opportunities while maintaining the proportion of equity assets, stabilize the proportion of equity investment, increase investment in high-quality equity investment projects, and promote the industrial investment layout.

# Biographical Details of Directors, Supervisors and Other Senior Management

## DIRECTORS

**Wang Tingke**, aged 59, Ph.D., a senior economist, the Chairman of the Board and a non-executive Director of the Company. Mr. Wang worked in China Everbright Bank Company Limited from July 1995 to March 2009. He worked in China Everbright Group from March 2009 to February 2015. He was the deputy general manager of China Taiping Insurance Group Ltd. (China Taiping Insurance Group (HK) Company Limited) from February 2015 to June 2018 and an executive director from August 2016. He served as the vice chairman and general manager of China Export & Credit Insurance Corporation from June 2018 to April 2020. He was appointed as the vice chairman of the board of directors, an executive director and president of The People's Insurance Company (Group) of China Limited* since April 2020, and has been appointed as the chairman of the board of directors since May 2023. Mr. Wang has also served as a non-executive director and the chairman of the board of directors of PICC Asset Management Company Limited and The People's Insurance Company of China (Hong Kong) Limited. Mr. Wang once served as the responsible compliance officer and chief risk officer of The People's Insurance Company (Group) of China Limited*, and once also served as a non-executive director and the chairman of the board of directors of PICC Health Insurance Company Limited and PICC Pension Company Limited. Mr. Wang served as the vice president of Insurance Society of China since June 2019 and the vice president of China Chamber of International Commerce since September 2020. Mr. Wang graduated from Shaanxi University of Finance and Economics (currently known as Xi'an Jiaotong University) in July 1995 and successively received a bachelor, a master and a doctorate degree in economics.

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

**Yu Ze**, aged 52, a university graduate, the Vice Chairman of the Board, an executive Director and the President of the Company. Mr. Yu joined the People's Insurance Company of China (the "PICC") in July 1994. From July 2003 to October 2006, Mr. Yu served in the Company, and was the Deputy General Manager of the Motor Vehicle Insurance Department of Tianjin Branch of the Company. He worked at The Tai Ping Insurance Company Limited (Taiping General Insurance Co., Ltd.) from October 2006 to November 2019 and served as the general manager of the Tianjin Branch in February 2007, marketing director in May 2009, assistant general manager in April 2010, deputy general manager in October 2012, deputy general manager (in charge) in October 2015, and the general manager in September 2016. Mr. Yu was appointed as the vice president of The People's Insurance Company (Group) of China Limited* since December 2019. Mr. Yu once served as the responsible compliance officer and chief risk officer of The People's Insurance Company (Group) of China Limited*, the chairman of the board of directors of PICC Investment Holding Company Limited, a non-executive director and the chairman of the board of directors of PICC Financial Services Company Limited and PICC Information Technology Co., Ltd. Mr. Yu has been a vice president of Insurance Association of China since June 2022. Mr. Yu graduated from Nankai University in July 1994 with a bachelor's degree in economics.

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

# Biographical Details of Directors, Supervisors and Other Senior Management

**Jiang Caishi**, aged 58, Ph.D., a senior economist, an executive Director and a Vice President of the Company. Mr. Jiang also serves as a director of PICC Reinsurance Co., Ltd., a supervisor of Shanghai Insurance Exchange Co., Ltd., the director member of the Specialised Committee on Non-Motor Vehicle Property Insurance of the Insurance Association of China, the president of China Integrated Circuit Insurance Pool, the vice president of China Classification Society, the general conference chairman of the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool and the president of the "Belt and Road" Reinsurance Community Council of China. Mr. Jiang joined PICC in 1988 and was seconded to New York, U.S.A. for 2 years. Mr. Jiang was previously the general manager of the International Insurance Department of PICC Tianjin Branch, deputy general manager of PICC Tianjin Branch, general manager of the Property Insurance Department of PICC, General Manager of the Group Insurance Marketing and Management Department and General Manager of the Large-Scale Commercial Risk Insurance Department of the Company, General Manager of the Shenzhen Branch of the Company, General Manager of the Agriculture Insurance Department of the Company, a senior specialist and concurrently the general manager of the Business Development Department of The People's Insurance Company (Group) of China, an executive Vice President, the Chairman of the Supervisory Committee and a Supervisor of the Company. Mr. Jiang has 36 years of substantial experience in operation and management in the PRC insurance industry.

**Zhang Daoming**, aged 48, a postgraduate, with a master degree in Business Administration, an economist, an executive Director, a Vice President and the Responsible Financial Officer of the Company. Mr. Zhang also serves as a director of PICC Life Insurance Company Limited, the director member of the Specialised Committee on Financial Accounting, the director member of the Specialised Committee on Motor Vehicle Insurance, the vice director member of the Specialised Committee on Insurance Technology, the vice director member of the Specialised Committee on the Statistics, the vice director member of the Specialised Committee on Group Standards and the vice director member of the Specialised Committee on Anti-insurance Fraud of the Insurance Association of China, a vice president of the council of China Association for Disaster Prevention, and a standing director of China Society for Finance and Accounting. Mr. Zhang was the Deputy Division Chief of the Comprehensive Planning Division of the Human Resources Department and the Deputy Division Chief of the Market Research Division of the Strategic Development Department of the Company, the deputy general manager of the Human Resources Department of AnBang Property & Casualty Insurance Co., Ltd., the Assistant to the General Manager, the Deputy General Manager, the Deputy General Manager (in charge) of the Market Research Department/Channel Management Department of the Company, the Deputy General Manager of the Zhejiang Provincial Branch of the Company, the General Manager of the Compliance Department/Risk Management Department of the Company, the General Manager of the Jiangxi Provincial Branch of the Company, the General Manager of the Guangdong Provincial Branch of the Company, and an Assistant to the President of the Company. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University with a master's degree in business administration and has 26 years of substantial management experience in the PRC insurance industry.

**Hu Wei**, aged 55, a graduate of Party School of the Communist Party of China, a senior economist, an executive Director and a Vice President of the Company. Mr. Hu joined PICC in September 1990. Since December 1993, he successively served in the Company as the deputy section chief, section chief of Shizhong sub-branch, the assistant manager and deputy manager of the Business Department and the manager of Yanzhou sub-branch of the Jining Branch in Shandong Province, the deputy general manager and general manager of the Jining Branch, the general manager of the Jinan Branch, the deputy general manager, deputy general manager (in charge) and general manager of the Shandong Provincial Branch and an Assistant to the President of the Company. Mr. Hu graduated from Shandong Provincial Party School and has 33 years of substantial experience in operation and management in the PRC insurance industry.

# Biographical Details of Directors, Supervisors and Other Senior Management

**Li Tao**, aged 58, Ph.D., a senior economist, a non-executive Director of the Company. Mr. Li is currently the chairman of the supervisory committee of PICC Life Insurance Company Limited and a non-executive director of China Insurance Investment Corporation. Mr. Li began his career in 1985 and previously taught at Beijing University of Aeronautics and Astronautics. He joined PICC in 1998 and was previously the deputy general manager of the Research and Development Center and the Planning and Statistics Department of PICC, the Deputy General Manager and General Manager of the Secretariat of the Board of Directors of the Company, and the general manager of the Development and Reform Department, the general manager of the Policy Research Office, a senior specialist of The People's Insurance Company (Group) of China and the secretary of the board of directors of The People's Insurance Company (Group) of China Limited*. Mr. Li graduated from Renmin University of China with a master's degree in philosophy in 1993 and graduated from the Party School of the Central Committee of the Communist Party of China with a doctorate degree in economics in 1998. He has 39 years of substantial experience in research and management.

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

**Qu Xiaohui**, aged 69, Ph.D., an Independent Director of the Company. Ms. Qu is a retired professor and doctoral supervisor of Xiamen University. Ms. Qu is the first female Ph.D. of Economics (Accounting) and the first female doctoral supervisor in accounting in China, an expert enjoying the special government allowance awarded by the State Council, the promoter of demonstration of the set-up of national Master of Professional Accounting (MPAcc), the main drafting person of the set-up plan and demonstration report of national Doctor of Professional Accounting (DPAcc) and the founding editor-in-chief of the *Contemporary Accounting Review*. Ms. Qu was a deputy dean of the Graduate School of Xiamen University, director of the Center for Accounting Development Studies of Xiamen University, dean of Financial Management and Accounting Research Institute of Xiamen University, a member of the Social Sciences Committee of the Ministry of Education, a consultant to the Accounting Standards Committee of the Ministry of Finance of the PRC, the chairman and a consultant of the Accounting Education Committee of the Chinese Accounting Association (Former Chinese Accounting Professors Association) for two terms, the first director of the Standing Committee of Guangdong-Hong Kong-Macao University Accounting Union, 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 ZTE Corporation*, Yunnan Baiyao Group Co., Ltd.**, and SDIC Capital Co., Ltd.***, etc. Ms. Qu is currently a consultant to the China National MPAcc Education Steering Committee and a vice chairman of China Cost Research Society. Ms. Qu graduated from Xiamen University with a doctorate degree in economics and has substantial experience in the areas of accounting research and financial management.

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

**Cheng Fengchao**, aged 64, Ph.D. in management, an Independent Director of the Company. Mr. Cheng is a researcher of financial science, a Chinese certified public accountant, a Chinese certified public valuator, a senior accountant. Mr. Cheng is currently the chairman of Zhongguancun Guorui Financial and Industrial Development Research Institute and a member of Academic Advisory Committee of China Association for Public Companies. He also serves as an independent director of Sinochem International Corporation*, an independent director of China Minsheng Banking Corp., Ltd.** and an external supervisor of Everbright Securities Co., Ltd.**. Mr. Cheng is now a doctoral supervisor of Hunan University and an adjunct professor of the PBC School of Finance, Tsinghua University, and the Graduate School of the Chinese Academy of Social Sciences. Mr. Cheng was previously a non-executive director of Agricultural Bank of China Limited** and Industrial and Commercial Bank of China Limited**, a supervisor of China Everbright Group and an independent director of Minmetals Capital Company Limited*. Mr. Cheng graduated from Hunan University, majoring in management science and engineering, with a doctorate degree in management. Mr. Cheng has substantial experience in public management and financial industry.

* These companies are listed on the Shanghai Stock Exchange.

** These companies are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

**Wei Chenyang**, aged 51, Ph.D., an Independent Director of the Company. Mr. Wei is currently a full-time research fellow at PBC School of Finance, Tsinghua University, an associate dean of the Institute for Fintech Research, Tsinghua University, director of China Insurance and Pension Research Center of The National Institute of Financial Research, Tsinghua University, and secretary general of the Global Real Estate Finance Forum of PBC School of Finance, Tsinghua University, a member of the Editorial Board of *Tsinghua Financial Review* and the associate dean of Beijing Fintech Research Institute. Mr. Wei served as an economist at the Federal Reserve Bank of New York, and a senior economist at the Federal Reserve Bank of Philadelphia, the founding director of the credit research department of AIG*, and senior managing director and chief economist in North America of Zenity Holdings/Zenity Asset Management Limited. Mr. Wei is currently an independent director of Waterdrop Holdings (WDH)* and an independent director of HSBC Life Insurance Company Limited. Mr. Wei graduated with a bachelor's degree in Finance from the School of Economics and Management of Tsinghua University. He also earned his M.S. in Economics and Ph.D. in Finance from McCombs School of Business at the University of Texas at Austin and Stern School of Business at New York University, respectively. Mr. Wei has extensive experience in finance, insurance and elderly care industries.

* These companies are listed on the New York Stock Exchange.

**Li Weibin**, aged 62, with a master degree in law, qualified as an Attorney in China, a Solicitor in Hong Kong, England and Wales and an Attorney in the United States of America (New York), a China Appointed Attesting Officer designated by the Ministry of Justice of China, and an Independent Director of the Company. Mr. Li is currently a member of the Political Consultative Committee of China, a distinguished professor in the Liaison Office of the Central People's Government in Hong Kong S.A.R., an arbitrator of The China International Economic and Trade Arbitration Commission, an arbitrator of Shenzhen Court of International Arbitration, a mediator of the HKCEA Commercial Affairs Mediation Committee, a legal consultant of the Hong Kong Chinese Enterprises Association, an honorary legal adviser of the Chinese Financial Association of Hong Kong, a legal consultant of the Chinese Securities Association of Hong Kong, a legal consultant of the Hong Kong Volunteers Federation, a legal consultant of Virtus Foundation, the founder of China Innovation Foundation, the founder of Li & Partners Charity Foundation, the founder and senior partner of Li & Partners, an independent non-executive director of Skyworth Group Limited*. Mr. Li has substantial experience in the areas of law and management.

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

# Biographical Details of Directors, Supervisors and Other Senior Management

**Qu Xiaobo**, aged 41, a doctoral supervisor and a chair professor (tenured) under the Yangtze River Scholars Programme with the School of Vehicle and Mobility, Tsinghua University, an elected member of Academia Europaea, and an Independent Director of the Company. Mr. Qu currently serves as the editor in chief of Communications in Transportation Research, the executive editor in chief of Journal of Intelligent and Connected Vehicles, and an editor of Transportation Research Part A/Part E, The Innovation, IEEE Transactions on Cybernetics, and ASCE Journal of Transportation Engineering, etc. He has been a panel member or assessor for multiple major funding schemes, including European Research Council, Centre of Excellence of Australian Research Council, Netherlands NWO VICI program, Theme-based scheme of the Hong Kong Research Grants Council, thematic research grants of the Ministry of Education Singapore and domestic talent projects. Prior to his current appointment with Tsinghua University, he was a lecturer/senior lecturer with Griffith University from 2012 to 2016, a senior lecturer with University of Technology Sydney from 2016 to 2018, a professor with Chalmers University of Technology from 2018 to 2019, and a chair professor with Chalmers University of Technology from 2020 to 2021. He has substantial experiences in research areas of intelligent transportation systems, vertical transportation systems, and vehicle-city connectivity.

## SUPERVISORS

**Dong Qingxiu**, aged 56, a senior economist with a master degree in economics, a Shareholder Supervisor and the Chairman of the Supervisory Committee of the Company. Mr. Dong also serves as a supervisor and the chairman of the board of supervisors of PICC Reinsurance Co., Ltd. Mr. Dong joined PICC in 1989 and successively served as the deputy general manager of the Human Resources Department of PICC, Deputy General Manager (in charge) and General Manager of the Human Resources Department of the Company, General Manager of the Shanxi Provincial Branch of the Company, vice president, secretary of the board of directors, director and chairman of the supervisory committee of PICC Health Insurance Company Limited, director and president of PICC Investment Holding Company Limited. Mr. Dong has 34 years of substantial management experience in the PRC insurance industry.

**Wang Yadong**, aged 53, a master, an economist, a Shareholder Supervisor of the Company. Mr. Wang is currently the vice president of PICC Information Technology Co., Ltd. and an employee representative supervisor of The People's Insurance Company (Group) of China Limited*. Mr. Wang joined PICC in 1995, and was previously the deputy manager of the Property Insurance Division, general manager of the Underwriting Management Department, general manager of the Property Insurance Business Department, the Large-scale Commercial Risk Insurance Department, the Marine Hull and Cargo Insurance Business Department and the Reinsurance Department of PICC Hubei Branch, the senior manager of the Business Coordination Division of Business Development Department, senior manager of the Infrastructure Office, deputy general manager of the Infrastructure Office of the South Information Centre (Phase II) and general manager of the Infrastructure Office of The People's Insurance Company (Group) of China Limited* and the general manager of the Audit Department/Audit Center of The People's Insurance Company (Group) of China Limited*. Mr. Wang graduated from Hunan Institute of Finance with a bachelor's degree in management and afterwards graduated from Huazhong University of Science and Technology with a master's degree in business management. Mr. Wang has 29 years of substantial experience in operation and management in the PRC Insurance Industry.

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

**Li Shuk Yin Edwina**, aged 61, with a master of social sciences degree in the field of sustainability leadership and governance of the University of Hong Kong, a Chartered Accountant, an External Supervisor of the Company. Ms. Li is currently an independent non-executive director of China CITIC Bank (International) Co., Ltd., Bank of Zhengzhou Co., Ltd.*, China Everbright Environment Group Limited** and CNOOC Limited***, and a director of Elite Beam Limited. Ms. Li is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Ms. Li has worked for KPMG since 1994 and served as the partner in charge of the Financial Services Assurance team of KPMG China before her retirement in March 2018. Prior to joining KPMG, Ms. Li worked at a large multinational accounting firm in London, the United Kingdom and became a Chartered Accountant, then she served as the financial manager at a real estate group and a financial services group, respectively. Ms. Li holds a bachelor's degree in Accountancy Studies (with honors) from the University of Exeter in the United Kingdom, a postgraduate diploma in corporate risk management from the School of Professional and Continuing Education of Hong Kong University, and a master's degree in risk management from the Glasgow Caledonian University in the United Kingdom. Ms. Li has substantial experience in accounting, capital market, market entrance, regulatory compliance related internal control and risk management.

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

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

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

**Carson Wen**, aged 70, a master, a Bronze Bauhinia Star and a Justice of the Peace, an External Supervisor of the Company. Mr. Wen currently serves as the founder of Bank of Asia (BVI) and BOA International Financial Group (Hong Kong), and also serves as a senior consultant at Siao, Wen and Leung Solicitors & Notaries, a guest professor at Department of Law of Sun Yat Sen University, an independent non-executive director of Winox Holdings Limited* and Phoenix New Media Limited**, a director of China Africa Business Council (Hong Kong) and Pacific Region Economic Council, a council member of China Mergers and Acquisitions Association, a senior adviser of the Hong Kong Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), an executive council member of the Sustainable Business Network of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Mr. Wen previously was a three-term deputy to the National People's Congress representing Hong Kong, the vice chairman of the Hong Kong Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), a partner and of counsel at the global law firm, Jones Day, the chairman of the Task Force on Green Business of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Mr. Wen has substantial experience in the areas of law, business and management.

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

** This company is listed on the New York Stock Exchange.

# Biographical Details of Directors, Supervisors and Other Senior Management

**Zhou Zhiwen**, aged 51, a postgraduate with a doctoral degree in economics, an Employee Representative Supervisor, the General Manager of the Party Building and Staff Union Department/Publicity Department of the Party Committee of the Company. Mr. Zhou commenced his career in1994 and joined the Company in 2002. He previously served as the Deputy Director of the Strategic Development Department of the Company, the deputy director of the Preparatory Group of PICC Life Insurance Company Limited, the assistant general manager of the Marketing and Training Department, the assistant general manager of the Workplace Insurance Department, the deputy general manager of the Interactive Business Department and the deputy general manager of the Marketing Department of PICC Life Insurance Company Limited, the Deputy General Manager of the Marketing Research Department/Channel Management Department of the Company, the Deputy General Manager of the Strategic Development Department, the Deputy General Manager of the Inner Mongolia Branch, the Deputy General Manager of the Personal Agency Marketing Department of the Company, the General Manager of the Personal Marketing Department, the General Manager of the Sales Management Department, the General Manager of the Health Insurance Department, and the General Manager of the Personal Non-Motor Vehicle Insurance Department of the Company. Mr. Zhou has vast management experience in the insurance industry.

**Fu Xiaoliang**, aged 48, a university graduate with a bachelor's degree in law, an Employee Representative Supervisor, the General Manager of the Legal and Compliance Department of the Company, concurrently serving as the deputy secretary-general of the China Maritime Law Association. Mr. Fu commenced his career in 1998 and joined the Company in 2005. He previously served as the Deputy Director (in charge) and Director of Claims Management Division 4 of the Claims Management Department of the Company, the Director of Accidental Health Insurance Claims Management Division of the Claims Business Department, the Assistant General Manager and Deputy General Manager of the Henan Branch, the Deputy General Manager of the Liability Insurance Business Department of the Company, the Deputy General Manager of the Claims Department/Disaster Research Center, the deputy general manager of the Legal Compliance Department of the People's Insurance Company (Group) of China Limited* (taking a provisional post), the Deputy General Manager of the Human Resources Department/Party Committee Organization Department, and the Deputy General Manager (in charge) of the Legal and Compliance Department of the Company. Mr. Fu has vast management experience in the legal field as well as in the insurance industry.

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

## OTHER SENIOR MANAGEMENT

**Fu Lianghua**, aged 57, a postgraduate, with a master degree in Military Science, the Secretary of the Discipline Inspection Commission of the Company. Mr. Fu also serves as a standing member of Specialised Committee on Integrity Culture Construction and Legal Compliance of the Insurance Association of China. Mr. Fu served the People's Liberation Army from October 1983 to December 2016. He joined China Life Insurance Company Limited* in December 2016, successively serving as the deputy general manager of the Audit and Supervision Department, the secretary of the Discipline Inspection Commission of Jilin Branch, a member of the Party Committee and the director of the Trade Union (headquarters department general manager level). Mr. Fu joined The People's Insurance Company (Group) of China Limited* since April 2018, successively serving as the deputy general manager of General Office (department manager level), the deputy director of the Party Committee Office, the general manger of General Office and the director of the Party Committee Office. Mr. Fu graduated successively from China People's Liberation Army Military Affairs and Sports College and China People's Liberation Army National Defence University. Mr. Fu has 32 years of substantial management experience.

* These companies are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

# Biographical Details of Directors, Supervisors and Other Senior Management

**Lv Chen**, aged 52, a university graduate, with a master degree in Business Administration, a senior economist, a Vice President of the Company. Mr. Lv also serves as a director of China Aerospace Investment Holdings Ltd., the vice director member of the Inclusive Finance Cooperation Committee of the Asian Financial Cooperation Association and a vice director member of Specialised Committee on Insurance Institutional Investors of Insurance Asset Management Association of China. Mr. Lv served as the secretary of the Youth League Committee (deputy director level) of PICC Property Insurance Company, the director of the Foreign Affairs Division, the assistant to the general manager of the International Affairs Department of PICC, the deputy general manager of the International Affairs Department of PICC Holding Company, the general manager of the International Affairs and Policy-oriented Insurance Department of The People's Insurance Company (Group) of China, the general manager of the International Affairs and Training Department, the business director of The People's Insurance Company (Group) of China Limited*, an Assistant to the President of the Company and the General Manager of Jilin Provincial Branch of the Company. Mr. Lv graduated from Guanghua School of Management, Peking University with an MBA degree, and has 30 years of substantial management experience in the insurance industry.

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

**Dong Xiaolang**, aged 58, a postgraduate, a senior economist, a Vice President of the Company. Mr. Dong also serves as a vice director member of the Specialised Committee on Motor Vehicle Insurance of the Insurance Association of China, the leader of the Accidental and Short Term Health Insurance Working Group under the Specialised Committee on Non-Motor Vehicle Property Insurance of the Insurance Association of China, a standing director of the Insurance Society of China, and a member of the Steering Committee of CIRI Auto Technology Institute. Mr. Dong served as the Deputy Chief Officer of the City Insurance Division, the Chief Officer of the City Insurance Division, the Assistant to the General Manager of the Business Management Department and the Manager of the second sub-branch of Anhui Provincial Branch, the Deputy General Manager of the Chuzhou Branch, the Deputy General Manager and General Manager of the Hefei Branch, the Deputy General Manager of the Anhui Provincial Branch, the General Manager of the Ningxia Hui Autonomous Region Branch, the General Manager of the Anhui Provincial Branch, and an Assistant to the President of the Company. Mr. Dong graduated from University of Science and Technology of China with a master's degree in management. Mr. Dong has 37 years of substantial business management experience in the PRC insurance industry.

**Jin Xin**, aged 56, a postgraduate, with a master degree in Management, the Responsible Compliance Officer and Chief Risk Officer of the Company. Mr. Jin joined PICC in July 1990 and successively served as the deputy chief officer and chief officer of the Cargo Insurance Division, the deputy director of the Liquidation Division of Cargo Insurance Department of PICC Property Insurance Company, the assistant to the general manager and deputy general manager of the Marine Hull and Cargo Insurance Department of PICC, the Deputy General Manager of the Underwriting Management Department, the Deputy General Manager of the Planning and Actuarial Department, the General Manager of the Actuarial Department, the General Manager of the Capital Operation Department and the Chief Investment Officer of the Company. Mr. Jin graduated from Guanghua School of Management of Peking University with a master's degree in management. Mr. Jin has 33 years of substantial management experience in the PRC insurance industry.

**Bi Xin**, aged 54, a university graduate, with a master degree in Economics, a senior economist, the Secretary of the Board of the Company. Mr. Bi joined the Company in July 1992, successively served as Deputy Section Chief and Section Chief of Haidian District Sub-branch of Beijing Branch, Assistant Director, Deputy Director, Deputy Director (in charge) and Director of the Beijing Branch, the Deputy General Manager of the Vehicle Insurance Department of the headquarter, and the Deputy General Manager of the Shanghai Branch of the Company, and successively worked for China Continent Property & Casualty Insurance Co., Ltd. and BOC Insurance Co., Ltd. since March 2004. Since November 2009, he has successively served as the Deputy General Manager of the Claims Management Department, and the Deputy General Manager (in charge) of the Claims Settlement Department of the Company. Since December 2016, he has successively served as the General Manager of the Claims Settlement Department, the General Manager of the Claims Department/ Disaster Research Center, and the General Manager of the Claims Department. Mr. Bi has worked in the PRC insurance industry for 31 years, is familiar with financial insurance business and has extensive management experience.

# Biographical Details of Directors, Supervisors and Other Senior Management

**Wu Na**, aged 46, a postgraduate, a master, a senior accountant, the Responsible Audit Officer of the Company. Ms. Wu joined the Company in August 2002, and worked in The People's Insurance Company (Group) of China Limited* in November 2007, where she successively served as the manager of the Supervision and Audit Department, the senior manager of the Supervision and Audit Department, the assistant to general manager of the Audit Department and the deputy general manager of the Audit Department. Ms. Wu has worked in the PRC insurance industry for 21 years and has extensive management experience.

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

# Report of the Board of Directors

The Board of Directors presents its report and the audited financial statements of the Company and its subsidiaries for the Year.

## BUSINESS REVIEW

### *PRINCIPAL ACTIVITIES*

The Company is engaged in motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, homeowners insurance, marine hull insurance and other insurance businesses in Chinese mainland, which are denominated in RMB and foreign currencies, and the related reinsurance business as well as investment and funds application business permitted under the relevant laws and regulations of the PRC. The Company's subsidiaries are mainly engaged in providing insurance agency services, training services, IT services, property management services, etc. Details of the Company's subsidiaries are set out in note 29 to the consolidated financial statements.

### *OPERATING RESULTS AND FINANCIAL POSITION*

Discussion and analysis of operating results and financial conditions using key financial performance indicators by the Company are set out in the "Discussion and Analysis of Operating Results and Financial Conditions" section of this annual report.

### *FINANCIAL SUMMARY*

A summary of the results and the assets and liabilities of the Company and its subsidiaries for the last five financial years is set out in the "Financial Summary" section of this annual report.

### *PRINCIPAL RISKS AND UNCERTAINTIES*

In 2023, due to more complex and volatile internal and external environments, the insurance industry and the Company faced a certain degree of risks and challenges. In terms of insurance risks, the climate change became more drastic and extreme weather events tended to be more frequent and stronger, putting pressure on the insurance claim settlements in relation to agricultural production, residents' property, infrastructure and living environment. In addition, new products, new businesses and new models also caused uncertainty in the pricing of products and business operations. In terms of market risks, the capital market, roiled by both domestic and foreign factors, faced greater volatility. In terms of credit risks, with the greater uncertainty of market environment, the possibility of worsening of the credit status of counterparties required constant attentions on risks of premiums receivable.

In 2024, the Company will continue to implement the guidelines of Central Financial Work Conference and Central Economic Work Conference, and lay more emphasis on key area prevention and control, source prevention and control, technology-based prevention and control and systematic prevention and control to improve the Company's overall risk management capability and risk prevention and control effect, and bring into fully play the risk management functions. Firstly, we will continue to improve the effectiveness of our overall risk management system in line with the regulation of "C-ROSS (II)". Secondly, we will optimize and upgrade the risk management information system, and improve the digital and intelligent level of risk management. Thirdly, we will improve our routine risk monitoring and assessment, strengthen risk monitoring in key areas, carry out the risk inspection and check, give prompt risk warning, and identify and control risk at the source. Fourthly, we will continue to organize trainings on and cultivate culture of risk management, and enhance the risk awareness and bottom-line thinking.

# Report of the Board of Directors

## PARTICULARS OF IMPORTANT EVENTS AFFECTING THE COMPANY THAT HAVE OCCURRED SINCE THE END OF THE YEAR

Particulars of the important events affecting the Company that have occurred since the end of the Year are set out in the "Discussion and Analysis of Operating Results and Financial Conditions" section of this annual report.

## FUTURE DEVELOPMENT

Description of potential future business development of the Company is set out in the "Discussion and Analysis of Operating Results and Financial Conditions" section of this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company strictly complied with applicable laws and regulations including the Environmental Protection Law of the PRC, implemented the idea of green development, and upheld the environmental protection and sustainable development goals (SDGs) in its development strategy. The Company developed green finance and reduced environmental costs. The Company was not classified by competent environmental protection authorities as a key pollutant discharging unit. In 2023, the Company was not subject to administrative penalties due to environmental issues.

The Board of Directors of the Company actively performed its strategic decision-making and supervisory functions, formulated and amended the environmental, social and governance (ESG) policies of the Company, supervised the fulfilment of key ESG commitments by the Company and the ESG performance of the Company, and continued to improve its ESG governance structure.

The Company was devoted to promoting green finance business to comprehensively grasp the development opportunities brought about by green finance by actively developing green insurance and responsible investment to promote sustainable development by way of risk protection and capital financing. The Company proactively promoted the development of green insurance, continued to improve its green insurance product and service system, set the objectives of green insurance development and continued to follow up the progress of underwriting business, and actively conducted the research of ESG risks of insurance clients and risks of climate change. The Company provided full support to the green investments, set the objective of green investment scale and followed up the progress, and continued to conduct the research and analysis of ESG investment strategy.

The Company actively responded to the national goals of carbon peaking and carbon neutrality, and conducted the green low-carbon operation by setting the Company's operation objectives of carbon peaking and carbon neutrality and launching the pilot projects of its branch offices for carbon neutrality. As water and papers are the primary resources consumed by the Company, in order to continuously reduce the consumption of resources, the Company continued to improve paperless operation at all levels of the Company through vigorously promoting online office and business digital upgrading, used electronic insurance policies and other paperless document where possible and imposed reasonable control over water consumption. The primary energies consumed by the Company include electricity, gasoline and natural gas. By adopting specific measures such as staggering the operation hours of central air-conditioning, public lighting, elevators and other public energy-consuming facilities, introducing energy conservation targets and increasing employees' awareness about energy conservation, the Company strived to reduce energy consumption and continued to increase efficiency in order to reduce the emission of greenhouse gases.

Particulars of the environmental policies and performances of the Company during the Year are set out in 2023 Sustainability Report, the full text of which will be disclosed by the Company separately.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT

The Company has been adhering to the philosophy of carrying out business in accordance with laws and regulations, and complied with the state laws, administrative regulations, and various rules and regulatory documents promulgated by the regulatory authorities.

In 2023, the Company actively adapted to the insurance industry development and reform trends, focused on the newly promulgated policies in the financial sector, comprehensively strengthened internal control, proactively promoted the improvement of corporate governance mechanisms and enhanced its ability to serve society and people's livelihood. The Company continuously strengthened compliance publicity and education, guided all employees to consciously practice compliance concepts, comply with compliance requirements and receive compliance training, and cultivated a compliance culture with corporate characteristics.

Through formulating and improving internal rules and systems, the Company carried out various legal and regulatory requirements, improved internal control and management of the Company and facilitated the establishment of a long-term mechanism of operation in compliance with laws and regulations, with a view to providing solid support for the high-quality development of the Company.

In 2023, the overall compliance status of the Company's operation and management was good and the compliance risk management system was in normal operation. There was no material systematic compliance risk.

### RELATIONSHIP BETWEEN THE COMPANY AND EMPLOYEES

The relationship between the Company and employees is set out in the "Discussion and Analysis of Operating Results and Financial Conditions" section of this annual report. The Company is not aware of any significant relationships with its employees, which have a significant impact on the Company and are the basis of its success.

### RELATIONSHIP BETWEEN THE COMPANY AND CUSTOMERS

In 2023, the Company insisted on the "customer-centeredness" service principle, solidly promoted the excellent strategy, performed the people's insurance in a politically-oriented and people-centric way through practical actions and pragmatic measures, continued to build new service logic and created its overall service brand of "Whole-hearted Service and New Service", and the level of protection of consumers' rights and interests and the customer service capability achieved new enhancements.

The Company values its relationship with all customers and is not aware of any significant relationships with its customers, which have a significant impact on the Company and are the basis of its success.

## PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF H SHARE MEMBERS

The Board proposed the distribution of a final dividend of RMB0.489 per share (inclusive of applicable tax) for the year ended 31 December 2023. The total amount of dividend was approximately RMB10,877 million. The above proposal is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The specific arrangement regarding announcement and distribution of the final dividend, the closure of registration for H share members, etc. will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the final dividend will be paid before 30 August 2024 by the Company. To the knowledge of the Company, there was no arrangement under which the shareholders waived or agreed to waive any dividend.

The Company did not pay any interim dividend during the Year.

## WITHHOLDING AND PAYMENT OF DIVIDEND INCOME TAX

Pursuant to the regulations of relevant PRC laws and regulations and regulatory documents on taxation, the Company shall, as a withholding agent, withhold and pay income tax on the dividend, including withholding and payment of enterprise income tax on behalf of overseas non-resident enterprise shareholders, individual income tax on behalf of overseas individual shareholders and individual income tax on behalf of domestic individual shareholders investing through China-Hong Kong Stock Connect, in the distribution of the final dividend for the Year. Particulars of withholding and payment of income tax on dividend and information for H shareholders of the Company to obtain relevant relief from taxation will be disclosed separately in the circular of the shareholders' annual general meeting by the Company.

## SHARE CAPITAL

During the Year, there was no change in the share capital of the Company.

## PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights in respect of the transfer of shares or issue of new shares of joint stock limited companies under the Company Law.

## 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 during the Year.

## DISTRIBUTABLE RESERVES

As at 31 December 2023, according to the PRC Accounting Standards for Business Enterprises, the distributable reserves of the Company and its subsidiaries were RMB78,140 million and the distributable reserves of the Company were RM78,314 million.

## INVESTMENT PROPERTIES, PROPERTY AND EQUIPMENT

Details of the investment properties, property and equipment of the Company are set out in notes 30 and 31 to the consolidated financial statements. As at 31 December 2023, the Company did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5%.

## CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in the Year were RMB41 million, of which RMB24 million were donations for public benefits.

## MAJOR CUSTOMERS

The premium income of the Company and its subsidiaries attributable to their five largest customers did not exceed 2% of the premium income of the Company and its subsidiaries for the Year.

## DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the Year, and the changes in the members of the Board of Directors and the members of the Supervisory Committee as well as the reasons for resignation of Directors and Supervisors from 1 January 2023 to the date of this report are set out in the "Corporate Governance Report" section of this annual report.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and other senior management of the Company are set out in the "Biographical Details of Directors, Supervisors and Other Senior Management" section of this annual report.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

The Company did not enter into any service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), with any Director or Supervisor.

The Company confirms that none of the Directors or Supervisors has waived or agreed to waive any remuneration, nor has the Company nor the Company's subsidiaries paid any remuneration to any Director or Supervisor as an inducement to join or upon joining the Company or the Company's subsidiaries or as compensation for loss of office.

Details of the remuneration of the Directors and Supervisors are set out in note 15 to the consolidated financial statements.

## HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company are set out in note 16 to the consolidated financial statements.

## MATERIAL INTERESTS OF DIRECTORS, SUPERVISORS AND ENTITIES CONNECTED WITH DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors, Supervisors or the entities connected with the Directors and Supervisors had material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance which subsisted at any time during the Year or at the end of the Year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

PICC Life, PICC Health and PICC Pension, subsidiaries of PICC Group, the controlling shareholder of the Company, are also engaged in accidental injury insurance and short-term health insurance businesses. From 1 January 2023 to 16 March 2023, Mr. Luo Xi, the Chairman of the Board and a Non-executive Director of the Company in the office at that time, was also the Chairman of the board of directors and a non-executive director of PICC Life. From 1 January 2023 to 19 March 2024, Mr. Zhang Daoming, an Executive Director of the Company, was also a non-executive director of PICC Health. From 1 January 2023 to the date of this report, Mr. Zhang Daoming, an Executive Director of the Company, was also a non-executive director of PICC Life, and Mr. Li Tao, a Non-executive Director of the Company, was also the Chairman of the supervisory committee of PICC Life.

Save as disclosed above, none of the Directors has or had any interest in business that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business from 1 January 2023 to the date of this report.

## EQUITY-LINKED AGREEMENTS

During the Year, the Company and its subsidiaries did not enter into and did not have any equity-linked agreements.

## PERMITTED INDEMNITY PROVISION

At any time during the Year and up to the date of this report, there was or is no permitted indemnity provision being in force for the benefit of any of the Directors or the directors of the Company's associated company.

The Company purchased insurance for the Directors which provided appropriate cover for legal liabilities of Directors when performing their duties during the Year. The relevant insurance policies were governed by the PRC laws.

## 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 31 December 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 Year, 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 the SFO. As at the end of the Year, none of the abovementioned subscription right existed.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 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 | 496,268,774 *(Note 2)* | Long position | 7.19% | 2.23% |
| | Interest of controlled corporations | 78,819,640 *(Note 2)* | Short position | 1.14% | 0.35% |
| | Approved lending agent | 486,476,440 | Lending pool | 7.05% | 2.19% |
| BlackRock, Inc. | Interest of controlled corporations | 401,156,659 *(Note 3)* | Long position | 5.81% | 1.80% |
| | Interest of controlled corporations | 21,328,000 *(Note 3)* | Short position | 0.31% | 0.10% |

*Notes:*

1. As of 31 December 2023, the Company has issued a total of 15,343,471,470 domestic shares and 6,899,293,833 H shares. As such, the Company has issued a total of 22,242,765,303 shares.

2. Among which, 6,025 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 533,100 H shares (Long position) and 1,224,530 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; and 1,024,000 H shares (Long position) and 77,250,866 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

3. Among which, 6,004,000 H shares (Long position) and 17,524,000 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 31 December 2023.

## PUBLIC FLOAT

For the period from 1 January 2023 to the date of this report, 31.02% of the total number of issued shares of the Company is held by the public and therefore the Company continues to comply with the minimum public float requirement under the Listing Rules.

## MANAGEMENT CONTRACT

During the Year, the Company did not enter into any management contract on all businesses or major businesses of the Company.

## SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF THE COMPANY WITH ITS CONTROLLING SHAREHOLDER (AND ITS SUBSIDIARIES)

The particulars of the significant transactions, arrangements and contracts entered into by the Company with its controlling shareholder (and its subsidiaries) during the Year are set out in "Connected Transaction" and "Continuing Connected Transactions" below.

## CONNECTED TRANSACTION

The connected transaction of the Company in the Year that was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules was the capital increase in PICC Reinsurance. As PICC Reinsurance is a subsidiary of PICC Group, the controlling shareholder of the Company, each of PICC Group and PICC Reinsurance is a connected person of the Company according to the Listing Rules.

### *CAPITAL INCREASE IN PICC REINSURANCE*

On 13 October 2023, the Company entered into the Capital Increase Agreement with PICC Group and PICC Reinsurance. Pursuant to the Capital Increase Agreement, the amount of the capital increase in PICC Reinsurance shall be RMB1,999,999,986, which shall be subscribed by PICC Group and the Company in cash according to their current proportions of shareholdings, among which RMB1,019,999,992.86 shall be contributed by PICC Group and RMB979,999,993.14 shall be contributed by the Company. Upon the completion of the capital increase, the shareholding percentages of PICC Group and the Company in PICC Reinsurance will remain unchanged, representing 51% and 49% of the shares of PICC Reinsurance, respectively. The capital increase in PICC Reinsurance has certain strategic investment value and will help alleviate its capital pressure and promote its high-quality business development. It will also contribute to the support that PICC Reinsurance provides to the Company's business development, and strengthen the business synergy between PICC Reinsurance and the Company. Furthermore, it will help to increase the investment returns of the Company's investment in PICC Reinsurance.

## CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Company in the Year that are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules include: (I) the Reinsurance Framework Agreement with PICC HK; (II) the Reinsurance Framework Agreement with PICC Reinsurance; (III) the Asset Management Agreements and Supplemental Agreements with PICC AMC and PICC Capital and the Asset Management Supplemental Agreement (II) with PICC Capital; (IV) the Equity Investment Advisory Services and Technical Support Agreement with PICC Capital; (V) the Mutual Agency Agreements with each of PICC Life and PICC Health; (VI) the Auto Parts Procurement Contract and the Auto Parts Procurement Supplemental Contract with Bangbang Auto Sales & Services; (VII) the Insurance Brokerage Business Cooperation Agreement with PIB; (VIII) the Customer Services Cooperation Framework Agreement with Aibao Technology; (IX) the South Centre Package Service Agreement with PICC Group; (X) the 2023 PICC Technology Service Agreement with PICC Technology; and (XI) the Fully Entrusted Service Agreement For Business Workplace Property Management with PICC Investment and PICC Operation. As PICC Group is the controlling shareholder of the Company, and all of PICC HK, PICC Reinsurance, PICC AMC, PICC Capital, PICC Life, PICC Health, PIB, PICC Technology, PICC Investment and PICC Operation are subsidiaries of PICC Group, such companies are all connected persons of the Company according to the Listing Rules. As the Company and PICC Financial Services, a subsidiary of PICC Group (the controlling shareholder of the Company) each holds 24.5% of the registered capital in Bangbang Auto Sales & Services, pursuant to the Listing Rules, Bangbang Auto Sales & Services is a connected person of the Company. As PICC Financial Services holds 45.1% of the registered capital in Aibao Techonology, pursuant to the relevant provisions of the Listing Rules, Aibao Technology is an associate of PICC Group and thereby is a connected person of the Company.

### *(I) THE REINSURANCE FRAMEWORK AGREEMENT WITH PICC HK*

On 30 December 2022, the Company and PICC HK entered into the 2023 Framework Agreement on Reinsurance Business Cooperation, with a term commencing from 1 January 2023 and expiring on 31 December 2023. Pursuant to such framework agreement, the Company agreed to cede insurance premiums to PICC HK from time to time, and PICC HK agreed to cede insurance premiums to the Company from time to time. One party to the agreement who acted as reinsurer accepted the risks of and paid commissions to the other party to the agreement in return for the agreed insurance premiums received from such other party. Under the framework agreement, the parties to the agreement would enter into various types of reinsurance agreements in respect of particular reinsurance business. Under the framework agreement, the annual caps for the insurance premiums expected to be ceded to PICC HK by the Company and the commissions expected to be received by the Company from PICC HK for the Year were RMB1,100 million and RMB495 million, respectively. The Inward Reinsurance Transactions constitute de minimis exempted continuing connected transactions under Rule 14A.76 of the Listing Rules. The actual insurance premiums ceded to PICC HK by the Company and the commissions received by the Company from PICC HK for the Year were RMB671 million and RMB206 million, respectively. PICC HK has long been one of the reinsurers of the Company. The Company entered into the Framework Agreement on Reinsurance Business Cooperation with PICC HK in order to achieve risks diversification and stabilisation of operation.

On 29 December 2023, the Company and PICC HK entered into the 2024 Framework Agreement on Reinsurance Business Cooperation, with a term commencing from 1 January 2024 and expiring on 31 December 2024. For relevant details please refer to the Company's announcement dated 29 December 2023.

### (II) THE REINSURANCE FRAMEWORK AGREEMENT WITH PICC REINSURANCE

On 30 December 2022, the Company and PICC Reinsurance entered into the 2023 Framework Agreement on Reinsurance Business Cooperation, with a term commencing from 1 January 2023 and expiring on 31 December 2023. Pursuant to such framework agreement, the Company agreed to cede insurance premiums to PICC Reinsurance from time to time, and PICC Reinsurance agreed to cede insurance premiums to the Company from time to time. One party to the agreement who acted as reinsurer accepted the risks of and paid commissions to the other party to the agreement in return for the agreed insurance premiums received from such other party. Under the framework agreement, the parties to the agreement would enter into various types of reinsurance agreements in respect of particular reinsurance business. Under the framework agreement, the annual caps for the insurance premiums expected to be ceded to PICC Reinsurance by the Company and the commissions expected to be received by the Company from PICC Reinsurance for the Year were RMB6,000 million and RMB2,700 million, respectively, and the inward Reinsurance Transactions constitute de minimis exempted continuing connected transactions under Rule 14A.76 of the Listing Rules. The actual insurance premiums ceded to PICC Reinsurance by the Company and the commissions received by the Company from PICC Reinsurance for the Year were RMB5,153 million and RMB1,523 million, respectively. PICC Reinsurance is the fourth Chinese-funded corporate reinsurance company in the PRC. The Company entered into the Framework Agreement on reinsurance with PICC Reinsurance in order to achieve risks diversification and stabilisation of operation.

On 29 December 2023, the Company and PICC Reinsurance entered into the 2024 Framework Agreement on Reinsurance Business Cooperation, with a term commencing from 1 January 2024 and expiring on 31 December 2024. For relevant details please refer to the Company's announcement dated 29 December 2023.

### (III) THE ASSET MANAGEMENT AGREEMENTS AND SUPPLEMENTAL AGREEMENTS WITH PICC AMC AND PICC CAPITAL AND THE ASSET MANAGEMENT SUPPLEMENTAL AGREEMENT (II) WITH PICC CAPITAL

On 8 September 2022, the Company renewed the Asset Management Agreement and Supplemental Agreement with PICC AMC, commencing from 1 July 2022 and expiring on 30 June 2025. On 8 September 2022, the Company renewed the Asset Management Agreement and Supplemental Agreement with PICC Capital, with a term commencing from 28 August 2022 and expiring on 30 June 2025. Pursuant to such agreements, PICC AMC and PICC Capital shall provide the Company with entrusted asset management services, and the Company shall pay entrusted management fees to PICC AMC and PICC Capital. In addition, PICC AMC and PICC Capital can subscribe investment products sponsored and managed by PICC AMC, PICC Capital, PICC Equity or China Credit Trust (with approximately 32.9% of its total share capital held by PICC Group, the controlling shareholder of the Company) with assets entrusted by the Company, and the Company shall pay product management fees to PICC AMC, PICC Capital, PICC Equity and China Credit Trust.

Pursuant to the relevant provisions of the Listing Rules, continuing connected transactions under the agreements include (1) the payments of entrusted management fees to PICC AMC and PICC Capital by the Company, (2) the payments of product management fees to PICC AMC, PICC Capital, PICC Equity and China Credit Trust by the Company, (3) the subscriptions by PICC AMC and PICC Capital of debt investment products sponsored and managed by PICC AMC, PICC Capital or China Credit Trust with assets entrusted by the Company, of which other subscribers include connected persons of the Company, and (4) the subscriptions by PICC AMC and PICC Capital of equity investment products sponsored and managed by PICC AMC, PICC Capital or PICC Equity with assets entrusted by the Company, of which other subscribers include connected persons of the Company. Under the agreements, (1) the aggregated annual cap of entrusted management fees paid to PICC AMC and PICC Capital by the Company for the Year was RMB470 million, and the actual entrusted management fees paid to PICC AMC and PICC Capital by the Company for the Year was RMB297 million; (2) the aggregated annual cap of product management fees paid to PICC AMC, PICC Capital, PICC Equity and China Credit Trust by the Company for the Year was RMB300 million, and the actual product management fees paid to PICC AMC, PICC Capital, PICC Equity and China Credit Trust by the Company for the Year was RMB181 million; (3) the aggregated annual cap of the amount of the debt investment products subscribed by the Company where connected persons participate in the subscription for the Year was RMB8,500 million, and the actual amount of the debt investment products subscribed by the Company where connected persons participate in the subscription for the Year was RMB8,239 million; (4) the aggregated annual cap of the amount of the equity investment products subscribed by the Company where connected persons participate in the subscription for the Year was RMB8,500 million, and the actual amount of the equity investment products subscribed by the Company where connected persons participate in the subscription for the Year was RMB2,904 million.

PICC AMC is the first asset management company in the PRC insurance industry, mainly provides asset management and asset management consulting services in the PRC, has experience and expertise in asset management and satisfactory capability of investment management. PICC Capital is the first investment institution in the industry with main business in non-standard investment of insurance funds, an insurance asset management company focusing on non-standard investment, has rich experience and excellent teams in the development and investment of non-standard products. The Company has established good cooperation relationships with PICC AMC and PICC Capital in early cooperations.

In light of the Company's investment business needs, the Company and PICC Capital entered into the Asset Management Supplemental Agreement (II) on 11 October 2023, which is valid for a term commencing from 11 October 2023 and ending on 30 June 2025. The Asset Management Supplemental Agreement (II) adjusted the scope of application of the entrusted management fee under the Asset Management Agreement and Supplemental Agreement with PICC Capital as follows: "the annual fee rate of the entrusted management fees payable to the trustee for purchasing insurance asset management products issued by third parties is 8 BP and the annual charging days are 365 days" has been amended as "the annual fee rate of the entrusted management fees payable to the trustee for purchasing financial products issued by third parties is 8 BP and the annual charging days are 365 days". Save for such amendment, other terms of the Asset Management Agreement and Supplemental Agreement with PICC Capital shall remain unchanged. For the matters not covered by the Supplemental Agreement (II), the relevant terms as set out in the Asset Management Agreement and Supplemental Agreement with PICC Capital shall continue to apply.

### (IV) THE EQUITY INVESTMENT ADVISORY SERVICES AND TECHNICAL SUPPORT AGREEMENT WITH PICC CAPITAL

On 13 February 2023, the Company entered into the Equity Investment Advisory Services and Technical Support Agreement with PICC Capital, with a term commencing from 13 February 2023 and expiring on 12 February 2026. Pursuant to such agreement, PICC Capital shall provide the Company with equity investment advisory services and technical support services and the Company shall pay advisory service fees and share of excess return (if the hurdle rate is reached upon exit from the projects) to PICC Capital. Pursuant to such agreement, the annual cap of advisory service fees and share of excess return paid by the Company to PICC Capital for the period from 13 February 2023 to 31 December 2023 was RMB100 million, and the Company actually paid RMB0 to PICC Capital. The agreement helps to leverage PICC Capital's professional advantages to assist the Company in carrying out relevant equity investment businesses, improve the Company's investment income and prevent and defuse investment risks.

### (V) THE MUTUAL AGENCY AGREEMENTS WITH EACH OF PICC LIFE AND PICC HEALTH

On 30 August 2022, the Company renewed the Mutual Agency Agreements with each of PICC Life and PICC Health in order to continue with the sale of insurance products of each other on a mutual agency basis, each with a term commencing from 31 August 2022 and expiring on 30 August 2025. Pursuant to such agreements, PICC Life and PICC Health shall act as agencies for selling insurance products of the Company, and the Company shall pay commissions to PICC Life and PICC Health. Meanwhile, the Company shall act as an agency for selling insurance products of PICC Life and PICC Health, and PICC Life and PICC Health shall pay commissions to the Company. Under such agreements, the estimated annual cap of the commissions paid by the Company to PICC Life and PICC Health in aggregate for the Year was RMB1,265 million, and the estimated annual cap of the commissions paid by PICC Life and PICC Health to the Company in aggregate for the Year was RMB353 million. The actual commissions paid by the Company to PICC Life and PICC Health in aggregate for the Year was RMB271 million, and the actual commissions paid by PICC Life and PICC Health to the Company in aggregate for the Year was RMB95 million. PICC Life and PICC Health have their own distribution channels and customer bases, and the Company renewed the Mutual Agency Agreements with PICC Life and PICC Health in order to lead the strategic synergies into further play and expand the distribution channels of the Company.

### (VI) THE AUTO PARTS PROCUREMENT CONTRACT AND THE AUTO PARTS PROCUREMENT SUPPLEMENTAL CONTRACT ENTERED INTO BETWEEN THE COMPANY AND BANGBANG AUTO SALES & SERVICES

In order to continuously provide quality claim services to customers, share resources and meet the business cooperation needs between the Company and Bangbang Auto Sales & Services, the Company entered into Auto Parts Procurement Contract with Bangbang Auto Sales & Services on 29 April 2021, with a term commencing from 1 April 2021 and expiring on 31 March 2023. Pursuant to such contract, the Company purchases auto spare parts from Bangbang Auto Sales & Services for the maintenance of insured vehicles damaged in accidents, and Bangbang Auto Sales & Services supplies the goods ordered under the contract, undertakes the responsibility of delivery, installment, adjustment of goods, and provides the Company with services including warranty, maintenance, consultation and training. The Company pays the cost of the auto spare parts to Bangbang Auto Sales & Services. Under such contract, the estimated annual cap for the auto spare parts fees paid by the Company to Bangbang Auto Sales & Services for the period from 1 January 2023 to 31 March 2023 was RMB1 billion.

Upon expiration of the Auto Parts Procurement Contract, in order to avoid any interruption in the direct supply of spare parts which could impact the Company's business, the Company decided to continue its previous cooperation with Bangbang Auto Sales & Services and entered into the Auto Parts Procurement Supplemental Contract with Bangbang Auto Sales & Services on 16 June 2023 to extend the term of the Auto Parts Procurement Contract, so as to maintain the parties' cooperation in the purchase of auto spare parts. The term of the Auto Parts Procurement Supplemental Contract commenced from 1 April 2023 and expired on 30 November 2023. The proposed transaction cap of the auto spare parts fees paid by the Company to Bangbang Auto Sales & Services for the period from 1 January 2023 to 30 November 2023 was RMB370 million. The actual auto spare parts fees paid by the Company to Bangbang Auto Sales & Services for the period from 1 January 2023 to 30 November 2023 was RMB217 million.

On 7 February 2024, the Company further entered into an Auto Parts Procurement Supplemental Contract with Bangbang Auto Sales & Services. The term of such contract commences from 7 February 2024 and ends upon 6 February 2025. For relevant details please refer to the Company's announcement dated 7 February 2024.

### (VII) THE INSURANCE BROKERAGE BUSINESS COOPERATION AGREEMENT WITH PIB

On 15 June 2022, the Company entered into the Insurance Brokerage Business Cooperation Agreement with PIB with a term commencing from 17 June 2022 and expiring on 16 June 2025. Pursuant to such agreement, the Company continues to cooperate with PIB in insurance business. PIB provides insurance brokerage services for the insurance contracts entered into between the insurance purchasers and the Company, and the Company pays brokerage commissions to PIB. Under such agreement, the annual cap of the brokerage commissions expected to be paid by the Company to PIB for the Year was RMB600 million. The actual brokerage commissions paid by the Company to PIB for the Year was RMB179 million. The Company entered into the agreement with PIB for the benefit of the resource integration and business synergy with PIB. It is also beneficial for the construction of sales channels of the Company and promotion of the development ability of the Company in the brokerage business market. The agreement entered into between the Company and PIB shall not affect the cooperation between the Company and other insurance brokers companies.

### (VIII) THE CUSTOMER SERVICES COOPERATION FRAMEWORK AGREEMENT WITH AIBAO TECHNOLOGY

On 30 December 2022, the Company entered into the Customer Services Cooperation Framework Agreement with Aibao Technology, with a term commencing from 1 January 2023 and expiring on 31 December 2023. Pursuant to such agreement, Aibao Technology and its subsidiaries shall provide value-added services for customers' motor vehicle insurance, value-added services related to online activities, online advertising services, etc. to the Company, and the Company shall pay service fees to Aibao Technology and its subsidiaries. Value-added services for customers are beneficial to the Company in terms of creating more scenarios and opportunities for the Company to provide services to customers, enhancing the level of customers' perception of the Company's services, raising the frequency of interaction between the Company and its customers, improving customer stickiness and satisfaction as well as promoting the Company's brand influence, which are in line with the Company's business development objectives and conducive to the Company's business development. Through cooperations with Aibao Technology and its subsidiaries, the Company can provide customers with above-mentioned services more effectively. Under such agreement, the annual cap for the service fees paid by the Company to Aibao Technology and its subsidiaries for the Year was RMB980 million. The actual service fees paid by the Company to Aibao Technology and its subsidiaries for the Year was RMB430 million.

On 29 December 2023, the Company further entered into the Customer Services Cooperation Framework Agreement with Aibao Technology, with a term commencing from 1 January 2024 and expiring on 31 December 2024. For relevant details please refer to the Company's announcement dated 29 December 2023.

### (IX) THE SOUTH CENTRE PACKAGE SERVICE AGREEMENT WITH PICC GROUP

On 30 December 2022, the Company entered into the South Centre Package Service Agreement with PICC Group, with a term commencing from 1 January 2023 and expiring on 31 December 2023. Pursuant to such Agreement, PICC Group shall provide the Company with lease service of the office space, conference rooms and server seats of the computer room building of the South Centre, and other services, including network services, operation and maintenance services of the Midea computer room of the South Centre, etc. The Company shall pay PICC Group lease service fees and other services fees. The lease service fees consisted of the rents of office space, conference rooms and server seats in the computer room building, which were calculated according to the actual areas of rented office space, conference room usage, the actual number of rented server seats and the corresponding rental unit price. Other services fees consisted of network service fees and operation and maintenance service fees of Midea computer room of South Centre, etc. Pursuant to such agreement, the annual cap of lease service fees paid by the Company to PICC Group in 2023 was estimated to be RMB90.06 million, the annual cap of other services fees paid by the Company to PICC Group in 2023 was estimated to be RMB70.76 million, and the actual other service fees paid by the Company to PICC Group in 2023 was RMB63 million. In accordance with the Hong Kong Financial Report Standards No.16–Lease, the Company recognized the right of use of the property of the South Centre under the agreement as a right-of-use asset with an amount of around RMB88.66 million. The South Centre and Midea computer room of the South Centre are owned or comprehensively managed by PICC Group, which would be able to effectively protect the information security of the Company, facilitate the cooperation between the Company and other subsidiaries of PICC Group in operation and maintenance management, further exert the strategic synergy of PICC Group, reduce redundant construction and usage costs, and make the operation and maintenance work more efficient and the management stricter.

### (X) THE 2023 PICC TECHNOLOGY SERVICE AGREEMENT WITH PICC TECHNOLOGY

On 30 December 2022, the Company entered into the 2023 PICC Technology Service Agreement with PICC Technology, with a term commencing from 1 January 2023 and expiring on 31 December 2023. Pursuant to such agreement, PICC Technology provided the Company with shared projects and services as well as exclusive services and the Company paid technology service fees to PICC Technology. Pursuant to such agreement, the estimated annual cap of technology service fees paid by the Company to PICC Technology for the Year was RMB516.0462 million, and the actual technology service fees paid by the Company to PICC Technology for the Year was RMB146 million. PICC Technology manages and operates technology infrastructure, software research and development as well as technology innovation in a centralized manner, optimizes resource allocation, in order to promote the Company's all-round and whole-process transformation with digitalization, expand online insurance, promote intelligent development, and enable the business front line, form the core competitiveness of technology, improve management level and innovation and development ability, and strongly support business development of the Company.

### (XI) THE FULLY ENTRUSTED SERVICE AGREEMENT FOR BUSINESS WORKPLACE PROPERTY MANAGEMENT WITH PICC INVESTMENT AND PICC OPERATION

On 21 March 2023, the Company entered into the Fully Entrusted Service Agreement for Business Workplace Property Management with PICC Investment and PICC Operation, with a term commencing from 21 March 2023 and expiring on 20 March 2026. Pursuant to such agreement, the Company, PICC Investment and PICC Operation shall jointly formulate the overall work plan, PICC Operation shall provide property management services and property management consultancy services to the Company, and the Company shall pay the property service fees to PICC Operation and shall not be required to pay fees to PICC Investment. Pursuant to such agreement, for the period from 21 March 2023 to 31 December 2023, the estimated annual cap of property service fees paid by the Company to PICC Operation was RMB259.28 million, and the actual property service fees paid by the Company to PICC Operation was RMB139 million. PICC Operation has rich experience in property management services and decent management service ability. The Company entered into the Fully Entrusted Service Agreement for Business Workplace Property Management with PICC Investment and PICC Operation in order to focus on the main business responsibilities, further leverage strategic synergies, and accelerate the transition to high-quality development.

The Independent Directors of the Company have reviewed the continuing connected transactions mentioned above and confirmed that:

1. such transactions were entered into in the ordinary and usual course of business;

2. such transactions were on normal commercial terms or better terms; and

3. such transactions were carried out in accordance with the terms of the agreements governing the transactions, the terms were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors has received a confirmation letter issued by the auditor in relation to the continuing connected transactions mentioned above, confirming that for the Year:

1. nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned have not been approved by the Company's Board of Directors;

2. for transactions involving the provision of goods or services by the Company and its subsidiaries, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the continuing connected transactions mentioned above, nothing has come to their attention that causes them to believe that the transactions have exceeded the annual caps set by the Company.

The Company complied with the requirements under Chapter 14A of the Listing Rules in the Year.

# Report of the Board of Directors

## CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the "Corporate Governance Report" section of this annual report.

## AUDIT COMMITTEE

The Audit Committee has reviewed the audited annual results of the Company and its subsidiaries for the Year. The composition and the role of the Audit Committee and a summary of its work performance during the Year are set out in the "Corporate Governance Report" section of this annual report.

## AUDITORS

In accordance with the relevant requirements of the Ministry of Finance of the PRC in relation to the service term of an accounting firm continuously engaged by a financial enterprise, the service terms of the Company's former international auditor, Deloitte Touche Tohmatsu, and former domestic auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, reached the prescribed time limit in 2021. At the annual general meeting of the Company on 18 June 2021, PricewaterhouseCoopers was appointed as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP was appointed as the domestic auditor of the Company to hold office until the conclusion of the next annual general meeting. Deloitte Touche Tohmatsu retired as the international auditor and Deloitte Touche Tohmatsu Certified Public Accountants LLP retired as the domestic auditor of the Company at the conclusion of the aforesaid annual general meeting. For detailed information please refer to the 2021 annual report released by the Company on 1 April 2022.

PricewaterhouseCoopers, the international auditor of the Company, and PricewaterhouseCoopers Zhong Tian LLP, the domestic auditor of the Company, were consecutively reappointed at the annual general meetings held on 20 June 2022 and 19 June 2023, and their latest service terms will end upon the conclusion of the forthcoming annual general meeting.

Save as disclosed above, there was no change of auditors by the Company in the past three years.

By Order of the Board of Directors
**Wang Tingke**
*Chairman*

Beijing, the PRC
26 March 2024

# Report of the Supervisory Committee

In 2023, with deep study into the principles of the 20th National Congress of the Communist Party of China and Central Financial Work Conference, and under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Supervisory Committee and all of its members have demonstrated dedication and diligence, faithfully devoted services, and duly discharged their supervisory duties and exercised their powers in accordance with relevant provisions of applicable laws and regulations, the Company Law and the Articles of Association, and effectively safeguarded the legitimate rights and interests of the Company, its shareholders, employees and other stakeholders.

## MEETINGS OF THE SUPERVISORY COMMITTEE

During the Year, according to the operation of the Company and the relevant requirements of the Procedural Rules for the Supervisory Committee, the Supervisory Committee adhered to the regular meeting system, convened nine meetings to consider and review 47 proposals and reports, convened three meetings of the Duty Performance and Fulfilment Supervisory Committee of the Supervisory Committee to consider and review 6 proposals, convened seven meetings of the Financial and Internal Control Supervisory Committee of the Supervisory Committee to consider and review 37 proposals. The Supervisory Committee fully discussed the matters of concern while considering and reviewing relevant proposals and reports, provided feedbacks to the Board and the operational management team on the comments and suggestions provided. Details are set out as follows:

The 24th meeting of the 5th session of the Supervisory Committee was held on 20 January. 4 proposals, including the Proposal on the Report on the Results of the Special Audit on Anti-insurance Fraud of PICC Property and Casualty Company Limited for the Year 2022, were reviewed.

The 25th meeting of the 5th session of the Supervisory Committee was held on 24 March. 17 proposals, including the Proposal on the Auditor's Report and the Audited Financial Statements for the Year 2022, were considered and approved, and 5 proposals, including the Report of PricewaterhouseCoopers on the Findings of the Annual Audit Work for the Year 2022 were reviewed.

The 26th meeting of the 5th session of the Supervisory Committee was held on 27 April. 2 proposals, including the Proposal on the Financial Statements and Results Announcement for the First Quarter of the Year 2023 were considered and approved.

The 27th meeting of the 5th session of the Supervisory Committee was held on 29 May and the Proposal on the PICC Property and Casualty Company Limited Strategic Risk Management Report was considered and approved, and the Proposal on the Report on Special Audit Results of Related Party Transactions for the Year 2022 was reviewed.

The 28th meeting of the 5th session of the Supervisory Committee was held on 29 June. 4 proposals, including the Proposal for the Shareholders' General Meeting to Elect Mr. Dong Qingxiu as a Shareholder Supervisor of the 6th Session of the Supervisory Committee, were considered and approved.

The first meeting of the 6th session of the Supervisory Committee was held on 8 August. 4 proposals, including the Proposal on the Election of Chairman of the Supervisory Committee were considered and approved.

The second meeting of the 6th session of the Supervisory Committee was held on 29 August. 2 proposals, including the Proposal on the Interim Financial Report and Results Announcement for the Year 2023, were considered and approved, and 2 proposals, including the Report of PricewaterhouseCoopers on the Findings of the Interim Reviewing Work for the Year 2023, were reviewed.

The third meeting of the 6th session of the Supervisory Committee was held on 30 October and the Proposal on the Financial Statements and Results Announcement for the Third Quarter of 2023 was considered and approved.

The fourth meeting of the 6th session of the Supervisory Committee was held on 29 December. 3 proposals, including the Proposal on the Rectification Implementation Status of the Evaluation Results of Consumers' Rights and Interests Protection Supervision for the year 2022, were considered and approved, and the Proposal on Report of PICC Group's Audit Center on the audit work on PICC Property and Casualty for the Third Quarter of the Year 2023 was reviewed.

## WORK OF THE SUPERVISORY COMMITTEE

During the Year, members of the Supervisory Committee attended three shareholders' general meetings of the Company, twelve meetings of the Board and ten meetings of the Audit Committee of the Board, and performed supervision over the legality of the agendas and procedures of such meetings. The Supervisory Committee earnestly reviewed and studied the proposals considered at the shareholders' general meetings and the meetings of the Board, and fully expressed its opinions and suggestions. The members of the Supervisory Committee also attended the meetings of the operational management team including the annual work meeting, interim work meeting, quarterly meetings of the operational analysis and the meetings of the risk compliance committee. Through attending and participating in the above meetings, the Supervisory Committee supervised the Board and the operational management team in making decisions on material matters and risk management, and the senior management in the performance of their risk management duties, and put forward supervisory opinions and suggestions to effectively safeguard shareholders' rights and interests.

During the Year, the Supervisory Committee continued to facilitate the development of organization, enhanced the supervision working system, strengthened daily supervision, adopted various ways to understand the Company's finance, internal control and compliance, overall major risks, the establishment, improvement and operation of the risk management mechanism and major solvency risks, etc., and provided opinions and suggestions. The Supervisory Committee enhanced the communication and coordination with internal and external auditors, heard the report of external auditor on the audit plan, the key focus of audit work and the findings of the Company's annual results audit, obtained an understanding of the audit status and paid special attention to the key issues of audit work. The Supervisory Committee conveyed requirements in respect of the works of functional departments and auditors and assessed on the audit results.

During the Year, the Supervisory Committee strengthened its supervision and deliberated on the proposals on the Company's development plan implementation status assessment report, annual internal control assessment report, compliance report, risk assessment report, internal audit related reports, solvency report, etc. The Supervisory Committee heard the reports of relevant departments including the Finance and Accounting Department, the Consumers' Rights and Interests Protection Department/Customer Service Department, the Capital Operation Department/Investment Industry Department, the Risk Management Department, the Legal Compliance Department on regular basis, had a comprehensive understanding of the Company's business operation, finance, funds application, internal control and compliance and other aspects, promptly obtained the Company's operation and management, business development, and financial conditions, especially paid attention to the compliance risk, management risk, operational risk and other risk conditions in the Company's operation. The Supervisory Committee continued to pay attention to and monitor the Company's internal control, the implementation of related party transactions, management and the audit of related party transactions, the protection of customers' rights and interests, anti-money laundering and anti-terrorist financing and reputation risk management, etc., and provided its opinions and suggestions.

During the Year, the Supervisory Committee continued to improve the corporate governance system, refined the performance evaluation and incentive and restraint mechanism of Directors and Supervisors, formulated and implemented the Duty Performance Evaluation Scheme of the Directors and Supervisors for the year 2022 and carried out the supervision and evaluation of the performance of Directors and Supervisors for the year 2022. All Directors and Supervisors performed their duties in accordance with the laws in a diligent and faithful manner, and the evaluation results of their annual performance were all "competent".

During the Year, while earnestly performing its duties, the Supervisory Committee continued to enhance its own development, obtained an in-depth understanding of relevant laws and regulations, related party transactions, corporate governance and other regulatory requirements, and members of the Supervisory Committee actively participated in special trainings and studies organised by the Company and external institutions such as the People's Bank of China and Insurance Association of China, etc., on policies and regulations, corporate governance, anti-money laundering and anti-terrorist financing and information disclosure, etc. Among which, all members of the Supervisory Committee participated in the Online Training on Certification of Ability to Perform the Duties of Anti-money Laundering and Anti-terrorist Financing in Insurance Sector for the Year 2023 organized by Zhengzhou Training Institute of the People's Bank of China, and all of them have passed the exam and obtained the certificate of completion.

## INDEPENDENT OPINIONS ISSUED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee expressed the following opinions in relation to the supervision and inspection work for the Year:

The compliant operation of the Company. The Directors and senior management of the Company performed their duties in a diligent and faithful manner, and diligently implemented all resolutions of the shareholders' general meetings and those of the Board. No Director or member of the senior management team was found to have committed any breach of laws and regulations or the Articles of Association or to have infringed any rights or interests of the shareholders, the Company or its employees when performing their duties.

Authenticity of financial reports. The Company and its subsidiaries' auditor's report and the audited financial statements for the year 2022 and the interim financial report for the year 2023 were prepared in accordance with the relevant accounting standards. The financial reports have given a true and fair view of the financial position and operating results of the Company and its subsidiaries.

Related party transactions. The related party transactions of the Company were conducted on an arm's length basis, on normal commercial terms or better terms and in the interests of the Company's shareholders as a whole. There was no indication of any infringement of the interests of all the shareholders or the Company.

In 2024, the Supervisory Committee will commit ourselves to the path of financial development with Chinese characteristics, and will, in accordance with the relevant provisions in applicable laws and regulations, the Company Law and the Articles of Associations, continue to perform supervisory duties in compliance with the law, stay practical and realistic, and serious and responsible, take the initiative in exploration and innovation, fully exert the important role of the Supervisory Committee in the corporate governance system, urge and supervise the compliant operation of the Company, earnestly safeguard the interests of the Company, its shareholders and employees, and contribute to a sustainable, scientific and healthy development of the Company.

By Order of the Supervisory Committee
**Dong Qingxiu**
*Chairman of the Supervisory Committee*

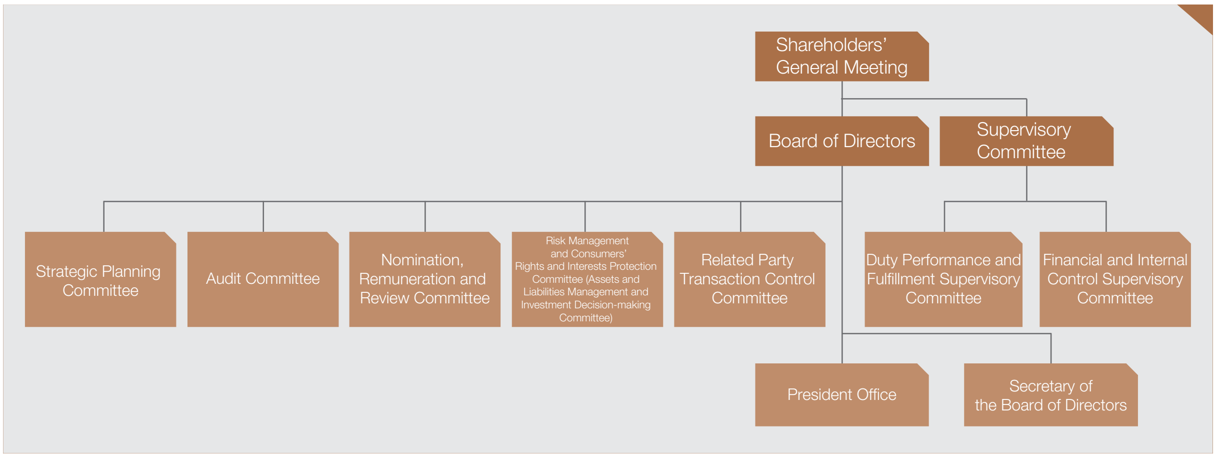
Beijing, the PRC
26 March 2024

# Corporate Governance Report

## OVERVIEW

The Company believes that maintaining sound corporate governance is in the interests of the Company, its shareholders and stakeholders. The Company has been continuously enhancing its corporate governance in accordance with the Company Law, the Listing Rules, the Code of Corporate Governance and other relevant laws and regulations, and the Articles of Association.

In 2023, the Company continuously strengthened its internal control and risk management capabilities, refined its management system for related party transactions, and strengthened its compliance construction and management in accordance with the Insurance Law of the PRC, the Measures on the Administration of Information Disclosure of Insurance Companies, the Working Rules for the Internal Audit of Insurance Institutions and the Measures on the Administration of Related Party Transactions of Banks and Insurance Companies issued by the former CBIRC and the requirements under the applicable code provisions of the Corporate Governance Code and the SFO.




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 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 fifth session of the Board continued to serve as Directors until the Directors of the sixth session of the Board took office on 8 August 2023. As the Directors of the fifth session of the Board did not retire by rotation at the end of their terms of office, the Company failed to comply with code provision B.2.2 of the Corporate Governance Code during the period from 1 January 2023 to 7 August 2023. Save as disclosed above, the Company has complied with all the code provisions of the Corporate Governance Code during the Year.

## CORPORATE CULTURE

The corporate culture of the Company:

Mission: "People's Insurance serves the People"; core values: "integrity, innovation, professionalism and responsibility".

## BOARD OF DIRECTORS

### *OVERVIEW*

During the Year, the Board convened three shareholders' general meetings and submitted 27 proposals and reports to the shareholders' general meetings, held twelve Board meetings, at which 115 proposals were considered and approved or reviewed, the candidates for new Directors were considered and the terms of reference of specialised committees of the Board were amended; the business development plan, financial plan, fixed assets investment plan, strategic allocation plans of and investment guidance on invested assets of the Company were formulated; annual performance appraisals of the senior management were conducted, new senior management was appointed; various special work reports were considered, contributing to enhancement in the Company's internal control management, compliance management, and risk management and control capabilities, etc.

The Board holds regular meetings at least four times a year, and convenes extraordinary meetings when necessary. Notices and materials for regular Board meetings shall be given to the Directors at least 14 days and 7 days prior to the meetings, respectively. Directors are entitled to propose resolutions within the scope of their duties and responsibilities and upon authorization by the Chairman of the Board. One-third or more of Directors are entitled to jointly propose a resolution if relevant proposer is unable to make the proposal for any reason. Detailed minutes and resolutions of each on-site Board meeting and specialised committees meeting are kept, and resolutions of Board meetings and specialised committees meetings convened by written resolutions are kept, including matters considered and decisions agreed on by the Board and specialised committees, and any related concerns raised and comments or recommendations made by the Directors. Relevant minutes shall be sent to all Directors within a reasonable period, and be available for inspection within a reasonable time after a notice by the Directors. Five specialised committees are formed under the Board, namely the Strategic Planning Committee, the Audit Committee, the Nomination, Remuneration and Review Committee, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), and Related Party Transaction Control Committee. The duties and responsibilities of and the operating procedures for each of the Board committees are clearly defined in writing, among which, the duties and powers of the Audit Committee and the Nomination, Remuneration and Review Committee are published on the websites of the Company and the Hong Kong Stock Exchange. The Board committees submit opinions and proposals to the Board on matters within their respective scope of duties and responsibilities.

The Board comprises, among others, five Independent Directors, among which, Ms. Qu Xiaohui is experienced in accounting and financial management, obtained relevant professional accounting qualification, and also serves as the chairman of the Audit Committee. The Company believes that, during the Year, the Board had been in compliance with Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

In addition, the list of Independent Directors is disclosed in all of the corporate communications published in accordance with the Listing Rules.

During the Year, in accordance with the applicable principles and code provisions of the Corporate Governance Code, the relevant provisions of the Company Law, the Code of Corporate Governance and the Articles of Association, the Board continued to regulate its operations and enhance its corporate governance. From 8 August 2023 to the date of this report, the Company has complied with all the code provisions of the Corporate Governance Code and adopted recommended best practices where applicable to continuously perfect its corporate governance structure.

# Corporate Governance Report

## *COMPOSITION*

The second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023 elected Directors of the sixth session of the Board, among which Mr. Wang Tingke was elected as a Non-executive Director, Mr. Yu Ze, Mr. Jiang Caishi, Mr. Zhang Daoming and Mr. Hu Wei were re-elected as Executive Directors, Mr. Li Tao was re-elected as a Non-executive Director, and Ms. Qu Xiaohui, Mr. Cheng Fengchao, Mr. Wei Chenyang, Mr. Li Weibin and Mr. Qu Xiaobo were re-elected as Independent Directors. At the 1st meeting of the sixth session of the Board held immediately thereafter on the same day, Mr. Wang Tingke was elected as the Chairman of the sixth session of the Board and Mr. Yu Ze was re-elected as the Vice Chairman of the sixth session of the Board. Mr. Lo Chung Hing retired as an independent Director on the same day.

During the Year and up to the date of this report, the Board comprised the following Directors:

| Name | Position | Date of commencement of directorship | Term |
|---|---|---|---|
| Mr. Wang Tingke *(Note 1)* | Chairman, Non-executive Director | 8 October 2023 | From 8 October 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Yu Ze | Vice Chairman, Executive Director | 30 December 2021 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Jiang Caishi | Executive Director | 9 April 2021 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Zhang Daoming | Executive Director | 22 April 2022 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Hu Wei *(Note 2)* | Executive Director | 16 March 2023 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Li Tao | Non-executive Director | 18 October 2006 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Ms. Qu Xiaohui | Independent Director | 31 October 2017 | From 8 August 2023 to the time when she has served as an Independent Director of the Company for six years in total |
| Mr. Cheng Fengchao | Independent Director | 25 November 2022 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Wei Chenyang *(Note 3)* | Independent Director | 12 January 2023 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |

| Name | Position | Date of commencement of directorship | Term |
|---|---|---|---|
| Mr. Li Weibin *(Note 4)* | Independent Director | 31 July 2023 | From 8 August 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Qu Xiaobo *(Note 5)* | Independent Director | 12 September 2023 | From 12 September 2023 to the expiry of the term of the sixth session of the Board |
| Mr. Luo Xi (Resigned) *(Note 6)* | Chairman, Non-executive Director | 18 March 2021 | From 18 March 2021 to 16 March 2023 |
| Mr. Lin Hanchuan (Resigned) *(Note 7)* | Independent Director | 25 March 2013 | From 7 March 2019 to 17 February 2023 |
| Mr. Lo Chung Hing (Retired) *(Note 8)* | Independent Director | 26 June 2015 | From 7 March 2019 to 8 August 2023 |

*Notes:*

1. The qualification of Mr. Wang Tingke as the Chairman of the Board and a Director was approved by the NFRA on 8 October 2023.

2. The qualification of Mr. Hu Wei as a Director was approved by the former CBIRC on 16 March 2023.

3. The qualification of Mr. Wei Chenyang as a Director was approved by the former CBIRC on 12 January 2023.

4. The qualification of Mr. Li Weibin as a Director was approved by the NFRA on 31 July 2023.

5. The qualification of Mr. Qu Xiaobo as a Director was approved by the NFRA on 12 September 2023.

6. Mr. Luo Xi resigned as the Chairman of the Board and a Non-executive Director on 16 March 2023 due to age reason.

7. Mr. Lin Hanchuan resigned as an Independent Director on 17 February 2023 due to age reason.

8. Mr. Lo Chung Hing retired as an Independent Director on 8 August 2023.

### DUTIES AND RESPONSIBILITIES

The Board is responsible for convening shareholders' general meetings, reporting to shareholders' general meetings and implementing resolutions of the shareholders' general meetings; determining the annual operation plans and annual investment plans of the Company; formulating the annual financial budgets and final account of the Company; formulating plans for distribution of profits and recovery of losses; formulating the proposals for the increase in or reduction of the registered capital; formulating the plans for the issuance of bonds or other securities as well as the listing; formulating the plans for material acquisitions, purchase of shares of the Company, or for merger, division, dissolution, change of corporate form of the Company; considering and approving the outbound investments, asset acquisitions, asset disposals and write-offs, asset mortgages, related party transactions or other transactions of the Company within the limit authorised to the Board by the shareholders' general meeting, data governance and other matters which are required to be submitted to the Board for consideration and approval in accordance with laws and regulations and regulatory provisions; deciding on the establishment of the Company's internal management structure; appointing or removing the senior management of the Company and determining their remuneration, rewards and disciplinary matters, supervising the senior management to fulfill their duties; approving basic management system of the Company; formulating proposals for any amendment to the Articles of Association; formulating the rules of procedures for the shareholders' general meetings and the Board; considering and approving the working rules of the specialised committees under the Board; electing members of the specialised committees under the Board; proposing to the shareholders' general meeting on the appointment or removal of the accounting firm which carries out statutory audit on the financial reports of the Company on a regular basis; receiving the work report of, and reviewing the work, of the President of the Company; selecting the external auditor who conducts audit of the Directors and senior management of the Company; formulating the Company's development strategy and supervising strategic implementation; formulating the Company's capital planning and the Company's risk tolerance, risk management and internal control policies, and undertaking the ultimate responsibility for internal control, compliance, comprehensive risk management and capital or solvency management; in charge of the Company's information disclosure, and undertaking the ultimate responsibility for the authenticity, accuracy, completeness and timeliness of accounting and financial reports; regularly evaluating and improving corporate governance; safeguarding the legitimate rights and interests of financial consumers and other stakeholders, establishing a mechanism for identifying, reviewing and managing conflicts of interest between the Company and shareholders, especially substantial shareholders, and undertake the management responsibility of shareholder affairs; performing other responsibilities and duties as stipulated in laws, regulations, regulatory provisions and the Articles of Association, or as authorized by the shareholders' general meeting of the Company.

The Board delegates the management of the daily business operation of the Company to the management. However, the statutory functions and powers of the Board, in principle, shall not be delegated to the Chairman of the Board, any Director or any other individual or organisation. In the case where delegation is required, such authorisation shall be made by way of a resolution of the Board in accordance with laws. Delegation shall be granted on a case-by-case basis, and in no event shall the functions and powers of the Board be generally or permanently delegated to any other organisation or individual of the Company.

The Directors have recourse to seek independent professional advice in performing their duties at the Company's expense. They are also encouraged to consult with the Company's senior management independently.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened three shareholders' general meetings and submitted 27 proposals and reports to the shareholders' general meetings. Twelve Board meetings were convened, at which 115 proposals were considered and approved or reviewed. The attendance record of the Directors at the meetings is as follows:

| | Board Meeting | | Shareholders' General Meeting | |
|---|---|---|---|---|
| **Name** | **Number of meetings attended in person/ Number of meetings that require attendance** | **Attendance rate in person** | **Number of meetings attended/ Number of meetings that require attendance** | **Attendance rate** |
| Wang Tingke | 1/2 | 50% | 0/0 | – |
| Yu Ze | 12/12 | 100% | 3/3 | 100% |
| Jiang Caishi | 10/12 | 83% | 3/3 | 100% |
| Zhang Daoming | 12/12 | 100% | 3/3 | 100% |
| Hu Wei | 9/10 | 90% | 2/2 | 100% |
| Li Tao | 12/12 | 100% | 3/3 | 100% |
| Qu Xiaohui | 12/12 | 100% | 3/3 | 100% |
| Cheng Fengchao | 12/12 | 100% | 3/3 | 100% |
| Wei Chenyang | 11/11 | 100% | 2/2 | 100% |
| Li Weibin | 4/4 | 100% | 0/0 | – |
| Qu Xiaobo | 2/3 | 67% | 0/0 | – |
| Luo Xi | 2/2 | 100% | 1/1 | 100% |
| Lin Hanchuan | 1/1 | 100% | 1/1 | 100% |
| Lo Chung Hing | 7/7 | 100% | 3/3 | 100% |

*Notes:*

1. During the Year, the qualifications of some Directors were approved and certain Directors resigned or retired. The table above lists the numbers of shareholders' general meetings and Board meetings held and attended in person by each Director during his/her term of office in the Year. Among them, Mr. Wei Chenyang, whose qualification as a Director was approved on 12 January 2023, was eligible to attend the 41st meeting of the fifth session of the Board of the Company held on 20 January 2023, and Mr. Li Weibin, whose qualification as a Director was approved on 31 July 2023, was eligible to attend the 1st meeting of the sixth session of the Board of the Company held on 8 August 2023, however, as the approvals of their qualifications were received by the Company after the date of the abovementioned two Board meetings, Mr. Wei Chenyang was not present at the 41st meeting of the fifth session of the Board, and Mr. Li Weibin was not present at the 1st meeting of the sixth session of the Board of the Company.

2. During the Year, each of Mr. Wang Tingke, Mr. Hu Wei and Mr. Qu Xiaobo appointed another Director as his proxy to attend one meeting of the Board, and Mr. Jiang Caishi appointed other Directors as his proxy to attend two meetings of the Board.

3. During the Year, the Chairman of the Board held a meeting with the Independent Directors, at which no other Directors attended.

The major work accomplished by the Board during the Year included:

- convened three shareholders' general meetings and submitted 27 proposals and reports to the shareholders' general meetings, including the proposals for the election of the Directors, the Report of the Board for 2022, the Auditor's Report and the audited financial statements for 2022, the profit distribution plan for 2022, the appointment of the auditors and issuance of capital supplementary bonds;

- elected the Chairman and Vice Chairman of the Board and chairman and members of the specialised Board committees;

- formulated the code of professional ethnics of the Board, and amended the working rules of the specialised Board committees and measures on management of information disclosure;

- appointed the Vice President and Secretary of the Board;

- considered and approved the proposals for annual performance appraisals of leaders of the Company and relevant company-level senior management;

- considered and approved the establishment of the internal organizations of the Company;

- considered and approved the business development plan, financial plan and fixed assets investment plan of the Company for the year as well as strategic allocation plans of invested assets of the Company and the 2023 report on allocation plan and the guidance on relevant investment;

- considered and approved the internal audit report, internal control assessment report for 2022 and the compliance report for 2022 of the Company, considered the report on progress of improvement based on the management recommendation letters of the previous years, and reviewed and continuously enhanced the effectiveness of the Company's internal control;

- considered and approved the risk assessment report for 2022, report on the results of the special audit of the solvency risk management system, solvency report for the fourth quarter of 2022 and the second quarter of 2023, the solvency margin condition and audit report for the fourth quarter of 2022 of the Company and the solvency stress test report for the fourth quarter of 2022 of the Company, formulated the risk preference statement and risk tolerance indicators of the Company for 2023, and reviewed and continuously improved the effectiveness of the Company's risk management;

- considered and approved the information disclosure report for 2022, the financial report on compulsory third party liability motor vehicle insurance for 2022, the report on the implementation of the related party transactions for 2022 and the evaluation report on implementation of the development plan for 2022 and the Capital Plan (2023-2025);

- considered and approved the report of asset and liability management for 2022, and stipulated the overall goals and strategies of the asset and liability management of the Company to meet regulatory requirements;

- considered and approved the 2022 annual financial report and annual results announcement, 2023 interim financial report and interim results announcement, the financial statements and results announcements for the first and third quarters of 2023;

- considered and approved the 2022 Corporate Social Responsibility Report of the Company, and the reports, system and work plan for protection of consumers' rights and interests;

- considered and approved the purchase of fixed assets by the Company, the related party transactions between the Company and its subsidiaries, affiliated branches or related subsidiaries and affiliated branches of PICC Group; and

- considered the work reports of the President and Responsible Financial Officer for the first half of 2023 and reports on the implementation of resolutions of the Board.

## DIRECTORS

### *ELECTION AND RE-ELECTION OF DIRECTORS*

According to the Articles of Association and the Working Rules of the Nomination, Remuneration and Review Committee, the election procedure is as below: after the nomination by the Board and the review by the Nomination, Remuneration and Review Committee, the appointment of Director shall be subject to the consideration and approval of the Board and election by the shareholders' general meeting, and the candidate shall be officially appointed upon the approval of the qualification by the NFRA. The procedures of re-election of Directors are the same, except that they are no longer required to be submitted and reported to the NFRA for qualification approval.

### *REMOVAL OF DIRECTORS*

According to the Articles of Association, the removal of a Director shall be passed by way of an ordinary resolution and the removal of an Independent Director shall be passed by way of a special resolution at the shareholders' general meeting.

### *RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS*

The management has provided to the Board such explanation and information as necessary every month to enable the Board to carry out an informed assessment of the Company's financial statements submitted to the Board for approval.

The Directors are responsible for the preparation of annual, interim and quarterly financial statements for every financial year which shall give a true and fair view of the business operations of the Company in accordance with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants and through the consistent adoption of appropriate accounting policies and, subject to compliance with the Hong Kong Financial Reporting Standards, the implementation of the regulations on accounting treatment issued by the Ministry of Finance of the PRC and the NFRA. The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023, which shall present a true and fair view of the affairs of the Company and its subsidiaries and of the results and cash flows of the Company and its subsidiaries. The Directors are not aware of any event or condition which may cause material adverse impact on the Company's ability to continue as a going concern.

## SECURITIES TRANSACTIONS

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 Year.

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report. Save as disclosed therein, none of the Directors has any personal relationship (including financial, business, family or other material/related relationship) with any other Director, Supervisor or senior management.

## INDEPENDENCE OF INDEPENDENT DIRECTORS

The Company has received the annual confirmation letters from all the Independent Directors confirming their independence. As at the date of this report, the Company is of the view that all the Independent Directors are independent.

## INDEPENDENCE OF THE BOARD

The Company understands and agrees with the importance of Independent Directors providing independent views and opinions to the Board. While performing its responsibilities, the Independent Directors may seek advice from independent advisers at the Company's expense, which shall include but not limited to legal advice, advice of accountants and advice of other professional financial advisors, as considered necessary to fulfil their responsibilities and in exercising independent judgment when making decisions in furtherance of their Directors' duties. Through the above measures and procedures, the Company has reviewed and examined the effectiveness of the Board obtaining independent views and opinions during the Year and believes that the above policies and measures can ensure independent views and opinions are available to the Board.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Based on the experience and background of each of the newly appointed Directors, the Company arranges induction training sessions to help them to have a better understanding of the Company. The induction training sessions usually cover a brief introduction to the Company, the organisational structure, business operation and management and governance practices of the Company, etc. It also includes meetings and exchanges with the Company's senior management personnel, and visits and inspections of certain branches of the Company. Each newly appointed Director would receive, when joining the Board, a brief introduction to the Company, its corporate governance, Directors' rights, obligations and duties, relevant laws, regulations and rules, internal rules of the Company, etc.

During the Year, the Directors regularly received documents, materials and information on the business and operating performance of the Company, relevant laws and regulations, and regulatory and governance matters. In addition, the Company encouraged all Directors to attend related trainings, the costs of which were borne by the Company.

During the Year, all Directors earnestly participated in continuous professional development. All Directors received trainings or conducted research or discussion in areas of applicable laws and regulations, directors' continuous responsibilities and obligations, corporate governance, professional knowledge related to the business, anti-money laundering, anti-terrorism financing and information disclosure, etc., which continuously enhanced their related knowledge and skills, and they proactively put forward various timely and appropriate advice and suggestions on the Company's management and development.

Directors' participations in trainings during the Year are set out in details as below:

Wang Tingke: attended trainings and meetings organized by PICC Group and the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance.

Yu Ze: attended trainings and meetings organized by PICC Group and the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance.

Jiang Caishi: attended trainings and meetings organized by PICC Group and the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance.

Zhang Daoming: attended trainings and meetings organized by PICC Group and the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance.

Hu Wei: attended trainings and meetings organized by PICC Group and the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance.

Li Tao: attended trainings and meetings organized by PICC Group, PICC Life and the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance.

Qu Xiaohui: attended trainings and meetings organized by the Company in relation to performance of directors' obligations, gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance, and paid continuous attention to and conducted research on corporate finance and corporate governance.

Cheng Fengchao: attended trainings and meetings organized by the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance, and paid continuous attention to and conducted research on high-quality development of listed companies and corporate governance improvement of listed companies.

Wei Chenyang: attended trainings and meetings organized by the Company in relation to performance of directors' obligations and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance, and paid continuous attention to and conducted research on corporate finance and corporate governance.

Li Weibin: attended trainings organized by the Company in relation to performance of directors' obligations and various seminars organized by external organizations on AI, analysis of legal service practice and innovation of legal business environment, etc, and gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance, and paid continuous attention to and conducted research on corporate finance, corporate governance and amendments to related laws and regulations.

Qu Xiaobo: attended trainings and meetings organized by the Company in relation to performance of directors' obligations, gained a deeper understanding of applicable domestic and foreign laws and regulations and regulatory requirements on anti-money laundering and anti-terrorism financing, information disclosure, related party transaction, directors' continuous responsibilities and obligations and corporate governance, and paid continuous attention to and conducted research on new energy vehicle insurance and corporate governance.

## CHAIRMAN/PRESIDENT

Mr. Luo Xi resigned as the Chairman of the Board and a Non-executive Director on 16 March 2023. Mr. Wang Tingke was appointed as the Chairman and a Non-executive Director on 8 October 2023. As at the date of this report, Mr. Wang Tingke served as the Chairman of the Board of the Company, and Mr. Yu Ze served as the President of the Company.

The Chairman is responsible for leading the Board and ensuring that the Board operates effectively and discharges its responsibilities properly. The President is responsible for taking charge of the operation and management of the Company, organising and implementing the resolutions of the Board, the annual operation plans and investment plans, formulating proposals for organisational structure for internal management and the basic management system, and making proposals to the Board for the appointment or removal of the Vice President(s), the Assistant(s) to the President, the Responsible Compliance Officer and the Responsible Financial Officer, etc.

The duties and responsibilities of the Chairman are as follows:

- to preside over shareholders' general meetings, and convene and preside over board meetings;
- to prompt and inspect the implementation of board resolutions;
- to sign securities issued by the Company; and
- any other functions and powers authorised by the Board.

The duties and responsibilities of the President are as follows:

- to be in charge of the operation and management of the Company and organise the implementation of the Board resolutions;
- to organise the implementation of the Company's annual business plans and annual investment plans;
- to issue general administrative documents of the Company;
- to draw up plans for organisational structure for internal management of the Company and, in accordance with operating needs, decide on general organisational adjustment plans;
- to draw up the Company's basic management system;
- to formulate basic rules and regulations for the Company;

- to exercise the authority of the legal representative, enjoy civil rights and perform corresponding civil obligations related to the Company's business on behalf of the Company;
- to propose to the Board for the appointment or removal of Vice President(s), Assistant(s) to the President, Responsible Compliance Officer and Responsible Financial Officer;
- to appoint or remove responsible management personnel other than those required to be appointed or removed by the Board;
- to formulate policies for the remuneration, welfare benefits, rewards and penalties of the employees of the Company other than the senior management personnel and determine, or authorise subordinate department heads to determine, the employment and removal of the employees other than the senior management personnel and the responsible management personnel described in the item above;
- to propose the convening of special meetings of the Board; and
- to exercise any other functions and powers authorised by laws and regulations, regulatory provisions, the Articles of Association and the Board.

## STRATEGIC PLANNING COMMITTEE

### *OVERVIEW*

During the Year, the Strategic Planning Committee considered the annual business development plan, financial plan, major asset acquisitions, profit distributions, and issuance of capital supplementary bonds of the Company, and continued to supervise the corporate governance of the Company.

### *COMPOSITION*

During the Year and up to the date of this report, the Strategic Planning Committee comprised:

| | |
|---|---|
| Chairman: | Wang Tingke (Chairman, Non-executive Director), Luo Xi (Chairman, Non-executive Director, resigned) |
| Members: | Yu Ze (Vice Chairman, Executive Director), Jiang Caishi (Executive Director), Li Tao (Non-executive Director), Qu Xiaobo (Independent Director) |

*Notes:* 1. Mr. Luo Xi resigned as the Chairman and a Non-executive Director on 16 March 2023 and ceased to act as the chairman of the Strategic Planning Committee simultaneously.

2. The 1st meeting of the sixth session of the Board held on 8 August 2023 elected Mr. Wang Tingke, Mr. Jiang Caishi and Mr. Qu Xiaobo as members of the Strategic Planning Committee, and re-elected Mr. Yu Ze and Mr. Li Tao as members of the Strategic Planning Committee. In accordance with the Working Rules of the Strategic Planning Committee of the Board, the Chairman of the Board shall serve as the chairman of the Strategic Planning Committee. Therefore, Mr. Wang Tingke serves as the chairman of the Strategic Planning Committee, whose term of office commenced on 8 October 2023 (the date on which his qualification as the Chairman of the Board and a Director was approved). The term of office of Mr. Qu Xiaobo commenced on 12 September 2023 (the date on which his qualification as a Director was approved).

### DUTIES AND RESPONSIBILITIES

The Strategic Planning Committee is responsible for formulating mid-term and long-term development strategies and development planning proposals of the Company, making proposals for major investment and financing of the Company, assisting the Board in formulating proposals for the merger, division, dissolution and liquidation of the Company, considering the plans to promote a company through equity investment or establish a company by participating in the purchase of equity interest, plans for mergers and acquisitions, major investment and financing plans, business plans, annual financial budgets, final accounts, profit distribution plans and loss recovery plans, annual or medium- and long-term investment plans on fixed assets, plans for the disposal of material assets, plans for the issuance of shares and bonds, plans to increase or reduce its registered capital and to repurchase its own shares, plans for mergers, divisions, dissolution, liquidation, etc., proposals for amendment to the Articles of Association, any delegation by the Board to the management, plans for material modification to the organisational structure of the Company, formulating and reviewing the corporate governance policies and practices of the Company, reviewing and supervising the training and continuous professional development for Directors and senior management, the policies and practices in respect of the Company's compliance with laws and regulatory provisions, formulating, reviewing and supervising the code of conduct and compliance manual for employees and Directors, reviewing the Company's compliance with the Corporate Governance Code and the disclosures set out in the Corporate Governance Report, formulating and amending the Company's policies in respect of environmental, social and governance and other corporate social responsibilities, and reporting and proposing to the Board etc.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Strategic Planning Committee held seven meetings and considered 16 proposals. The attendance record of committee members at the meetings is as follows:

| Name | Wang Tingke | Yu Ze | Jiang Caishi | Li Tao | Qu Xiaobo | Luo Xi |
|---|---|---|---|---|---|---|
| Number of meetings attended in person/Number of meetings that require attendance | 2/2 | 7/7 | 3/3 | 7/7 | 2/2 | 1/1 |
| Attendance rate in person | 100% | 100% | 100% | 100% | 100% | 100% |

*Note:* During the Year and up to the date of this report, some Directors resigned and ceased to act as committee chairman of the Strategic Planning Committee simultaneously, some Directors were elected as the members of the Strategic Planning Committee, and the terms of office of certain members of Strategic Planning Committee commenced on the date when their terms of office of the Directors commenced. The table above lists the numbers of meetings held and attended by each member in person during his term of office in the Year.

During the Year, the major work accomplished by the Strategic Planning Committee included:

- considered and approved the business development plan and financial plan, fixed assets investment plan for 2023, and the proposal for procurement of IT core equipment;
- considered and approved the Profit Distribution Plan, Evaluation Report on Implementation of the Development Plan and Strategic Risk Management Report for 2022;
- considered and approved the issuance of capital supplementary bonds;

- considered and approved the establishment of Consumers' Rights and Interests Protection Department and a separate Venture Research & Development Center;
- considered and approved the Capital Plan (2023-2025) of the Company;
- considered and approved the 2022 Corporate Social Responsibility Report of the Company;
- considered and approved the amendments to Working Rules of the Strategic Planning Committee of the Board;
- reviewed and supervised the Company's corporate governance policies and practices;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed and supervised the regular update of the Normative Manual on Rights and Duties by the Company; and
- considered the Company's compliance with the Corporate Governance Code and the Corporate Governance Report and the Corporate Management Report for 2022.

## AUDIT COMMITTEE

### *OVERVIEW*

During the Year, the Audit Committee continued to earnestly perform its duties of supervising and providing guidance on internal and external audits, reviewing financial reports, supervising financial reporting procedures, strengthening internal control management and compliance management, etc., and put forward a number of opinions and suggestions to the Board and the management on financial affairs, internal control, compliance and business operation and management, thereby playing an active role in further improving the management of the Company and enhancing the level of the Company's corporate governance.

### *COMPOSITION*

During the Year and up to the date of this report, the Audit Committee comprised:

| | |
|---|---|
| Chairman: | Qu Xiaohui (Independent Director) |
| Members: | Li Tao (Non-executive Director), Cheng Fengchao (Independent Director), Wei Chenyang (Independent Director), Li Weibin (Independent Director), Lin Hanchuan (Independent Director, resigned), Lo Chung Hing (Independent Director, retired) |

*Notes:* 1. Mr. Lin Hanchuan resigned as an Independent Director on 17 February 2023 and ceased to act as a member of the Audit Committee simultaneously.

2. Mr. Lo Chung Hing retired as an Independent Director at the second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023 and ceased to act as a member of the Audit Committee simultaneously.

3. The 1st meeting of the sixth session of the Board held on 8 August 2023 re-elected Ms. Qu Xiaohui as the chairman of the Audit Committee and Mr. Li Tao as a member of the Audit Committee, and elected Mr. Cheng Fengchao, Mr. Wei Chenyang and Li Weibin as members of the Audit Committee.

### DUTIES AND RESPONSIBILITIES

The Audit Committee is responsible for monitoring and inspecting the financial reporting procedures and internal control system of the Company, supervising the design, implementation and monitoring of the internal control system by the management to ensure that the Company has the appropriate and effective internal control system in place, reviewing financial information of the Company, making recommendations in respect of the appointment or removal of the external accounting firm, reviewing the effectiveness of the internal audit function of the Company and supervising and providing guidance on internal and external audits.

### REMUNERATION OF AUDITORS

During the Year, the Company paid RMB21.04 million for audit-related services, including the fees for the audit of the financial statements for 2023 and the review of the interim financial statements for 2023. During the Year, there was no non-audit related services. Therefore, no such non-audit related services fee was paid.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Audit Committee held ten meetings and considered 37 proposals. The attendance record of committee members at the meetings is as follows:

| Name | Qu Xiaohui | Li Tao | Cheng Fengchao | Wei Chenyang | Li Weibin | Lin Hanchuan | Lo Chung Hing |
|---|---|---|---|---|---|---|---|
| Number of meetings attended in person/ Number of meetings that require attendance | 10/10 | 10/10 | 4/4 | 3/4 | 3/3 | 1/1 | 6/6 |
| Attendance rate in person | 100% | 100% | 100% | 75% | 100% | 100% | 100% |

*Notes:* 1. During the Year and up to the date of this report, some Directors resigned or retired and ceased to act as committee members of the Audit Committee simultaneously, and some Directors were elected as the members of the Audit Committee. The table above lists the numbers of meetings held and attended in person by each member during his/her term of office in the Year.

2. During the Year, Mr. Wei Chenyang appointed another committee member as his proxy to attend one meeting of the Audit Committee.

During the Year, the Audit Committee accomplished the following major work:

Engagement of and communication with the auditors:

- considered the auditors' reports on the work plans for and results of the audit work for 2022 and on the interim review work for 2023 and the audit plan for 2023; and

- considered and approved the proposal for the engagement of auditors for 2023, and obtained approvals from the Board and the shareholders' general meeting for the engagement proposal.

Reviewing the financial reports, etc.:

- reviewed the financial statements and results announcements for 2022 and for the interim period of 2023, the reports on financial statements and results announcement of the Company for the first quarter and third quarter of 2023 and information disclosure report for 2022, the special financial report and the solvency report on compulsory third party liability motor vehicle insurance and the solvency reports for the fourth quarter of 2022 and the second quarter of 2023.

Monitoring and inspecting the financial reporting procedures and the internal control system:

- considered and approved the Company's Corporate Governance Report for 2022, internal control assessment report and the compliance report for 2022;
- considered and approved the management recommendation letter for 2022; and
- supervised and provided guidance on the internal audit work, ensured sufficient resources for, and appropriate standing of, the internal audit functions of the Company and reviewed and monitored its effectiveness, supervised and provided guidance on financial accounting, specifically, reviewed the report on special audit of solvency risk management system, working report on internal audit, the asset and liability management audit investigation results report, the report on special audit of related party transactions, and report on the results of the special audit of anti-insurance fraud, off-office audit reports for relevant senior management, the audit work report of the Company for the third quarter of 2022, the year of 2022 and the first half of 2023 audited by the PICC Group Audit Center, and considered the work summary report for 2022 and the work plans for 2023 of the Finance and Accounting Department of the Company.

Having considered and approved the appointment of chairman of the Audit Committee, and amended the terms of reference of the Audit Committee of the Board.

## NOMINATION, REMUNERATION AND REVIEW COMMITTEE

### *OVERVIEW*

During the Year, the Nomination, Remuneration and Review Committee nominated Directors, reviewed the qualifications of senior management candidates, and conducted annual appraisals of leaders and relevant company-level senior management of the Company.

### *COMPOSITION*

During the Year and up to the date of this report, the Nomination, Remuneration and Review Committee comprised:

| | |
|---|---|
| Chairman: | Cheng Fengchao (Independent Director) |
| Members: | Li Tao (Non-executive Director), Qu Xiaohui (Independent Director), Wei Chenyang (Independent Director), Li Weibin (Independent Director), Lin Hanchuan (Independent Director, resigned), Lo Chung Hing (Independent Director, retired) |

*Notes:* 1. Mr. Lin Hanchuan resigned as an Independent Director on 17 February 2023 and ceased to act as a member of the Nomination, Remuneration and Review Committee simultaneously.

2. Mr. Lo Chung Hing retired as an Independent Director at the second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023 and ceased to act as a member of the Nomination, Remuneration and Review Committee simultaneously.

3. The 1st meeting of the sixth session of the Board held on 8 August 2023 re-elected Mr. Cheng Fengchao as the chairman of the Nomination, Remuneration and Review Committee and Ms. Qu Xiaohui and Mr. Wei Chenyang as members of the Nomination, Remuneration and Review Committee, and elected Mr. Li Tao and Mr. Li Weibin as members of the Nomination, Remuneration and Review Committee.

### *DUTIES AND RESPONSIBILITIES*

The Nomination, Remuneration and Review Committee is responsible for assessing the structure and composition of the Board on a regular basis, recommending candidates for directorships, formulating remuneration policies and structures for Directors, the President and other senior management, formulating appraisal standards and conducting annual appraisals, making recommendations in respect of the remuneration packages for the Directors and senior management to the Board, etc.

### *NOMINATION OF DIRECTORS AND POLICY ON DIVERSITY OF BOARD MEMBERS*

The Nomination, Remuneration and Review Committee shall first discuss the nomination of candidates for directorships, review the qualifications of these candidates, and then recommend such candidates to the Board. The Board shall determine whether such candidates should be proposed for approval at the shareholders' general meeting. The major criteria considered by the Nomination, Remuneration and Review Committee and the Board include the candidates' education background, management and research experience in the financial industry, especially in the insurance sector, their extent of commitment to the Company and should also achieve diversity of the Board members. Regarding the nomination of independent directors, the Nomination, Remuneration and Review Committee will also give special consideration to the independence of the relevant candidates.

The Company understands and agrees with the diversity of the Board members and regards the achieving of diversity of the Board members as an important factor for enhancing the level of the Company's corporate governance and achieving sustainable development. The Company has formulated the Policy on Diversity of Board Members, which requires the Nomination, Remuneration and Review Committee to consider a candidate for directorship on a merit basis following objective standards, take into account factors such as gender, age, culture and education background and professional experience of the Board members, and select candidates for directorships in accordance with the business characteristics, specific requirements and future development of the Company.

The Company currently has eleven Directors, consisting of two Non-executive Directors (including Mr. Wang Tingke and Mr. Li Tao), four Executive Directors (including Mr. Yu Ze, Mr. Jiang Caishi, Mr. Zhang Daoming and Mr. Hu Wei), five Independent Directors (including Ms. Qu Xiaohui, Mr. Cheng Fengchao, Mr. Wei Chenyang, Mr. Li Weibin and Mr. Qu Xiaobo). Both two Non-executive Directors come from shareholder's entities, and the two Non-executive Directors and four Executive Directors have performed operating and management roles in the insurance sector for many years and have rich experience in the operation management and expertise in insurance institutions; the five Independent Directors (one of whom is from Hong Kong) are experts in accounting research, financial management, corporate governance, finance and insurance, legal affairs, intelligent transportation and new energy vehicle. They are capable of giving the Company professional advice on various areas. The biographical details of the Directors are set out in the "Biographical Details of Directors, Supervisors and Other Senior Management" section of this annual report.

In view of the above information on the professional background, composition, age and gender of the current Directors of the Company, the Nomination, Remuneration and Review Committee is of the view that the Board is able to meet the diversity requirement (including gender diversity). In addition, the Nomination, Remuneration and Review Committee will review the Board Diversity Policy and the measurable objectives to ensure the effectiveness of the Policy. As of 31 December 2023, the Board of the Company has one female member. In its future selection and nomination of candidates for Directors, the Company will continue to increase the proportion of female Directors and improve the gender diversity in line with the best practice expected and recommended by the stakeholders. In addition, as of 31 December 2023, the proportion of female employees in the Company's whole system was 46.88%. As to date, the Company has one female member in its senior management. In the process of daily personnel management, the Company will continue to strengthen the care of female employees, abide by the requirements of Law on the Protection of Women's Rights and Interests and Labor Law of the PRC for the protection of women's rights and interests, and fully protect the rights and interests of female employees such as equal employment, rest and leave, and career development.

## REMUNERATION OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The fixed salaries of the Executive Directors (excluding the Executive Director who concurrently serves as the President) and other senior management are determined in accordance with the market levels and their respective positions and duties. Their performance-related bonuses are subject to various considerations, including the operating results of the Company and the scores in their performance appraisals. The Executive Director who concurrently serves as the President and the Non-executive Directors shall not receive remuneration from the Company. Independent Directors' fee and External Supervisors' fee are determined in accordance with the Independent Directors' Fee and External Supervisors' Fee Plan as approved by the 2021 annual general meeting of the Company.

## REMUNERATION POLICY OF THE COMPANY

The remuneration policy of the Company follows the guiding principle of "distribution according to work accomplished, performance-linked, gross controlled, and market-oriented" and implements a job sequence-based, market-oriented and performance-based remuneration incentive system. Based on job sequence, the remuneration will be paid based on the value of the job as well as performance contribution to ensure a fair and reasonable distribution. Through market-orientation, emphasis is placed on determining remuneration according to the market labour price to ensure the external competitiveness of the remuneration package; and by basing on performance, bonuses are linked with and inter-related to business performance, highlighting contribution to business. The Company also implements a welfare plan in accordance with relevant laws and regulations and operating results to provide reasonable protection for the employees.

## SUMMARY OF WORK UNDERTAKEN

During the Year, the Nomination, Remuneration and Review Committee held six meetings, at which 22 proposals were considered, at which matters related to the nomination of Directors, appointment of senior management and the leaders, and the appraisals of relevant company-level senior management were discussed. The attendance record of committee members at the meetings is as follows:

| Name | Cheng Fengchao | Li Tao | Qu Xiaohui | Wei Chenyang | Li Weibin | Lin Hanchuan | Lo Chung Hing |
|---|---|---|---|---|---|---|---|
| Number of meetings attended in person/Number of meetings that require attendance | 6/6 | 4/4 | 6/6 | 6/6 | 3/3 | 0/0 | 2/2 |
| Attendance rate in person | 100% | 100% | 100% | 100% | 100% | – | 100% |

*Note:* During the Year and up to the date of this report, certain Directors resigned or retired and ceased to act as a member of the Nomination, Remuneration and Review Committee simultaneously, and some Directors were elected as the members of the Nomination, Remuneration and Review Committee. The table above lists the number of meetings held and attended by each member in person during his/her term of office in the Year.

The major work accomplished by the Nomination, Remuneration and Review Committee in the Year included:

- nominated Directors, and reviewed the qualifications of senior management candidates;
- considered and approved the performance appraisal plan for the senior management (including the senior management who concurrently acted as the Executive Directors) for 2022; carried out annual performance appraisals of the leaders of the Company and relevant company-level senior management, and made proposals for the remuneration of abovementioned relevant personnel which were approved by the Board;
- considered the Corporate Management Report for 2022;
- considered and approved the appointment of the chairman of the Nomination, Remuneration and Review Committee, and amended the working rules of the Nomination, Remuneration and Review Committee; and
- considered and approved the Code of Professional Ethics of the Board.

## RISK MANAGEMENT AND CONSUMERS' RIGHTS AND INTERESTS PROTECTION COMMITTEE (ASSETS AND LIABILITIES MANAGEMENT AND INVESTMENT DECISION-MAKING COMMITTEE)

### *OVERVIEW*

During the Year, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) continued to supervise the operation of the risk management system of the Company, and considered the risk assessment report, the risk preference statements and indicators of risk tolerance, investment asset strategic allocation plan and allocation report for 2023 and relevant investment guidelines, asset and liability management report, the Capital Plan (2023-2025) of the Company, considered the anti-money laundering and anti-terrorism financing report, report on the results of the special audit of anti-insurance fraud, report on protection of insurance consumers' rights and interests, Administrative Measures for Consumers' Rights and Interests Protection (2023 Version), and various work reports and basic rules on risk management and consumers' rights and interests protection.

### *COMPOSITION*

During the Year and up to the date of this report, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) comprised:

| | |
|---|---|
| Chairman: | Yu Ze (Vice Chairman, Executive Director) |
| Members: | Jiang Caishi (Executive Director), Zhang Daoming (Executive Director), Hu Wei (Executive Director), Cheng Fengchao (Independent Director), Wei Chenyang (Independent Director), Qu Xiaobo (Independent Director) |

*Note:* The 1st meeting of the sixth session of the Board held on 8 August 2023 re-elected 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) and Mr. Jiang Caishi, Mr. Zhang Daoming, Mr. Hu Wei, Mr. Cheng Fengchao and Mr. Wei Chenyang as members of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), and elected Mr. Qu Xiaobo as the member, whose term of office commenced from 12 September 2023 (the date on which his qualification as a Director was approved).

### DUTIES AND RESPONSIBILITIES

The Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) is responsible for promoting full implementation of consumers' rights and interests protection by the management, reviewing the overall objectives, basic principles and working policies of risk management, risk preference and risk tolerance, the establishment of risk management organizations and their duties and responsibilities, evaluating the risks of major business operations of the Company, paying continuous attention to various risks encountered by the Company and the management status thereof and the effectiveness of the risk management system, performing asset-liability management of the Company, reviewing the asset-liability management system, the annual report of asset-liability management, the management mode of insurance funds utilisation, utilisation strategy and investment strategy of the Company, inspecting the establishment and enforcement of the risk control system for insurance funds utilisation, as well as formulating asset allocation strategic plan for insurance funds utilisation, etc.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) held nine meetings and considered 21 proposals. The attendance record of committee members at the meetings is as follows:

| Name | Yu Ze | Jiang Caishi | Zhang Daoming | Hu Wei | Cheng Fengchao | Wei Chenyang | Qu Xiaobo |
|---|---|---|---|---|---|---|---|
| Number of meetings attended in person/ Number of meetings that require attendance | 9/9 | 9/9 | 9/9 | 9/9 | 9/9 | 8/8 | 2/2 |
| Attendance rate in person | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

*Note:* During the Year and up to the date of this report, some newly-elected Director's qualifications took effect and their terms of office as committee members of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) commenced simultaneously. The table above lists the numbers of meetings held and attended by each member in person during his term of office in the Year. Among them, Mr. Wei Chenyang, the qualification of whom as a Director was approved on 12 January 2023, was eligible to attend the 1st meeting of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) in 2023 held on 19 January 2023, however, as the approval of his qualification was received by the Company after the date on which such meeting was held, Mr. Wei Chenyang was not present at such meeting.

The major work accomplished by the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) in the Year included:

- considered and approved the Risk Assessment Report for 2022, inspected the risk management and internal control system of the Company and reviewed the effectiveness of the risk management and internal control policies and procedures and risk management and internal control system of the Company (including subsidiaries of the Company); formulated the risk preference statement and risk tolerance indicators of the Company for 2023, and considered and approved the 2021 annual risk self-assessment report on anti-money laundering and anti-terrorism financing, 2022 annual report on anti-money laundering and anti-terrorism financing, the report on the results of the special audit of anti-money laundering and anti-terrorism financing, the report on the results of the special audit of anti-insurance fraud and the report on the results of the special audit of the risk management system of solvency margin;

- considered and approved the plan on consumers' rights and interests protection for 2023, the notification and the implementation of rectification of the evaluation of consumers' rights and interests protection supervision for 2022, and heard the report on insurance consumers' rights and interests protection for 2022;

- considered and approved the report on assets and liabilities management and the report on audit and investigation results of asset and liability management for 2022;

- considered and approved the business development plan and finance plan for 2023, the strategic allocation plans of and the reports on invested assets and the guidance on relevant offshore investment for 2023 and the Capital Plan (2023-2025) of the Company; and

- considered and approved the election of the chairman of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), and amended the working rules of Reference of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee.

## RELATED PARTY TRANSACTION CONTROL COMMITTEE

### *OVERVIEW*

During the Year, the Related Party Transaction Control Committee was responsible for the management, examination and risk control of related party transactions, so as to put the new regulatory requirements into operation.

### *COMPOSITION*

During the Year and up to the date of this report, the Related Party Transaction Control Committee comprised:

| | |
|---|---|
| Chairman: | Li Weibin (Independent Director), Lo Chung Hing (Independent Director, retired) |
| Members: | Jiang Caishi (Executive Director), Zhang Daoming (Executive Director), Qu Xiaohui (Independent Director), Qu Xiaobo (Independent Director), Lin Hanchuan (Independent Director, resigned) |

*Notes:*

1. Mr. Lin Hanchuan resigned as an Independent Director on 17 February 2023 and ceased to act as a member of the Related Party Transaction Control Committee simultaneously.

2. Mr. Lo Chung Hing retired as an Independent Director at the second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023 and ceased to act as the chairman of the Related Party Transaction Control Committee simultaneously.

3. The 1st meeting of the sixth session of the Board held on 8 August 2023 elected Mr. Li Weibin as the chairman of the Related Party Transaction Control Committee and Mr. Zhang Daoming and Mr. Qu Xiaobo as members of the Related Party Transaction Control Committee, and re-elected Mr. Jiang Caishi and Ms. Qu Xiaohui as members of the Related Party Transaction Control Committee. The term of office of Mr. Qu Xiaobo as a committee member commenced on 12 September 2023 (the date on which his qualification as a Director was approved).

### *DUTIES AND RESPONSIBILITIES*

The Related Party Transaction Control Committee is primarily responsible for examining the related party transaction management system of the Company and the state of its implementation, coordinating and managing the identification and maintenance of related parties, and for the examination, filing and risk control of related party transactions, etc., submitting the annual special report on the overall situation of the Company's related party transactions to the Board, and coordinating and managing information disclosure and reporting in respect of related party transactions, etc.

### *SUMMARY OF WORK UNDERTAKEN*

During the Year, the Related Party Transaction Control Committee held nine meetings and considered 18 proposals. The attendance record of committee members at the meetings is as follows:

| Name | Li Weibin | Jiang Caishi | Zhang Daoming | Qu Xiaohui | Qu Xiaobo | Lo Chung Hing | Lin Hanchuan |
|---|---|---|---|---|---|---|---|
| Number of meetings attended in person/ Number of meetings that require attendance | 4/4 | 9/9 | 5/5 | 9/9 | 3/3 | 4/4 | 0/0 |
| Attendance rate in person | 100% | 100% | 100% | 100% | 100% | 100% | – |

*Note:* During the Year and up to the date of this report, some Directors resigned and ceased to act as committee members of the Related Party Transaction Control Committee simultaneously. Some Directors were elected as members of the Related Party Transaction Control Committee, some newly-elected Directors' qualifications took effect and their terms of office as committee members of the Related Party Transaction Control Committee commenced simultaneously. The table above lists the number of meetings held and attended by each member in person during his/her term of office in the Year. Among them, Mr. Li Weibin, the chairman of the Related Party Transaction Control Committee whose qualification as a Director was approved on 31 July 2023, is eligible to attend the 1st meeting of the Related Party Transaction Control Committee of the sixth session of the Board of the Company held on 8 August 2023, however, as the approval of his qualification was received by the Company after the date on which the meeting was held, Mr. Li Weibin, the committee chairman, was not present at such meeting.

The major work accomplished by the Related Party Transaction Control Committee in the Year included:

- considered and approved the report on special audit results of related party transactions, the report on the implementation of the related party transactions, and the Corporate Governance Report for 2022, elected the committee chairman of the Related Party Transaction Control Committee, and revised the working rules of the Related Party Transaction Control Committee of the Board; and

- considered and approved the entry into of the Fully Entrusted Service Agreement For Business Workplace Property Management with PICC Investment Holding Company Limited and PICC Investment Holding (Beijing) Operation Management Company Limited, the entry into of the Asset Management Supplemental Agreement (II) with PICC Capital, and the entry into of the 2024 Framework Agreement on Reinsurance Business Cooperation with PICC Reinsurance Company Limited and People's Insurance Company of China (Hong Kong), Limited and other material related party transactions, etc.

## INTERNAL CONTROL

In accordance with the Basic Rules for Internal Control of Enterprises and their supporting guidelines and explanation and the Basic Standards for Internal Control of Insurance Companies and other laws and regulations, the Company conducted a self-assessment of the effectiveness of its internal control as of 31 December 2023 in terms of daily supervision and supervision of particular matters. The Board and the Audit Committee has completed a review of the effectiveness of the internal control system of the Company as of 31 December 2023, considered and discussed the Internal Control Assessment Report and the Compliance Report of the Company for 2023 to review and continuously improve the effectiveness of the internal control systems of the Company and its subsidiaries.

The Board of the Company is responsible for establishing, improving and effectively implementing internal control, the Supervisory Committee is responsible for supervising the establishment and implementation of internal control by the Board, and the management is responsible for organising and leading for the daily operation of the Company's internal control. In internal control assessment, the Board of the Company takes charge of determining major defects in internal control and approving the annual internal control assessment reports. The President Office is responsible for leading and organising internal control assessment as required by the Board, and approving the internal control assessment work plan as authorised by the Board. The Legal Affairs and Compliance Department is responsible for organising and implementing the internal control assessment work, and assessing the business areas and operating units which are included in the scope of assessment. All departments of the head office, direct subordinate units and all provincial branches and subsidiaries participating in the assessment have established internal control assessment work teams to carry out assessment work as required by the work plan.

During the Year, the internal control assessment, in terms of the target entities, covered all departments of the head office and provincial branches. In terms of the target businesses, the internal control assessment covered controls on tiers of the Company, business and information technology without major omissions.

The assessment result demonstrated that effective and adequate internal control had been established for all businesses and matters that were within the scope of assessment during the Year, which achieved the internal control objectives of the Company without major defects. No major changes in internal control which would cause fundamental impact on assessment result occurred between the reference date of internal control assessment and the issuance date of the internal control assessment report. The objectives of the Company's internal control are to reasonably ensure the lawfulness and compliance of its operation and management, security of the assets and the truthfulness and completeness of its financial statements and related information, to improve operating efficiency and performance and to achieve the development strategy. Due to its inherent limitations, internal control can only give reasonable but not absolute assurance for achieving such objectives. According to the Measures on the Administration of Internal Control of the Company, the Company shall establish criteria for identifying defects in internal control, and shall analyze the nature of the defects and the causes of the defects identified in the course of supervision, propose rectification plans, follow up on the rectification and take appropriate forms to report to the Board, the Audit Committee, the Supervisory Committee or the senior management in a timely manner to ensure that the remedies are made promptly.

In 2023, the PICC Group continued to strengthen the Party's leadership in internal audit, promoted the internal centralised audit management thoroughly, and conducted internal audit for its subsidiaries and branches by the Group Audit Center. The Group Audit Center is responsible for the internal audit supervision and inspection of the Company.

## RISK MANAGEMENT

The Company has devoted to implementing effective risk management, adhering to the basic risk management principles of "covering every aspect with focus on key areas, practising division of labour and cooperation, and adopting a closed-loop management system" and upholding the overall risk management objective of "operational compliance, asset safety, sufficient capital and value creation". The Company has built a comprehensive risk management framework, continued to optimize the risk management system, improved its risk prevention and control ability, managed to contain the operational risk within the scope of its risk preference, tolerance and limit, and vigorously upheld the bottom line of abiding by laws and regulations and avoiding systematic risks. The Company has established a risk management system the integrity and effectiveness of which are under the ultimate responsibility of the Board, with the relevant specialised committee of risk management under the Board authorized to manage, the Supervisory Committee responsible for supervision, the senior management directly leading, the Risk Compliance Committee under the senior management responsible for coordinating, and all departments and institutions at all levels performing their respective duties. The Company continuously revised and improved relevant risk management system in accordance with relevant regulations based on its overall risk management policies and the specialized management provisions on major risk categories including but not limited to insurance, market, credit, operation, strategy, reputation and liquidity, and therefore further improved the risk management policies of the Company and enhanced the risk management levels.

During the Year, the Company adhered to the bottom-line risk thinking and the prevention-oriented concept, put more emphasis on comprehensive risk management and risk prevention and control in key areas, and continued to improve the systematization, refinement, digitization and professional level of risk management work.

Firstly, the Company revised and improved various risk management systems. The Company revised risk preference management, credit risk limit management, capital management and other related systems, and established and improved the risk management system. The Company has strengthened risk culture advocacy and training, and improved the regular operation mechanism of the Risk Compliance Committee. Secondly, we regularly identified and evaluated the Company's overall and key area risks. The Company strengthened risk monitoring and warnings for key businesses and key areas, conducted risk assessment and analysis regularly, and reported to the board of directors and the company's senior management. The Company strengthened the identification and prevention of hidden risks, improved risk management capabilities and risk control effect, and promoted the development of business to high-quality. Thirdly, the Company monitored risks dynamically and issued early warnings in a timely manner. The Company carried out dynamic risk monitoring through various methods, paid attention to the risk status of key areas, and sent out risk warnings. Fourthly, the Company accelerated the construction of risk management information system. The Company developed and enhanced the intelligent level of risk management. Fifthly, the Company will continue to implement the provisions of the C-ROSS (II). The Company strengthened the construction of capital constraint mechanisms and gave full play to the role of capital in its operations in order to better meet regulatory requirements on solvency.

During the Year, the Company has kept adequate solvency, maintained the comprehensive risk rating and the evaluation results of solvency risk management at a relatively good level. The Board reviewed and discussed the Company's risk assessment report and solvency report for the last year, and believed that the effectiveness of the Company's risk management system complied with the relevant requirements of the Hong Kong Stock Exchange.

### *WHISTLEBLOWING AND ANTI-CORRUPTION POLICIES AND SYSTEMS*

The Company strictly complies with the policies and regulations to prevent corruption, and encourages employees to report corruption, bribery, fraud, and unethical behaviors. The Company will also include anti-corruption policy advocacy in daily staff training.

### *ENVIRONMENTAL POLICIES AND PERFORMANCE*

The Board of Directors is responsible for supervising the Company's commitment and performance on key environmental, social and governance ("ESG") issues, formulating and revising the Company's policies on ESG and other corporate social responsibility, reviewing the Company's ESG management system development plan and disclosure materials of ESG and other corporate social responsibility, studying and evaluating ESG-related factors that may affect the Company's development and reviewing the planning and implementation of the Company's ESG work to ensure the compliance with the ESG strategy and reporting requirements. Details of the Company's ESG performance are set out in the 2023 Sustainability Report of the Company published on the same date as this annual report.

### *PROCEDURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION AND INTERNAL CONTROL MEASURES*

The Company has relevant policies that stipulate the identification, reporting and disclosure process of inside information to ensure the timeliness and compliance of the disclosure of inside information. The Company further adopted measures such as training and advocating to fully inform relevant staffs, including Directors, Supervisors and the management, of the confidentiality and disclosure obligations on inside information.

## SUPERVISORY COMMITTEE

### *OVERVIEW*

During the Year, the Supervisory Committee discharged its supervisory duties strictly in accordance with the relevant laws and regulations, such as the Company Law, and the Articles of Association as well as in adherence to the principle of good faith, which effectively protected the interests of the shareholders, the Company and its employees. Two specialised committees are formed under the Supervisory Committee, namely the Duty Performance and Fulfillment Supervisory Committee and the Financial and Internal Control Supervisory Committee, duties and procedural requirements of which have been explicitly stipulated and each specialised committee is obliged to offer proposals and advice to the Supervisory Committee in relation to matters within the scope of its duties.

### *COMPOSITION*

At the meeting of representatives of employees of the Company held on 24 July 2023, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang were re-elected as Employee Supervisors. At the second extraordinary general meeting in the year of 2023 of the Company held on 8 August 2023, Mr. Dong Qingxiu and Mr. Wang Yadong were re-elected as the Shareholder Supervisors, Ms. Li Shuk Yin Edwina and Mr. Carson Wen were re-elected as the External Supervisors. At the 1st meeting of the sixth session of the Supervisory Committee held immediately thereafter on the same day, Mr. Dong Qingxiu was re-elected as the chairman of the Supervisory Committee. Mr. Lu Zhengfei retired as an External Supervisor on the same day.

During the Year and up to the date of this report, the Supervisory Committee comprised:

| | |
|---|---|
| Chairman: | Dong Qingxiu (Shareholder Supervisor) |
| Supervisors: | Wang Yadong (Shareholder Supervisor), Li Shuk Yin Edwina (External Supervisor), Carson Wen (External Supervisor), Zhou Zhiwen (Employee Supervisor), Fu Xiaoliang (Employee Supervisor), Zhang Xiaoli (Shareholder Supervisor, ceased to act as a Supervisor), Lu Zhengfei (External Supervisor, retired) |

*Notes:*

1. The qualification of Ms. Li Shuk Yin Edwina as a Supervisor was approved by the former CBIRC on 31 January 2023.

2. Mr. Zhang Xiaoli resigned as the chairman of the Supervisory Committee, a Supervisor and the chairman of the special committee of the Supervisory Committee on 15 July 2022. Given that the Supervisory Committee became inquorate at that time due to Mr. Zhang Xiaoli's resignation, pursuant to relevant laws and regulations of the PRC and the Articles of Association, Mr. Zhang Xiaoli shall continue 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. The qualifications of Mr. Dong Qingxiu, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang as Supervisors were approved by the NFRA on 23 May 2023, upon which, the number of members of the Supervisory Committee has become sufficient and Mr. Zhang Xiaoli ceased to perform his duties as a Supervisor on the same day.

3. The qualification of Mr. Carson Wen as a Supervisor was approved by the NFRA on 23 November 2023.

### DUTIES AND RESPONSIBILITIES

The Supervisory Committee is accountable to the shareholders' general meeting. It performs duties of supervision over the financial affairs, Directors, President and other senior management of the Company, convenes and presides over shareholders' general meetings when the Board fails to perform its duties to convene and preside over any shareholders' general meeting, etc.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Supervisory Committee carried out its work, performed its supervisory duties faithfully and protected the interests of the shareholders, the Company and its employees strictly in accordance with the relevant provisions of the Company Law and the Articles of Association. During the Year, the Supervisory Committee held nine meetings, at which 47 proposals were considered, approved or reviewed. The attendance record of the Supervisors at the meetings is as follows:

| Name | Dong Qingxiu | Wang Yadong | Li Shuk Yin Edwina | Carson Wen | Zhou Zhiwen | Fu Xiaoliang | Zhang Xiaoli | Lu Zhengfei |
|---|---|---|---|---|---|---|---|---|
| Number of meetings attended in person/ Number of meetings that require attendance | 6/6 | 9/9 | 8/8 | 1/1 | 6/6 | 6/6 | 2/3 | 5/5 |
| Attendance rate in person | 100% | 100% | 100% | 100% | 100% | 100% | 67% | 100% |

*Notes:*

1. During the Year and up to the date of this report, some Supervisors ceased to perform their duties as a Supervisor or retired as a Supervisor, and the qualifications of certain Supervisors were approved. The table above lists the numbers of meetings held and attended in person by each Supervisor during his/her term of office in the Year.

2. During the Year, Mr. Zhang Xiaoli attended two meetings of the Supervisory Committee in person, and appointed another Supervisor as his proxy to attend one meeting of the Supervisory Committee.

Details of the work accomplished by the Supervisory Committee in the Year are set out in the "Report of the Supervisory Committee" section of this annual report.

## DUTY PERFORMANCE AND FULFILLMENT SUPERVISORY COMMITTEE

### *OVERVIEW*

During the Year, the Duty Performance and Fulfillment Supervisory Committee continued to fulfil its supervisory responsibilities in good faith, made recommendations to the Supervisory Committee on the candidates of Supervisors, considered the Code of Professional Ethics for the Board of the Company, reviewed the senior management audit report and other proposals.

### *COMPOSITION*

During the Year, the Duty Performance and Fulfillment Supervisory Committee comprised:

| | |
|---|---|
| Chairman: | Dong Qingxiu (Chairman of the Supervisory Committee, Shareholder Supervisor) |
| Members: | Zhou Zhiwen (Employee Supervisor), Fu Xiaoliang (Employee Supervisor) |

*Notes:*

1. As Ms. Gao Hong and Ms. Wang Xiaoli retired as members of the Duty Performance and Fulfillment Supervisory Committee on 22 July 2022, the Duty Performance and Fulfillment Supervisory Committee became unable to operate, and its duties were performed by the Financial and Internal Control Supervisory Committee in its stead.

2. The qualifications of Mr. Dong Qingxiu, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang as Supervisors were approved by NFRA on 23 May 2023, and the term of office of Mr. Dong Qingxiu as the chairman of the Supervisory Committee commenced on the same day. In accordance with the Working Rules of the Duty Performance and Fulfillment Supervisory Committee of the Supervisory Committee, the chairman of the Supervisory Committee shall act as the committee chairman of the Duty Performance and Fulfillment Supervisory Committee, therefore, the term of office of Mr. Dong Qingxiu as the committee chairman of the Duty Performance and Fulfillment Supervisory Committee, and the terms of office of Mr. Zhou Zhiwen and Mr. Fu Xiaoliang as members of the Duty Performance and Fulfillment Supervisory Committee commenced on 23 May 2023, and the Duty Performance and Fulfillment Supervisory Committee resumed operation on the same day.

3. At the 1st meeting of the sixth session of the Supervisory Committee of the Company held on 8 August 2023, Mr. Dong Qingxiu was re-elected as the chairman of the Supervisory Committee (and served as the committee chairman of Duty Performance and Fulfillment Supervisory Committee automatically), Mr. Zhou Zhiwen and Mr. Fu Xiaoliang were re-elected as the members of the Duty Performance and Fulfillment Supervisory Committee, whose terms of office commenced on 8 August 2023.

### DUTIES AND RESPONSIBILITIES

The Duty Performance and Fulfillment Supervisory Committee is primarily responsible for formulating supervisory rules for the performance and fulfillment of duties of Directors and senior management, making execution plans and enforcing the implementation of such plans, providing supervisory advice on the performance and fulfillment of duties of Directors and senior management, making proposals on the nomination for the Shareholder Supervisors, External Supervisors and members of specialised committees under the Supervisory Committee, and reviewing the work performance of Supervisors.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Duty Performance and Fulfillment Supervisory Committee held three meetings and considered 6 proposals. The attendance record of committee members at the meetings is as follows:

| Name | Dong Qingxiu | Zhou Zhiwen | Fu Xiaoliang |
|---|---|---|---|
| Number of meetings attended in person/Number of meetings that require attendance | 3/3 | 3/3 | 3/3 |
| Attendance rate in person | 100% | 100% | 100% |

*Note:* During the Year and up to the date of this report, some newly-elected Supervisors' qualifications took effect and their terms of office as committee chairman and committee members of the Duty Performance and Fulfillment Supervisory Committee commenced simultaneously. The table above lists the numbers of meetings held and attended in person by each member during his term of office in the Year.

The major work accomplished by the Duty Performance and Fulfillment Supervisory Committee in the Year included:

- considered and approved the candidates for Shareholder Supervisors and External Supervisors and gave suggestions to the Supervisory Committee;
- reviewed the report on the audit of Zou Zhihong, the former secretary of the board of directors of the Company, and gave suggestions to the Supervisory Committee; and
- considered and approved the Code of Professional Ethics of the Board and gave suggestions to the Supervisory Committee.

## FINANCIAL AND INTERNAL CONTROL SUPERVISORY COMMITTEE

### OVERVIEW

During the Year, the Financial and Internal Control Supervisory Committee mainly supervised corporate financial affairs, internal control, risk management, etc., conducted the annual appraisal of the performance of Directors and Supervisors, considered the internal control assessment report, risk assessment report, financial reports and results announcements, the performance report of the Independent Directors and report on performance and the performance evaluation results of the Directors, etc.

### COMPOSITION

During the Year and up to the date of this report, the Financial and Internal Control Supervisory Committee comprised:

| | |
|---|---|
| Chairman: | Wang Yadong (Shareholder Supervisor), Lu Zhengfei (External Supervisor, retired) |
| Members: | Li Shuk Yin Edwina (External Supervisor), Carson Wen (External Supervisor), Fu Xiaoliang (Employee Supervisor) |

*Note:* At the 1st meeting of the sixth session of the Supervisory Committee of the Company held on 8 August 2023, Mr. Wang Yadong was elected as the chairman of the Financial and Internal Control Supervisory Committee, Ms. Li Shuk Yin Edwina, Mr. Carson Wen and Mr. Fu Xiaoliang were elected as members of the Financial and Internal Control Supervisory Committee. The term of office of Mr. Wang Yadong as the committee chairman and the terms of office of Ms. Li Shuk Yin Edwina and Mr. Fu Xiaoliang as committee members commenced on 8 August 2023, and the term of office of Mr. Carson Wen as a committee member commenced on 23 November 2023 (the date on which his qualification as a Supervisor was approved).

### DUTIES AND RESPONSIBILITIES

The Financial and Internal Control Supervisory Committee is primarily responsible for formulating the supervisory rules for the financial and internal control of the Company, making execution plans and enforcing the implementation of such plans, reviewing the financial and internal control related documents including financial reports, business reports, profit distribution plans and assessment reports on internal control, supervising the compliance of appointment, removal and re-appointment of the external auditor, reviewing the fairness of the terms of appointment and the remuneration of the external auditor, and assessing the independence and effectiveness of the external audit work, etc.

### SUMMARY OF WORK UNDERTAKEN

During the Year, the Financial and Internal Control Supervisory Committee held seven meetings and considered 37 proposals. The attendance record of committee members at the meetings is as follows:

| Name | Wang Yadong | Li Shuk Yin Edwina | Carson Wen | Fu Xiaoliang | Lu Zhengfei |
|---|---|---|---|---|---|
| Number of meetings attended in person/Number of meetings that require attendance | 7/7 | 6/6 | 1/1 | 3/3 | 4/4 |
| Attendance rate in person | 100% | 100% | 100% | 100% | 100% |

*Note:* During the Year and up to the date of this report, a Supervisor retired and ceased to act as the chairman of the Financial and Internal Control Supervisory Committee simultaneously, and some newly-elected Supervisors' qualifications took effect and their terms of office as committee members of the Financial and Internal Control Supervisory Committee commenced simultaneously. The table above lists the numbers of meetings held and attended by each member in person during his/her term of office in the Year.

The major work accomplished by the Financial and Internal Control Supervisory Committee in the Year included:

- considered and approved the Auditor's Report, the audited financial statements, profit distribution plan and report on the implementation of business development plan for 2022, and gave suggestions to the Supervisory Committee;

- considered and approved the business development and financial plan and fixed asset investment plan for 2023, and gave suggestions to the Supervisory Committee;

- considered and approved the internal control assessment report, the compliance report, the risk assessment report, the Corporate Governance Report, the management recommendation letter, the strategic risk management report, report on performance and the performance evaluation results of the Supervisors, report on performance and the performance evaluation results of the Directors, and performance report of the Independent Directors for 2022, and gave suggestions to the Supervisory Committee;

- reviewed the work report of the auditing of the Company conducted by PICC Group Audit Center for the third quarter of 2022, 2022 and the first half of 2023;

- considered and approved the Report on the Implementation of Related Party Transactions and Report on the Results of Special Audit of Related Party Transaction for 2022, and gave suggestions to the Supervisory Committee;

- considered and approved the annual report and results announcements for 2022 and interim financial report and interim results announcement for 2023, and the financial statements and results announcement for the first and third quarters of 2023, and gave suggestions to the Supervisory Committee;

- reviewed the report on audit plan and results for 2022 and the report on audit of interim results for 2023 and audit plan for 2023 issued by the auditor; and

- considered and approved the report on insurance consumers' rights and interests protection, report of rectification and implementation of consumers' rights and interests protection regulatory evaluation of 2022 and Administrative Measures for Consumers' Rights and Interests Protection (2023 Version), and gave suggestions to the Supervisory Committee.

## COMPANY SECRETARY

Ms. Zhang Xiao was appointed as Company Secretary on the 29 December 2021. She is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She has received no less than 15 hours of relevant professional training during the Year. Mr. Zhu Yuzhen, the general manager of the Administrative Department of the Company, is the primary contact person of Ms. Zhang at the Company.

## RIGHTS OF SHAREHOLDERS

### *METHODS OF CONVENING EXTRAORDINARY GENERAL MEETINGS*

According to the Articles of Association and the Rules of Procedures for Shareholders' General Meeting of the Company, any shareholder(s), individually or collectively holding 10% or more of the total voting shares of the proposed meeting, may sign one or more written requests in the same format with same content to request the Board of Directors to convene an extraordinary general meeting and to clarify the topics of the meeting. The Board of Directors shall convene an extraordinary general meeting as soon as possible after the receipt of the aforementioned written request.

### *PROCEDURES FOR PROPOSING RESOLUTIONS AT ANNUAL GENERAL MEETINGS*

Any shareholder(s), individually or collectively, holding 3% or more of the shares of the Company is entitled to propose resolution(s) to the Company. Any shareholder(s), individually or collectively, holding 3% or more of the total voting shares of the Company is entitled to propose new resolution(s) and submit such proposed resolution(s) in writing to the Board 10 days prior to the annual general meeting. The Board shall notify other shareholders of such proposed resolution(s) within two days after receipt of such proposal(s) and submit the same to the annual general meeting for consideration. The proposed resolution(s) shall be within the scope of the shareholders' general meeting and shall contain explicit subjects and specific matters to be resolved. The proposed resolution(s) submitted by a shareholder to the Board shall be delivered in person or by registered mail to the Administrative Departments of the Company, according to the registered address listed in the inside back cover of this annual report.

## DIVIDEND POLICY

The Company may decide to use cash dividends or stock dividends to distribute profits based on its development plan, production, operation, and capital status. When the Company meets its profit goal for the year, the accumulated amount of undistributed profit is positive, and the relevant regulatory indicators reach the cash dividend standards stipulated by relevant laws and regulations, it shall, in principle, distribute cash dividends once a year.

## INVESTOR RELATIONS

The Company focused on the maintenance of sound investor relations and maintained effective communication with investors through various means. After the announcements of the 2022 annual results and the first quarter's, interim and the third quarter's results of 2023, the Company by way of results briefings and roadshows, among others, timely communicated its operating results and business development trends with investors which strengthened communication with investors and facilitated the understanding of the Company by investors. The Company also maintained close and sound communication with investors through accepting investors' visits, proactively visiting investors, attending major investment forums, holding investor open day events, communicating by telephone and email, etc., and proactively provided information to investors on the Company's website, to establish and maintain good relationships with investors. The shareholders' general meeting of the Company provides an opportunity to communicate directly with the Directors. The Directors of the Company will attend the shareholders' general meeting to answer shareholders' questions.

Investors can reach the Company by telephone, e-mail, mail, etc. For contact details, please see the telephone number, e-mail address and registered address of the Company listed in the back cover of this annual report. On the Company's website (https://property.picc.com), there is a section titled "Investor Relations", in which the information is updated timely.

Through the above communication measures and procedures with investors and shareholders, the Company has reviewed and examined the effectiveness of the relevant communication policies with investors and shareholders during the Year and believes that the above policies and measures can ensure effective communication between the Company and investors and shareholders.

## PARTICULARS OF THE LATEST SHAREHOLDERS' GENERAL MEETING

The latest shareholders' general meeting of the Company was the extraordinary general meeting held at PICC P&C Building, Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC on 8 August 2023, at which the election of Directors of the sixth session of the Board and Supervisors (excluding Employee Supervisors) of the sixth session of the Supervisory Committee were considered and approved by way of poll. Details are set out in the circular of the Company dated 19 July 2023 and the announcement in relation to the poll results of the extraordinary general meeting dated 8 August 2023.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

There have been no amendments to the Articles of Association during the Year and up to the date of this report.

# Independent Auditor's Report

**To the Shareholders of PICC Property and Casualty Company Limited**

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

## OPINION

### What we have audited

The consolidated financial statements of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 98 to 310, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

### Independence

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

## KEY AUDIT MATTERS

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

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

- Valuation of liability for incurred claims ("LIC") of insurance contracts measured under the premium allocation approach ("PAA")

- Valuation of level 3 financial assets measured at fair value

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of LIC of insurance contracts measured under the PAA**<br><br>Refer to note 2.4(5) Material accounting policy information – Insurance contracts, note 3(1) Significant judgements and estimates – Estimates of fulfilment cash flows, and note 26 Insurance contracts to the consolidated financial statements.<br><br>As at 31 December 2023, the Group's LIC of insurance contracts measured under the PAA was RMB154.5 billion, representing 33% of the Group's total liabilities.<br><br>We focused on this area because the valuation of LIC of insurance contracts measured under the PAA involved a high degree of judgement by management in selecting models and setting assumptions including expected loss ratios and future claim development pattern, and the inherent risk in relation to the valuation of LIC of insurance contracts measured under the PAA was considered significant. | We (including our actuarial experts) performed the following audit procedures over the valuation of LIC of insurance contracts measured under the PAA:<br><br>• We obtained an understanding of the management's assessment processes and internal controls of the valuation of LIC of insurance contracts measured under the PAA and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.<br><br>• We evaluated and tested the key controls over the valuation of LIC of insurance contracts measured under the PAA including data collection and analysis, and approval process for management's assumption setting, etc.<br><br>• We performed independent modelling analysis for the valuation of LIC of insurance contracts measured under the PAA by performing below procedures:<br><br>◇ For the underlying data used in actuarial models, we compared the data to source systems, such as earned premiums and reported claims to the business data.<br><br>◇ We set up independent actuarial assumptions including expected loss ratios, future claim development pattern, etc., by considering both the Group's historical data and applicable industry experiences.<br><br>◇ We evaluated the overall reasonableness of the Group's valuation of LIC of insurance contracts measured under the PAA by comparing management's results to the results from our independent modelling analysis and calculation.<br><br>Based on our audit work, we found management judgements in the valuation of LIC of insurance contracts measured under the PAA supportable by the evidence we gathered. |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of level 3 financial assets measured at fair value**<br><br>Refer to note 3(5) Significant judgements and estimates – Fair value of financial assets determined using valuation techniques and note 40 Classification and fair value of financial instruments to the consolidated financial statements.<br><br>As at 31 December 2023, the Group's financial assets measured at fair value that were classified as level 3 were RMB37.6 billion, representing 5% of the Group's total assets.<br><br>We focused on this area because level 3 financial assets measured at fair value were valued based on models and assumptions and inputs that are not observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 financial assets measured at fair value was considered significant. | We obtained an understanding of the management's assessment processes and internal controls of the valuation of level 3 financial assets measured at fair value and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.<br><br>We evaluated and tested the key controls over the valuation of level 3 financial assets measured at fair value including management's determination and approval of internally operated valuation models, methodologies and assumptions used in model-based calculations, controls over data integrity and data choice, and management's review of valuation inputs provided by data vendors.<br><br>We (including our valuation experts) performed the following audit procedures over the valuation of level 3 financial assets measured at fair value on a sample basis:<br><br>• We assessed valuation model methodologies and assumptions against industry practice and valuation guidelines.<br><br>• We compared the significant unobservable inputs such as discount rates and liquidity discounts used in the valuation models with information available from appropriate third-party sources.<br><br>• We independently developed fair value estimates and compared them to the management's valuation results.<br><br>Based on our audit work, we found that the valuation methodologies applied were acceptable and that the inputs and assumptions used were supportable by the evidence we gathered. |

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong,
26 March 2024

# Consolidated Income Statement

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

| | *Notes* | 2023 | 2022 (Restated) |
|---|---|---|---|
| Insurance revenue | *5* | **457,203** | 424,355 |
| Insurance service expenses | | **(431,991)** | (395,966) |
| Net expenses from reinsurance contracts held | | **(6,142)** | (5,993) |
| **INSURANCE SERVICE RESULT** | | **19,070** | 22,396 |
| Finance expenses from insurance contracts issued | *6* | **(10,127)** | (9,333) |
| Finance income from reinsurance contracts held | *6* | **1,246** | 1,301 |
| Investment income | *7* | **Not applicable** | 20,180 |
| Net realised and unrealised losses on investments | *8* | **Not applicable** | (3,706) |
| Investment related expenses | | **Not applicable** | (500) |
| Interest income from financial assets not measured at fair value through profit or loss | *9* | **11,710** | Not applicable |
| Other investment income | *10* | **4,077** | Not applicable |
| Credit impairment losses | *11* | **(423)** | Not applicable |
| Other income | | **195** | 1,064 |
| Other finance costs | *12* | **(1,151)** | (1,005) |
| Other operating expenses | *13* | **(2,203)** | (1,818) |
| Share of profit or loss of associates and joint ventures | | **5,530** | 4,777 |
| Dilution loss arising on a reduced stake in an associate | | **–** | (95) |
| Foreign exchange gains, net | | **111** | 759 |
| **PROFIT BEFORE INCOME TAX** | | **28,035** | 34,020 |
| Income tax expense | *14* | **(3,469)** | (4,912) |
| **NET PROFIT FOR THE YEAR** | | **24,566** | 29,108 |
| Attributable to: | | | |
| Owners of the parent | | **24,585** | 29,163 |
| Non-controlling interests | | **(19)** | (55) |
| Basic earnings per share | *17* | **RMB1.105** | RMB1.311 |
| Diluted earnings per share | *17* | **RMB1.105** | RMB1.311 |

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

# Consolidated Statement of Comprehensive Income

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

| | Notes | 2023 | 2022 (Restated) |
|---|---|---|---|
| **NET PROFIT FOR THE YEAR** | | **24,566** | 29,108 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Finance expenses from insurance contracts issued | 6 | **(465)** | (215) |
| Finance income from reinsurance contracts held | 6 | **83** | 47 |
| Debt instruments at fair value through other comprehensive income | | | |
| Changes in fair value | | **2,052** | Not applicable |
| Reclassification of gains to profit or loss upon disposals | | **(681)** | Not applicable |
| Changes in impairment allowance recorded in profit or loss | | **(13)** | Not applicable |
| Available-for-sale financial assets | | | |
| Changes in fair value | | **Not applicable** | (7,893) |
| Reclassification of gains to profit or loss upon disposals | | **Not applicable** | (5,069) |
| Impairment losses | | **Not applicable** | 470 |
| Income tax effect | 33 | **(244)** | 3,057 |
| Share of other comprehensive income of associates and joint ventures | | **(671)** | (1,010) |
| **NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS** | | **61** | (10,613) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Gains on revaluation of properties and right-of-use assets upon transfer to investment properties | 30 | **397** | 636 |
| Changes in fair value of equity instruments designated at fair value through other comprehensive income | | **(1,951)** | Not applicable |
| Income tax effect | 33 | **360** | (153) |
| **NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS** | | **(1,194)** | 483 |
| **OTHER COMPREHENSIVE INCOME FOR THE YAER, NET OF TAX** | | **(1,133)** | (10,130) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **23,433** | 18,978 |
| Attributable to: | | | |
| Owners of the parent | | **23,441** | 19,019 |
| Non-controlling interests | | **(8)** | (41) |

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

# Consolidated Statement of Financial Position

**AS AT 31 DECEMBER 2023**

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

| | Notes | 31 December 2023 | 31 December 2022 (Restated) | 1 January 2022 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 19 | 16,526 | 21,250 | 17,414 |
| Financial investments: | | | | |
| Debt securities | 20 | Not applicable | 192,970 | 172,851 |
| Equity securities and mutual funds | 21 | Not applicable | 140,718 | 143,804 |
| Investments classified as loans and receivables | 22 | Not applicable | 71,313 | 58,638 |
| Financial investments at amortised cost | 23 | 126,192 | Not applicable | Not applicable |
| Financial assets at fair value through other comprehensive income | 24 | 180,142 | Not applicable | Not applicable |
| Financial assets at fair value through profit or loss | 25 | 144,047 | Not applicable | Not applicable |
| Insurance contract assets | 26 | 2,885 | 611 | 442 |
| Reinsurance contract assets | 26 | 38,891 | 36,827 | 31,600 |
| Term deposits | 27 | 57,785 | 73,657 | 73,574 |
| Investments in associates and joint ventures | 28 | 62,601 | 58,085 | 55,731 |
| Investment properties | 30 | 7,576 | 7,440 | 5,851 |
| Property and equipment | 31 | 24,091 | 24,774 | 23,743 |
| Right-of-use assets | 32 | 5,436 | 5,558 | 5,926 |
| Deferred income tax assets | 33 | 10,139 | 12,083 | 4,749 |
| Prepayments and other assets | 34 | 27,312 | 27,176 | 24,986 |
| **TOTAL ASSETS** | | 703,623 | 672,462 | 619,309 |
| **LIABILITIES** | | | | |
| Securities sold under agreements to repurchase | | 40,037 | 41,690 | 37,985 |
| Income tax payable | | 8 | 3,446 | 856 |
| Investment contract liabilities | 36 | 1,736 | 1,741 | 1,748 |
| Insurance contract liabilities | 26 | 371,829 | 351,254 | 317,513 |
| Reinsurance contract liabilities | 26 | 21 | – | – |
| Bonds payable | 37 | 8,365 | 8,097 | 8,058 |
| Lease liabilities | | 1,316 | 1,484 | 1,786 |
| Accruals and other liabilities | 38 | 46,007 | 43,145 | 39,789 |
| **TOTAL LIABILITIES** | | 469,319 | 450,857 | 407,735 |

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

# Consolidated Statement of Financial Position

| | Notes | 31 December 2023 | 31 December 2022 (Restated) | 1 January 2022 (Restated) |
|---|---|---|---|---|
| **EQUITY** | | | | |
| Issued capital | *39* | **22,242** | 22,242 | 22,242 |
| Reserves | | **209,178** | 196,471 | 186,570 |
| Equity attributable to owners of the parent | | **231,420** | 218,713 | 208,812 |
| Non-controlling interests | | **2,884** | 2,892 | 2,762 |
| **TOTAL EQUITY** | | **234,304** | 221,605 | 211,574 |
| **TOTAL LIABILITIES AND EQUITY** | | **703,623** | 672,462 | 619,309 |

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

# Consolidated Statement of Changes In Equity

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

| | For the year ended 31 December 2023 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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)** | 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** | 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 year | - | - | - | - | - | - | - | - | - | - | 24,585 | 24,585 | (19) | 24,566 |
| Other comprehensive income | - | - | 290 | (476) | - | (287) | - | - | - | (671) | - | (1,144) | 11 | (1,133) |
| Appropriations to statutory surplus reserve and general risk reserve | - | - | - | - | - | - | 2,491 | 2,491 | - | - | (4,982) | - | - | - |
| Appropriations to discretionary surplus reserve | - | - | - | - | - | - | 10,000 | - | - | - | (10,000) | - | - | - |
| Appropriations to catastrophic loss reserve | - | - | - | - | - | - | - | - | 255 | - | (255) | - | - | - |
| Utilisation of catastrophic loss reserve | - | - | - | - | - | - | - | - | (210) | - | 210 | - | - | - |

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

For the year ended 31 December 2023

| | Attributable to owners of the parent | | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | | |
| Dividends declared *(note 18)* | - | - | - | - | - | - | - | - | - | - | (10,632) | (10,632) | - | (10,632) |
| Reclassification of losses of equity instruments at fair value through other comprehensive income to retained earnings upon disposals | - | - | - | 266 | - | - | (27) | (27) | - | - | (212) | - | - | - |
| Others | - | (1) | - | - | - | - | - | - | - | - | - | (1) | - | (1) |
| **31 December 2023** | 22,242 | 11,346 | 5,028 | 9,882 | - | (514) | 80,155 | 25,878 | 130 | (1,223) | 78,496 | 231,420 | 2,884 | 234,304 |

* The consolidated reserves of RMB209,178 million in the consolidated statement of financial position at 31 December 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 consolidated financial statements.

For the year ended 31 December 2022 (Restated)

| | 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 | 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) | 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 | | | | | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 29,163 | 29,163 | (55) | 29,108 |
| Other comprehensive income | - | - | 469 | (9,477) | (126) | - | - | - | (1,010) | - | (10,144) | 14 | (10,130) |

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

For the year ended 31 December 2022 (Restated)

| | 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 |
| Appropriations to statutory surplus reserve and general risk reserve | - | - | - | - | - | 2,858 | 2,858 | - | - | (5,716) | - | - | - |
| Appropriations to catastrophic loss reserve | - | - | - | - | - | - | - | 428 | - | (428) | - | - | - |
| Utilisation of catastrophic loss reserve | - | - | - | - | - | - | - | (650) | - | 650 | - | - | - |
| Dividends declared *(note 18)* | - | - | - | - | - | - | - | - | - | (9,053) | (9,053) | - | (9,053) |
| Contributions from non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 171 | 171 |
| Others | - | (65) | - | - | - | - | - | - | - | - | (65) | - | (65) |
| 31 December 2022 (Restated) | 22,242 | 11,347 | 4,738 | 11,878 | (227) | 67,526 | 23,249 | 85 | (1,707) | 79,582 | 218,713 | 2,892 | 221,605 |

* The consolidated reserves of RMB196,471 million in the consolidated statement of financial position at 31 December 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 consolidated financial statements.

# Consolidated Statement of Cash Flows

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

| | *Notes* | **2023** | 2022 (Restated) |
|---|---|---|---|
| **NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES** | | | |
| Profit before income tax | | **28,035** | 34,020 |
| Adjustments for: | | | |
| Investment income | *7* | **Not applicable** | (20,180) |
| Net realised and unrealised losses on investments | *8* | **Not applicable** | 3,706 |
| Interest income from financial assets not measured at fair value through profit or loss | *9* | **(11,710)** | Not applicable |
| Other investment income | *10* | **(4,077)** | Not applicable |
| Credit impairment losses | *11* | **423** | Not applicable |
| Foreign exchange gains, net | | **(111)** | (759) |
| Share of profit or loss of associates and joint ventures | | **(5,530)** | (4,777) |
| Depreciation of property and equipment | *13,31* | **1,834** | 1,968 |
| Depreciation of right-of-use assets | *13,32* | **961** | 1,041 |
| Amortisation of intangible assets | *13* | **955** | 708 |
| Net gains upon disposals of property and equipment | | **(110)** | (118) |
| Other finance costs | *12* | **1,151** | 1,005 |
| Investment related expenses | | **Not applicable** | 500 |
| Other impairment losses | | **10** | 59 |
| **Operating cash flows before working capital changes** | | **11,831** | 17,173 |
| Changes in working capital: | | | |
| Decrease in investment contract liabilities | | **(5)** | (7) |
| Increase in other assets | | **(1,985)** | (623) |
| Increase in accruals and other liabilities | | **3,021** | 4,552 |
| Increase in reinsurance contract assets, net | | **(2,043)** | (5,227) |
| Increase in insurance contract liabilities, net | | **18,301** | 33,572 |
| Cash generated from operating activities | | **29,120** | 49,440 |
| Income tax paid | | **(8,578)** | (6,730) |
| **Subtotal** | | **20,542** | 42,710 |

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

# Consolidated Statement of Cash Flows

| | Notes | 2023 | 2022 (Restated) |
|---|---|---|---|
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | | | |
| Interest received | | **14,800** | 12,954 |
| Rental income received from investment properties | | **397** | 325 |
| Dividends received from financial investments | | **5,282** | Not applicable |
| Dividends received from equity securities and mutual funds | | **Not applicable** | 6,124 |
| Payment for capital expenditure | | **(2,734)** | (5,563) |
| Proceeds from sales and maturities of financial investments | | **115,205** | Not applicable |
| Payment for purchase of financial investments | | **(161,770)** | Not applicable |
| Proceeds from sales of debt securities, equity securities and mutual funds | | **Not applicable** | 146,927 |
| Proceeds from maturities of investments classified as loans and receivables | | **Not applicable** | 10,296 |
| Payment for purchase of debt securities, equity securities and mutual funds | | **Not applicable** | (181,754) |
| Payment for purchase of investments classified as loans and receivables | | **Not applicable** | (22,871) |
| Payment for acquisition of associates and joint ventures | | **(980)** | – |
| Dividends received from associates and joint ventures | | **1,393** | 1,254 |
| Proceeds from disposal of property and equipment, intangible assets and other assets | | **218** | 203 |
| Decrease/(Increase) in term deposits, net | | **17,059** | (83) |
| **Subtotal** | | **(11,130)** | (32,188) |
| **NET CASH FLOWS USED IN FINANCING ACTIVITIES** | | | |
| (Decrease)/Increase in securities sold under agreements to repurchase, net | | **(1,673)** | 3,705 |
| Principal elements of lease payments | | **(859)** | (927) |
| Interest paid | | **(1,059)** | (893) |
| Dividends paid | | **(10,632)** | (9,053) |
| Funds from capital invested by non-controlling interests | | **–** | 171 |
| **Subtotal** | | **(14,223)** | (6,997) |

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

# Consolidated Statement of Cash Flows

| | Notes | 2023 | 2022 (Restated) |
|---|---|---|---|
| **EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **49** | 311 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(4,762)** | 3,836 |
| Cash and cash equivalents at beginning of the year | | **21,250** | 17,414 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | *19* | **16,488** | 21,250 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Demand deposits and cash on hand | *19* | **12,242** | 10,848 |
| Securities purchased under resale agreements with original maturity of no more than three months | *19* | **4,246** | 10,397 |
| Term deposits with original maturity of no more than three months | *19* | **–** | 5 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | *19* | **16,488** | 21,250 |

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

## 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 the 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 consolidated financial statements.

The consolidated financial statements are 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Group continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments measured at fair value, insurance contracts issued and reinsurance contracts held measured on a current value basis as explained in note 2.4 (5) and note 3 (1).

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

### 2.2 Application of new standards and amendments

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

| | |
|---|---|
| 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 |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

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

Except for the application of HKFRS 9 and HKFRS 17, the application of amendments to HKFRSs in current year has 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 consolidated financial statements.

*(1) HKFRS 9 – Financial Instruments*

**HKFRS 9 "Financial Instruments" – Impact of adoption**

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 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 (6).

## 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 or loss | FVPL | 3,936 |
| | FVOCI | 145,275 | 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 or loss | FVPL | 53,463 |
| | FVPL | 8,143 | Financial assets at fair value through profit or 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 or loss | FVPL | 69,779 |
| | FVPL | 3,030 | Financial assets at fair value through profit or 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 or 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(i) | 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 or 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 or loss | | | | |
| Reclassification to financial assets at fair value through profit or loss | | (8,143) | - | |
| Available-for-sale financial assets, at fair value | | | | |
| Reclassification to financial assets at fair value through profit or loss | | (52,671) | - | |
| Reclassification to financial investments at amortised cost | | (13,122) | - | |
| Reclassification to financial assets at fair value through other comprehensive income | | (79,482) | - | |
| **Equity securities and mutual funds** | 140,718 | (140,718) | - | Not applicable |
| Financial assets at fair value through profit or loss | | | | |
| Reclassification to financial assets at fair value through profit or loss | | (3,030) | - | |
| Available-for-sale financial assets, at fair value | | | | |
| Reclassification to financial assets at fair value through profit or 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 or loss | | (2,130) | - | |
| Reclassification to financial investments at amortised cost | | (69,183) | - | |

## 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[i] | Remeasurement effects | 1 January 2023 |
|---|---|---|---|---|
| **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 | – | |
| **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 or 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 or loss | | 8,143 | – | |
| Transfer from available-for-sale financial assets, at fair value | | 52,671 | – | |
| Transfer from equity securities and mutual funds | | | | |
| Transfer from financial assets at fair value through profit or 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 | – | |
| **Term deposits** | 73,657 | 1,341 | (154) | **74,844** |
| Transfer from prepayments and other assets | | 1,341 | – | |

## 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[i] | Remeasurement effects | 1 January 2023 |
|---|---|---|---|---|
| **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 or 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) | – | |

Note (i): The 'reclassification effects' includes the following representation effect with the adoption of HKFRS 9:

(a) interest accrued (but not yet due) on a financial instrument was no longer separately presented on the consolidated statement of financial position, but together with the financial instrument on which the interest was accrued;

(b) the presentation of financial investments on the consolidated statement of financial position was changed from 'by class' to 'by category'.

## 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[ii] | 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[ii]/ Financial assets at fair value through other comprehensive income | 2,807 | (2,675) | 116 | 248 |
| Term deposits | – | – | 154 | 154 |
| Prepayments and other assets | 922 | – | 235 | 1,157 |

Note (ii): the 'reclassification effects' includes impairment provision of RMB2,807 million arising from available-for-sale equity instruments which are no longer subject to any impairment test under HKFRS 9.

#### *(2) HKFRS 17- Insurance Contracts*

**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 for most of its insurance contracts issued and reinsurance contracts held while the GMM is applied for the rest in some circumstances.

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

### 2.2 Application of new standards and amendments (continued)

#### *(2) HKFRS 17- Insurance Contracts (continued)*

**HKFRS 17 "Insurance Contracts" – Impact of adoption (continued)**

For the purposes 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.

**(a) Transition approaches**

At the transition date, identified as 1 January 2022, the Group has applied the full retrospective approach to the extent practicable. To the extent where the full retrospective approach was impracticable, the Group applied the modified retrospective approach ("MRA") or the fair value approach ("FVA") at the transition date as described below. For the groups of insurance contracts issued and reinsurance contracts held within or before 2020, the Group applies the FVA. For the groups of insurance contracts issued and reinsurance contract held in 2021 and measured under the GMM, the Group applies the MRA.

Modified retrospective approach

The Group has determined applying the MRA for certain groups of insurance contracts issued measured under the GMM 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 MRA was applied as follows:

i. The discount rates at initial recognition of a group of contracts were determined retrospectively using the bottom-up approach as explained in note 3(1);

ii. 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 date and the date of initial recognition;

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

### 2.2 Application of new standards and amendments (continued)

#### *(2) HKFRS 17- Insurance Contracts (continued)*

##### (a) Transition approaches (continued)

Modified retrospective approach (continued)

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

iv. 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.

The Group disaggregates insurance finance income or expenses between profit or loss and other comprehensive income for all the insurance contracts. The amount of accumulated other comprehensive income at the transition date for each group of contracts under the MRA was determined to be the difference between the present value of estimated future cash flows discounted using the current discount rate at the transition date and the present value of the estimated future cash flows discounted using the locked-in discount rate at the initial recognition of the group of contracts.

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

### 2.2 Application of new standards and amendments (continued)

#### *(2) HKFRS 17- Insurance Contracts (continued)*

##### (a) Transition approaches (continued)

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 liability for remaining coverage at transition date as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The Group applies the FVA with considerations of the following:

i. Including in a group contracts issued or held more than one year apart;

ii. The discount rates were determined at the transition date instead of at the date of initial recognition;

iii. 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;

iv. 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)

### 2.2 Application of new standards and amendments (continued)

*(2) HKFRS 17- Insurance Contracts (continued)*

(b) The impact on the Group's consolidated statement of financial position as at 1 January 2022 is as follows:

| | 31 December 2021 | Impact of initial application of HKFRS 17 | 1 January 2022 |
|---|---|---|---|
| **Total assets** | 682,622 | (63,313) | 619,309 |
| Includes: Insurance receivables | 55,399 | (55,399) | Not applicable |
| Reinsurance assets | 37,535 | (37,535) | Not applicable |
| Insurance contract assets | Not applicable | 442 | 442 |
| Reinsurance contract assets | Not applicable | 31,600 | 31,600 |
| Investments in associates and joint ventures | 56,945 | (1,214) | 55,731 |
| Deferred income tax assets | 7,116 | (2,367) | 4,749 |
| Prepayments and other assets | 23,826 | 1,160 | 24,986 |

| | 31 December 2021 | Impact of initial application of HKFRS 17 | 1 January 2022 |
|---|---|---|---|
| **Total liabilities** | 476,973 | (69,238) | 407,735 |
| Includes: Payables to reinsurers | 22,496 | (22,496) | Not applicable |
| Insurance contract liabilities | 338,781 | (21,268) | 317,513 |
| Reinsurance contract liabilities | Not applicable | – | – |
| Accruals and other liabilities | 65,263 | (25,474) | 39,789 |
| **Total equity** | 205,649 | 5,925 | 211,574 |
| Includes: Reserves | 180,645 | 5,925 | 186,570 |

## 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 and interpretation that have been issued but are not yet effective, in the consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[1] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[1] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[1] |
| Amendments to HKFRS 16 | Lease liabilities in a Sale and Leaseback[1] |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1] |
| Amendments to HKAS 21 | Lack of Exchangeablility[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associated or Joint Venture[3] |

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

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

None of these amendments and interpretation is expected to have a significant effect on the consolidated financial statements of the Group.

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

### 2.4 Material accounting policy information

#### *(1) Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

### 2.4 Material accounting policy information (continued)

#### *(1) Basis of consolidation (continued)*

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### *(2) Investments in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

### 2.4 Material accounting policy information (continued)

#### *(2) Investments in associates and joint ventures (continued)*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transactions and events in similar circumstances, unless allowed by other standards. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

### 2.4 Material accounting policy information (continued)

#### *(2) Investments in associates and joint ventures (continued)*

The Group assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

### 2.4 Material accounting policy information (continued)

#### *(2) Investments in associates and joint ventures (continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interests in an associate or a joint venture but the Group continues to use the equity method (including situations that change of ownership interest in an associate or a joint venture due to capital increase of other shareholders to the associate or the joint venture), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The investments in associates and joint ventures are stated at cost less impairment in the Company's statement of financial position. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable.

#### *(3) Foreign currencies*

These financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency. RMB is used by each entity in the Group as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded in RMB using the exchange rates prevailing at the dates of the transactions.

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

### 2.4 Material accounting policy information (continued)

#### *(3) Foreign currencies (continued)*

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss (or other comprehensive income where applicable) in the period in which they arise.

#### *(4) Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

#### *(5) Insurance contracts*

##### (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.

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

## 2.4 Material accounting policy information (continued)

### *(5) Insurance contracts (continued)*

#### (a) Definition and classification (continued)

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 consolidated financial statements apply to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held, unless specifically stated otherwise.

#### (b) Unit of accounts

Level of aggregation of insurance contracts

The Group categorises insurance contracts subject to similar risks and managed together into the same portfolio. The Group further divides each 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.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (b) Unit of accounts (continued)

Level of aggregation of insurance contracts (continued)

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 policy information (continued)

#### *(5) Insurance contracts (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 policy information (continued)

#### *(5) Insurance contracts (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.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Fulfilment cash flows ("FCF") and contract boundary (continued)

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.

Insurance contracts issued measured under the GMM

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.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Insurance contracts issued measured under the GMM (continued)

Initial measurement (continued)

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; and

(3) the derecognition of any other pre-recognition cash flows.

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.

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.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Insurance contracts issued measured under the GMM (continued)

Subsequent measurement (continued)

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 policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Insurance contracts issued measured under the GMM (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 the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk;

(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.

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.

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

### 2.4 Material accounting policy information (continued)

*(5) Insurance contracts (continued)*

#### (d) Measurement of insurance contracts (continued)

Insurance contracts issued measured under the GMM (continued)

Measurement of onerous contracts (continued)

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 policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Insurance contracts issued 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 measured under the GMM.

(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 on that date.

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.

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;

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Insurance contracts issued measured under the PAA (continued)

Subsequent measurement (continued)

- 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. The LRC calculated as such is treated as the LRC without loss component for the onerous group of insurance contracts issued measured under the PAA.

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.

Measurement of onerous contracts

If facts and circumstances indicate that a group of insurance contracts is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amount of the FCF determined under the GMM with the amount of such an increase recognised in the insurance service expenses, and a loss component is established for the amount of the loss recognised.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Insurance contracts issued measured under the PAA (continued)

Measurement of onerous contracts (continued)

In subsequent periods, the loss component is remeasured at each reporting date in the same way as that for its initial recognition, being the difference between the current estimates of the FCF that relate to the remaining coverage and the carrying amount of the LRC without loss component, subject to minimum of zero. The changes in the amount of loss component are recognized within the insurance service expenses.

Reinsurance contracts held measured under the GMM

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.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Reinsurance contracts held measured under the GMM (continued)

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.

(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.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of the asset for remaining coverage ("ARC") and the asset for incurred claims ("AIC").

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

The AIC comprises 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 policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Reinsurance contracts held measured under the GMM (continued)

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.

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 ARC for reinsurance contracts held for the amount of income recognised;

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Reinsurance contracts held measured under the GMM (continued)

(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 (i) 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; or (ii) the recognition and remeasurement of loss component for the group of underlying insurance contracts issued measured under the PAA;

(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

For certain groups of reinsurance contracts held that are eligible for the PAA, the Group applies the same accounting principles used to measure a group of insurance contracts issued under the PAA and also develops certain accounting policies for the areas that are unique to the reinsurance contracts held.

On initial recognition, the Group measures the ARC at the amount of ceded premiums paid plus or minus the amount derecognized at that date of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (d) Measurement of insurance contracts (continued)

Reinsurance contracts held measured under the PAA (continued)

At the end of each subsequent reporting period, the carrying amount of the ARC is the carrying amount at the start of the reporting period:

- plus the ceded premiums paid in the period;
- plus any adjustment to a financing component;
- minus the amount recognised as an allocation of reinsurance premiums for services received in that period;
- minus any investment component received or transferred to the AIC.

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

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 ARC instead of adjusting the CSM. At the end of each subsequent reporting period, the carrying amount of the loss-recovery component is remeasured in the same way as that for the initial recognition, determined by multiplying the amount of loss component on the underlying insurance contracts as at the period end and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held which will be updated based on the latest available information as at the period end.

The AIC is measured similarly to the AIC's measurement under the GMM. Future cash flows are adjusted for the time value of money and other financial risks.

##### (e) Derecognition of insurance contracts

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

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (f) Presentation

Insurance contract asset and liability

Portfolios of insurance contracts issued 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 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.

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 measured under the GMM, 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));

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (f) Presentation (continued)

Insurance revenue (continued)

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

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

- changes included in insurance finance income or loss;
- 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; and

iv. other amounts, e. g. experience adjustments arising from premiums received in the period other than those that relate to future service.

(2) Insurance acquisition cash flows recovery, which is determined by allocating the portion of premiums related to recovering of those cash flows over the coverage period in a systematic way on the basis of the passage of time.

For contracts measured under the PAA, insurance revenue is an allocation of total expected premium receipts (excluding any investment component, refund of premiums, cash shortfalls due to policyholder's credit risk and adjusted to reflect the time value of money and the effect of financial risk) over the coverage period of a group of contracts on the basis of the passage of time.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (f) Presentation (continued)

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 measured under the GMM, 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, insurance acquisition cash flows are amortised over the coverage period on the same basis as the insurance revenue earning pattern for the contracts to which the cash flows relate.

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 policy information (continued)

#### *(5) Insurance contracts (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, including the following amounts:

(1) allocation of reinsurance premiums;

(2) incurred claims recovery, excluding investment components;

(3) other incurred directly attributable expenses;

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

(5) amounts relating to the recognition and reversal of the loss-recovery component; and

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

The allocation of reinsurance premiums is recognised similarly to insurance revenue. The amount of allocation of reinsurance premiums 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 policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (f) Presentation (continued)

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

For contracts measured under the GMM, allocation of reinsurance premiums comprises the following amounts relating to the changes in the remaining coverage:

(1) claims 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) and amounts allocated to the loss-recovery component;

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

(4) other amounts, e. g. 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 the allocation of reinsurance premiums:

(1) on the basis of the passage of time; but

(2) if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses recovery.

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (f) Presentation (continued)

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

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of allocation of reinsurance premiums. Reinsurance cash flows that are contingent on claims of the 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 has chosen to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

The Group disaggregates insurance finance income or expenses for the period between profit or loss and other comprehensive income, and applies the choice of accounting policy to all portfolios of insurance contracts. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined as follows:

- Contracts measured under the GMM: the discount rates determined on initial recognition of the group of contracts.

- Contracts measured under the PAA: the discount rates determined at the date of the incurred claims, only applicable to the LIC of insurance contracts issued and the AIC of reinsurance contracts held

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

### 2.4 Material accounting policy information (continued)

#### *(5) Insurance contracts (continued)*

##### (f) Presentation (continued)

Insurance finance income or expenses (continued)

The cumulative amount recognised in other comprehensive income at any date, which is presented in the insurance finance reserve, 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.

##### (g) The effect of accounting estimates made in interim financial statements

The Group has elected to change the treatment of accounting estimates made in previous interim financial statements when applying HKFRS 17 in subsequent interim financial statements and in the annual reporting period (i.e. updating the estimates used in the measurement of insurance contracts and reinsurance contracts held on a year-to-date basis).

#### *(6) 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.

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

### 2.4 Material accounting policy information (continued)

#### *(6) Financial instruments (continued)*

##### (a) Financial assets (continued)

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 amortised 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.

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.

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

### 2.4 Material accounting policy information (continued)

#### *(6) Financial instruments (continued)*

##### (a) Financial assets (continued)

Measurement (continued)

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 amortised 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 amortised 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 presented in other investment income. 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.

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

### 2.4 Material accounting policy information (continued)

#### *(6) Financial instruments (continued)*

##### (a) Financial assets (continued)

Measurement (continued)

Debt instruments (continued)

(3) FVPL: Assets that do not meet the criteria for amortised 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 within other investment income. The interest income represent the interest accrual on these financial assets which is calculated using the coupon rate. Dividend income on equity investments under this category, which are generally determined at the amounts to be distributed by the investees, are recognised when the Group's right to receive the payment is established.

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, except for those clearly represent a recovery of part of the cost of the investments, are recognised in profit or loss and presented within other investment income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of equity instruments measured at FVPL, including any dividend income and foreign exchange gains and losses, are recognised in profit or loss within other investment income. Dividend income on these equity instruments, which are generally determined at the amounts to be distributed by the investees, are recognised when the Group's right to receive the payment is established.

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

### 2.4 Material accounting policy information (continued)

#### *(6) Financial instruments (continued)*

##### (a) Financial assets (continued)

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, 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 a lifetime basis.

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.

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

### 2.4 Material accounting policy information (continued)

#### *(6) Financial instruments (continued)*

##### (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 adjust the carrying amount 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 obligation specified in the contract is discharged or cancelled or expires, the Group derecognises the financial liability or a 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 policy information (continued)

#### *(6) 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.

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.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

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

### 2.4 Material accounting policy information (continued)

#### *(6) Financial instruments (continued)*

##### (d) Offset of financial assets and financial liabilities

When the Group currently has a legally enforceable right to offset the recognised financial assets and financial liabilities, 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.

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

### 2.4 Material accounting policy information (continued)

#### *(7) Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless HKFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property and land occupied by the Group as an owner-occupied property and land becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property and equipment and depreciation” and “Leases” for land held by a lessee as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property and leasehold land is accounted for as an asset revaluation reserve. On disposal of the investment property, the asset revaluation reserve included in equity is transferred to retained earnings as a movement in reserves.

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

### 2.4 Material accounting policy information (continued)

#### *(8) Property and equipment and depreciation*

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, other than construction in progress, to its residual value over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Lands and buildings | 1.62% to 19.40% |
| Motor vehicles | 16.17% to 24.25% |
| Office equipment, furniture and fixtures | 9.70% to 32.33% |

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

### 2.4 Material accounting policy information (continued)

#### *(8) Property and equipment and depreciation (continued)*

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

#### *(9) Impairment of assets other than financial instruments*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises or treated as a revaluation decrease, as appropriate.

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

### 2.4 Material accounting policy information (continued)

#### *(9) Impairment of assets other than financial instruments (continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises or treated as a revaluation increase, as appropriate.

#### *(10) Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

### 2.4 Material accounting policy information (continued)

#### *(10) Taxation (continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted by facts and circumstances. The presumption is rebutted when the investment properties are depreciable and are held within the context of a business model whose objective is to substantially consume over time the economic benefits embodied in the investment properties, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

### 2.4 Material accounting policy information (continued)

*(10) Taxation (continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

*(11) Provisions*

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

– an entity has a present obligation as a result of a past event;

– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

– a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

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

## 2.4 Material accounting policy information (continued)

### *(12) Employee benefits*

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' wages. Employees who leave the scheme prior to vesting fully in the annuity scheme shall return part of the interests (the "forfeited contributions"). The forfeited contributions cannot be used by the Group to reduce the existing level of the annuity scheme contributions. The purpose of the forfeited contributions will be determined in due course.

#### Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

#### Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset or they are identified as the insurance acquisition cash flows as defined in HKFRS 17.

Short-term employee benefits refer to employee wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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

### 2.4 Material accounting policy information (continued)

*(12) Employee benefits (continued)*

**Short-term and other long-term employee benefits (continued)**

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusions in the cost of an asset or they are identified as the insurance acquisition cash flows as defined in HKFRS 17.

*(13) Leases*

**Definition of a lease**

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

### 2.4 Material accounting policy information (continued)

#### *(13) Leases (continued)*

**The Group as a lessee**

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

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

### 2.4 Material accounting policy information (continued)

#### *(13) Leases (continued)*

**The Group as a lessee (continued)**

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of HKFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, and others.

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

### 2.4 Material accounting policy information (continued)

#### *(13) Leases (continued)*

**The Group as a lessee (continued)**

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

**The Group as a lessor**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

#### *(14) Profit appropriation*

In accordance with the PRC Company Law and the Company and each of its subsidiary' articles of association, the Company and each of its subsidiary are required to make appropriations to the statutory surplus reserve based on their respective annual profit (after offsetting any prior years' losses) as determined in accordance with PRC generally accepted accounting principles ("PRC GAAP"). When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company and each of its subsidiary may also make appropriations to the discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the capital. The balance of the statutory surplus reserve fund after transfers to the capital should not be less than 25% of capital.

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

### 2.4 Material accounting policy information (continued)

#### *(14) Profit appropriation (continued)*

According to the relevant regulations of the PRC, the Company has to set aside 10% of its net profit determined in accordance with PRC GAAP to the general risk reserve for catastrophic losses. This general risk reserve cannot be used for dividend distribution or conversion into capital.

According to the relevant regulations of the PRC, the Company is required to make appropriations to catastrophic loss reserves when the agriculture and nuclear insurance businesses achieve annual or accumulated excessive underwriting profits. These catastrophic loss reserves cannot be used for dividend distribution or conversion into capital.

#### *(15) Dividends*

Dividends proposed by the directors are classified as a separate allocation of retained profits. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

#### *(16) Accounting policies applied until 31 December 2022*

##### (a) Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (a) Financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are measured in the consolidated statement of financial position at fair value with net changes in fair value presented as net realised and unrealised gains/(losses) on investments in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (a) Financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables include cash equivalents, term deposits, insurance receivables and investments classified as loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included in investment income in the income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities dates that are quoted in an active market are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation and the losses arising from impairment are both included and recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (a) Financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial assets (continued)
After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (b) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears arising from defaults.

Financial assets measured at amortised cost

If financial assets measured at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (b) Impairment of financial assets (continued)

Financial assets measured at amortised cost (continued)

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets measured at amortised cost, if there is an objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (b) Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets measured at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (c) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (d) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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

### 2.4 Material accounting policy information (continued)

#### *(16) Accounting policies applied until 31 December 2022 (continued)*

##### (d) Financial liabilities

Subsequent measurement (continued)

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities including securities sold under agreements to repurchase, miscellaneous payables and accruals, policyholders' deposits and bonds payable are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be insignificant, in which case they are stated at cost. The related interest expense is recognised in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or have expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

## 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2.4, 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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (1) Estimates of fulfilment cash flows

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.

Insurance contract cash flows are discounted using risk-free yield curves adjusted by illiquidity premiums and tax effect to reflect the liquidity characteristics of the fulfillment cash flows. The risk-free yield curve is interpolated between the latest observable spot rates using straight-line method and converted to monthly forward rates.

The RMB spot rate curves used by the Group for discounting future cash flow estimates (including liquidity premiums and tax effects) are presented in the following table.

| Term | 31 December 2023 | 31 December 2022 |
|---|---|---|
| 1 month | **1.99%** | 1.46% |
| 1 year | **2.57%** | 2.59% |
| 5 years | **2.91%** | 3.16% |
| 20 years | **3.29%** | 3.62% |

## 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

### (1) Estimates of fulfilment cash flows (continued)

*Expense assumption*

The Group develops its expense assumptions based on the expense analysis and future development trends. The purpose of the expense analysis is to allocate total expenses directly attributable to the insurance contracts among insurance acquisition costs, policy administration and maintenance costs, and claim handling costs.

*Expected loss ratio and future claim development pattern*

The major assumptions applied in measuring LIC include the expected loss ratios and future claim development pattern. The expected loss 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 methods such as the confidence interval method and cost of capital method, corresponding to a confidence level in the range of 75% – 85% (31 December 2022: 75% – 85%).

## 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

### (2) Significant influence on an investee when less than 20 per cent of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with HKFRS 9.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 28 to the consolidated financial statements.

### (3) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain fellow subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers. Details of these structured entities are disclosed in note 47.

## 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

### (4) Impairment assessment on investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments in associates exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations is undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose a suitable discount rate in order to calculate the present value of those cash flows.

### (5) Fair value of financial assets determined using valuation techniques

The Group uses valuation technique for financial instruments which are not quoted in an active market. 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. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk. Areas such as discount rates and liquidity discounts require management to make estimates.

Fair values of financial assets, their hierarchy, valuation techniques and key inputs are disclosed in note 40 to the consolidated financial statements.

### (6) 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. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

### (6) Measurement of expected credit losses on financial assets (continued)

(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.

### (7) Impairment of financial assets as at 31 December 2022

*Financial assets measured at amortised cost*

When there is an objective evidence that indicates impairment in loans and receivables and held-to-maturity investments, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Other than impairment for individual financial assets measured at amortised cost, the Group also collectively assesses impairment for financial assets measured at amortised cost. Such collective assessment is carried out for a group of financial assets with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Financial assets measured at amortised cost include cash equivalents, term deposits, held-to-maturity investments, investments classified as loans and receivable and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

*Available-for-sale financial assets*

The Group considers whether impairment provision is needed for an available-for-sale financial asset investment if fair value of an available-for-sale financial instrument is below its carrying amount. The Group determines whether impairment exists by: for equity instruments, judging whether this decline below cost is "significant" or "prolonged" as explained in note 2.4(16); for debt instruments, whether the decline in fair value is due to market interest rates or interest rates specific to the issuers of the financial instruments, or presence of other objective evidence of impairment.

## 4. 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 six reportable segments other than the corporate and other segment 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.

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.

The corporate and other segment includes the income and expenses from reinsurance contracts issued and held, the income and expenses from investment activities, other income, unallocated income and expenses of the Group.

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 year ended 31 December 2023 and 2022.

## 4. SEGMENT INFORMATION (CONTINUED)

Starting from 2023, the Group has adjusted the presentation of segment information by combining Cargo and Credit and surety segments that do not meet the 10% quantitative threshold with Others segment. The comparative figures have been restated according to current year presentation.

The segment income statements for the year ended 31 December 2023 are as follows:

| | Insurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Motor vehicle | Accidental injury and health | Agriculture | Liability | Commercial property | Others | Corporate & other | Total |
| Insurance revenue | 282,105 | 43,746 | 52,788 | 32,740 | 16,099 | 26,589 | 3,136 | 457,203 |
| Insurance service expenses | (266,909) | (40,885) | (50,102) | (33,263) | (15,860) | (22,406) | (2,566) | (431,991) |
| Net expenses from reinsurance contracts held | – | – | – | – | – | – | (6,142) | (6,142) |
| **INSURANCE SERVICE RESULT** | 15,196 | 2,861 | 2,686 | (523) | 239 | 4,183 | (5,572) | 19,070 |
| Finance expenses from insurance contracts issued | (6,279) | (1,198) | (100) | (1,115) | (466) | (902) | (67) | (10,127) |
| Finance income from reinsurance contracts held | – | – | – | – | – | – | 1,246 | 1,246 |
| Interest income from financial assets not measured at fair value through profit or loss | – | – | – | – | – | – | 11,710 | 11,710 |
| Other investment income | – | – | – | – | – | – | 4,077 | 4,077 |
| Credit impairment losses | – | – | – | – | – | – | (423) | (423) |
| Other income | – | – | – | – | – | – | 195 | 195 |
| Other finance costs | – | – | – | – | – | – | (1,151) | (1,151) |
| Other operating expenses | – | – | – | – | – | – | (2,203) | (2,203) |
| Share of profit or loss of associates and joint ventures | – | – | – | – | – | – | 5,530 | 5,530 |
| Foreign exchange gains, net | – | – | – | 3 | 5 | 14 | 89 | 111 |
| **Profit/(Loss) before income tax** | 8,917 | 1,663 | 2,586 | (1,635) | (222) | 3,295 | 13,431 | 28,035 |
| Income tax expense | – | – | – | – | – | – | (3,469) | (3,469) |
| **Net profit/(loss) for the year** | | | | | | | | |
| **Segment operating result** | 8,917 | 1,663 | 2,586 | (1,635) | (222) | 3,295 | 9,962 | 24,566 |

## 4. SEGMENT INFORMATION (CONTINUED)

The segment income statements for the year ended 31 December 2022 (restated) are as follows:

| | Insurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Motor vehicle | Accidental injury and health | Agriculture | Liability | Commercial property | Others | Corporate & other | Total |
| Insurance revenue | 267,956 | 35,343 | 47,800 | 31,891 | 15,291 | 24,900 | 1,174 | 424,355 |
| Insurance service expenses | (247,328) | (35,049) | (44,300) | (33,939) | (13,106) | (21,258) | (986) | (395,966) |
| Net expenses from reinsurance contracts held | – | – | – | – | – | – | (5,993) | (5,993) |
| **INSURANCE SERVICE RESULT** | 20,628 | 294 | 3,500 | (2,048) | 2,185 | 3,642 | (5,805) | 22,396 |
| Finance expenses from insurance contracts issued | (5,794) | (1,195) | (182) | (916) | (436) | (777) | (33) | (9,333) |
| Finance income from reinsurance contracts held | – | – | – | – | – | – | 1,301 | 1,301 |
| Investment income | – | – | – | – | – | – | 20,180 | 20,180 |
| Net realised and unrealised losses on investments | – | – | – | – | – | – | (3,706) | (3,706) |
| Investment related expenses | – | – | – | – | – | – | (500) | (500) |
| Other income | – | – | – | – | – | – | 1,064 | 1,064 |
| Other finance costs | – | – | – | – | – | – | (1,005) | (1,005) |
| Other operating expenses | – | – | – | – | – | – | (1,818) | (1,818) |
| Share of profit or loss of associates and joint ventures | – | – | – | – | – | – | 4,777 | 4,777 |
| Dilution loss arising on a reduced stake in an associate | – | – | – | – | – | – | (95) | (95) |
| Foreign exchange gains, net | – | – | – | 4 | 6 | 33 | 716 | 759 |
| **Profit/(Loss) before income tax** | 14,834 | (901) | 3,318 | (2,960) | 1,755 | 2,898 | 15,076 | 34,020 |
| Income tax expense | – | – | – | – | – | – | (4,912) | (4,912) |
| **Net profit/(loss) for the year** | | | | | | | | |
| **Segment operating result** | 14,834 | (901) | 3,318 | (2,960) | 1,755 | 2,898 | 10,164 | 29,108 |

## 4. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities of the Group at 31 December 2023 and other segment information for the year ended 31 December 2023 are as follows:

| | Insurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Motor vehicle | Accidental injury and health | Agriculture | Liability | Commercial property | Others | Corporate & other | Total |
| **31 December 2023** | | | | | | | | |
| Segment assets | 226 | 225 | 3,052 | 963 | 945 | 2,775 | 695,437 | 703,623 |
| Segment liabilities | 243,425 | 36,427 | 183 | 41,236 | 17,943 | 31,781 | 98,324 | 469,319 |
| **For the year ended 31 December 2023** | | | | | | | | |
| Other segment information: | | | | | | | | |
| Capital expenditures | 1,629 | 340 | 313 | 203 | 99 | 150 | – | 2,734 |
| Depreciation and amortisation | 2,160 | 627 | 332 | 268 | 84 | 265 | 73 | 3,809 |

The segment assets and liabilities of the Group at 31 December 2022 (restated) and other segment information for the year ended 31 December 2022 are as follows:

| | Insurance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Motor vehicle | Accidental injury and health | Agriculture | Liability | Commercial property | Others | Corporate & other | Total |
| 31 December 2022 (Restated) | | | | | | | | |
| 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 year ended 31 December 2022 (Restated) | | | | | | | | |
| Other segment information: | | | | | | | | |
| Capital expenditures | 3,314 | 692 | 636 | 413 | 202 | 306 | – | 5,563 |
| Depreciation and amortisation | 2,127 | 559 | 339 | 269 | 90 | 244 | 89 | 3,717 |

## 5. INSURANCE REVENUE

| | 2023 | 2022 |
|---|---|---|
| Amounts relating to the changes in the LRC | | |
| Expected incurred claims and other directly attributable expenses | **4,328** | 6,335 |
| Change in the risk adjustment for non-financial risk for the risk expired | **259** | 389 |
| CSM recognised for the service provided | **174** | 467 |
| Experience adjustments arising from premiums received in the period other than those that related to future service | **(424)** | (787) |
| Insurance acquisition cash flows recovery | **756** | 563 |
| Insurance revenue from contracts measured under the GMM | **5,093** | 6,967 |
| Insurance revenue from contracts measured under the PAA | **452,110** | 417,388 |
| Total | **457,203** | 424,355 |

An analysis of insurance revenue for insurance contracts issued by transition approach is included in the following table.

| | 2023 | 2022 |
|---|---|---|
| New contracts and contracts measured under the full retrospective approach at transition | **454,200** | 418,266 |
| Contracts measured under the modified retrospective approach at transition | **629** | 1,101 |
| Contracts measured under the fair value approach at transition | **2,374** | 4,988 |
| Total | **457,203** | 424,355 |

## 6. NET INSURANCE FINANCE EXPENSES

| 2023 | Contracts measured under the GMM | Contracts measured under the PAA | Total |
|---|---|---|---|
| Interest accreted | 1,259 | 8,741 | 10,000 |
| Effect of changes in interest rates and other financial assumptions | 96 | 369 | 465 |
| Foreign exchange differences | 15 | 112 | 127 |
| Finance expenses from insurance contracts issued | 1,370 | 9,222 | 10,592 |
| Recognised in: | | | |
| Profit or loss | 1,274 | 8,853 | 10,127 |
| Other comprehensive income | 96 | 369 | 465 |
| Interest accreted | (256) | (951) | (1,207) |
| Effect of changes in interest rates and other financial assumptions | (19) | (64) | (83) |
| Foreign exchange differences | (19) | (20) | (39) |
| Finance income from reinsurance contracts held | (294) | (1,035) | (1,329) |
| Recognised in: | | | |
| Profit or loss | (275) | (971) | (1,246) |
| Other comprehensive income | (19) | (64) | (83) |
| Net insurance finance expenses recognised in total comprehensive income | 1,076 | 8,187 | 9,263 |

## 6. NET INSURANCE FINANCE EXPENSES (CONTINUED)

| 2022 | Contracts measured under the GMM | Contracts measured under the PAA | Total |
|---|---|---|---|
| Interest accreted | 2,031 | 7,092 | 9,123 |
| Effect of changes in interest rates and other financial assumptions | 146 | 69 | 215 |
| Foreign exchange differences | 8 | 202 | 210 |
| Finance expenses from insurance contracts issued | 2,185 | 7,363 | 9,548 |
| Recognised in: | | | |
| Profit or loss | 2,039 | 7,294 | 9,333 |
| Other comprehensive income | 146 | 69 | 215 |
| Interest accreted | (361) | (868) | (1,229) |
| Effect of changes in interest rates and other financial assumptions | (40) | (7) | (47) |
| Foreign exchange differences | (74) | 2 | (72) |
| Finance income from reinsurance contracts held | (475) | (873) | (1,348) |
| Recognised in: | | | |
| Profit or loss | (435) | (866) | (1,301) |
| Other comprehensive income | (40) | (7) | (47) |
| Net insurance finance expenses recognised in total comprehensive income | 1,710 | 6,490 | 8,200 |

## 7. INVESTMENT INCOME

| | 2022 |
|---|---|
| Operating lease income from investment properties | 325 |
| Interest income from: | |
| Current and term deposits | 3,375 |
| Debt securities | |
| Available-for-sale financial assets | 4,893 |
| Held-to-maturity securities | 1,698 |
| Financial assets at fair value through profit or loss | 439 |
| Investments classified as loans and receivables | 3,328 |
| Subtotal | 13,733 |
| Dividends from equity securities and mutual funds: | |
| Available-for-sale financial assets | 6,082 |
| Financial assets at fair value through profit or loss | 40 |
| Subtotal | 6,122 |
| Total | 20,180 |

## 8. NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

| | 2022 |
|---|---|
| Realised gains/(losses) from: | |
| Debt securities | |
| Available-for-sale financial assets | 704 |
| Financial assets at fair value through profit or loss | (27) |
| Equity securities and mutual funds | |
| Available-for-sale financial assets | (3,328) |
| Financial assets at fair value through profit or loss | (132) |
| Subtotal | (2,783) |
| Unrealised losses from: | |
| Debt securities at fair value through profit or loss | (237) |
| Equity securities and mutual funds at fair value through profit or loss | (12) |
| Subtotal | (249) |
| Impairment losses on: | |
| Debt securities classified as available-for-sale financial assets and held-to-maturity financial assets *(note 20)* | (175) |
| Equity securities and mutual funds classified as available-for-sale financial assets *(note 21)* | (438) |
| Investments classified as loans and receivables | 100 |
| Subtotal | (513) |
| Loss on fair value changes of investment properties *(note 30)* | (161) |
| Total | (3,706) |

## 9. INTEREST INCOME FROM FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 |
|---|---|
| Financial investments at amortised cost | 5,358 |
| Current and term deposits at amortised cost | 3,188 |
| Debt instruments at fair value through other comprehensive income | 3,164 |
| Total | 11,710 |

## 10. OTHER INVESTMENT INCOME

| | 2023 |
|---|---|
| Operating lease income from investment properties | 397 |
| Interest income from financial assets at fair value through profit or loss | 2,486 |
| Dividends: | |
| Equity instruments at fair value through other comprehensive income | 3,853 |
| Financial assets at fair value through profit or loss | 1,434 |
| Subtotal | 5,287 |
| Unrealised losses on investments: | |
| Financial assets at fair value through profit or loss | (4,700) |
| Realised gains/(losses) on investments: | |
| Financial assets at fair value through profit or loss | 67 |
| Debt instruments at fair value through other comprehensive income | 755 |
| Gains on derecognition of financial assets at amortised cost | 1 |
| Subtotal | 823 |
| Losses on fair value changes of investment properties *(note 30)* | (216) |
| Total | 4,077 |

## 10. OTHER INVESTMENT INCOME (CONTINUED)

Net unrealised gains or losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments, which were realised in the reporting period. Net realised gains or losses include the gains or losses on disposals of financial instruments which are calculated using the weighted average method. They represent the difference between a financial instrument's initial cost or amortised cost and disposal amount.

## 11. CREDIT IMPAIRMENT LOSSES

| | 2023 |
|---|---|
| Financial investments at amortised cost | **312** |
| Debt instruments at fair value through other comprehensive income | **125** |
| Term deposits | **67** |
| Other financial assets | **(81)** |
| Total | **423** |

## 12. OTHER FINANCE COSTS

| | 2023 | 2022 |
|---|---|---|
| Interest on securities sold under agreements to repurchase | **741** | 591 |
| Interest on bonds payable | **328** | 327 |
| Interest on lease liabilities | **51** | 66 |
| Interest on investment contracts | **31** | 21 |
| Total | **1,151** | 1,005 |

## 13. OTHER OPERATING EXPENSES

The following expenses for the year ended 31 December 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.

| | 2023 | 2022 |
|---|---|---|
| Employee expenses (including directors', supervisors' and senior management's remunerations) | **40,495** | 39,502 |
| Salaries, allowances and performance related bonuses | **35,744** | 35,510 |
| Pension scheme contributions | **4,751** | 3,992 |
| Commissions | **39,675** | 38,297 |
| Labor dispatch fee | **12,517** | 12,266 |
| Taxes and other surcharges | **1,978** | 1,831 |
| Depreciation of property and equipment *(note 31)* | **1,834** | 1,968 |
| Depreciation of right-of-use assets *(note 32)* | **961** | 1,041 |
| Amortisation of intangible assets | **955** | 708 |
| Other expenses | **39,847** | 35,404 |
| Subtotal | **138,262** | 131,017 |
| Less: Insurance acquisition cash flows | **(96,407)** | (91,457) |
| Less: Other incurred expenses directly attributable to insurance contracts | **(39,652)** | (37,742) |
| Total | **2,203** | 1,818 |

## 14. 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 from 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.

| | 2023 | 2022 (Restated) |
|---|---|---|
| Current tax | **1,517** | 9,342 |
| Deferred tax | **1,952** | (4,430) |
| Total | **3,469** | 4,912 |

A reconciliation of the tax expense applicable to profit before income tax at the statutory tax rate of the PRC, in which the Group is domiciled, to the income tax at the effective tax rate is as follows:

| | 2023 | 2022 (Restated) |
|---|---|---|
| Profit before income tax | **28,035** | 34,020 |
| Income tax at the statutory tax rate of 25% (2022: 25%) | **7,009** | 8,505 |
| Income not subject to tax | **(3,603)** | (3,396) |
| Expenses not deductible for tax | **96** | 113 |
| Impact from preferential tax treatment | **(33)** | (310) |
| Income tax at the Group's effective tax rate | **3,469** | 4,912 |

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (1) Directors and supervisors

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

| 2023 | Fees *RMB'000* | Salaries and allowances *RMB'000* | Performance related bonuses *RMB'000* | Retirement benefits *RMB'000* | Housing fund and other benefits *RMB'000* | Total remuneration before tax *RMB'000* |
|---|---|---|---|---|---|---|
| Non-executive directors: | | | | | | |
| Mr. Wang Tingke (i) (Chairman of the Board) (appointed as Chairman of the Board and non-executive director on 8 October 2023) | - | - | - | - | - | - |
| Mr. Li Tao (i) | - | - | - | - | - | - |
| Mr. Luo Xi (i) (Former Chairman of the Board) (resigned on 16 March 2023) | - | - | - | - | - | - |
| Executive directors: | | | | | | |
| Mr. Yu Ze (i) (President) | - | - | - | - | - | - |
| Mr. Jiang Caishi | - | 758 | 398 | 370 | 57 | 1,583 |
| Mr. Zhang Daoming | - | 740 | 389 | 359 | 52 | 1,540 |
| Mr. Hu Wei (appointed as executive director on 16 March 2023) | - | 499 | 262 | 253 | 46 | 1,060 |
| Independent directors: | | | | | | |
| Ms. Qu Xiaohui | 250 | - | - | - | - | 250 |
| Mr. Cheng Fengchao | 250 | - | - | - | - | 250 |
| Mr. Wei Chenyang (appointed as independent director on 12 January 2023) | 200 | - | - | - | - | 200 |

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (1) Directors and supervisors (continued)

| 2023 | Fees<br>*RMB'000* | Salaries and allowances<br>*RMB'000* | Performance related bonuses<br>*RMB'000* | Retirement benefits<br>*RMB'000* | Housing fund and other benefits<br>*RMB'000* | Total remuneration before tax<br>*RMB'000* |
|---|---|---|---|---|---|---|
| Mr. Li Weibin (appointed as independent director on 31 July 2023) | 125 | – | – | – | – | 125 |
| Mr. Qu Xiaobo (appointed as independent director on 12 September 2023) | 67 | – | – | – | – | 67 |
| Mr. Lin Hanchuan (resigned on 17 February 2023) | 33 | – | – | – | – | 33 |
| Mr. Lo Chung Hin (retired on 8 August 2023) | 167 | – | – | – | – | 167 |
| Supervisors: | | | | | | |
| Mr. Dong Qingxiu (ii) (Chairman of the Supervisory Committee) (appointed as Chairman of the Supervisory Committee and sharerholder supervisor on 23 May 2023) | – | 365 | 192 | 217 | 38 | 812 |
| Mr. Wang Yadong (i) | – | – | – | – | – | – |
| Mr. Zhou Zhiwen (ii) (appointed as employee supervisor on 23 May 2023) | – | 245 | 555 | 155 | 79 | 1,034 |
| Mr. Fu Xiaoliang (ii) (appointed as employee supervisor on 23 May 2023) | – | 205 | 542 | 145 | 78 | 970 |
| Mr. Zhang Xiaoli (ii) (ceased to perform the duties of a supervisory on 23 May 2023) | – | 187 | 143 | 153 | 48 | 531 |

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (1) Directors and supervisors (continued)

| 2023 | Fees<br>*RMB'000* | Salaries and allowances<br>*RMB'000* | Performance related bonuses<br>*RMB'000* | Retirement benefits<br>*RMB'000* | Housing fund and other benefits<br>*RMB'000* | Total remuneration before tax<br>*RMB'000* |
|---|---|---|---|---|---|---|
| Independent supervisors: | | | | | | |
| Ms. Li Shuxian (appointed as independent supervisor on 31 January 2023) | 200 | - | - | - | - | 200 |
| Mr. Wen Jiaxuan (appointed as independent supervisor on 23 November 2023) | 33 | - | - | - | - | 33 |
| Mr. Lu Zhengfei (retired on 8 August 2023) | 167 | - | - | - | - | 167 |
| Total | 1,492 | 2,999 | 2,481 | 1,652 | 398 | 9,022 |

(i) These directors and supervisors did not receive any remuneration from the Company.

(ii) Mr. Zhang Xiaoli resigned as the Chairman of the Supervisory Committee, a supervisor and the Chairman of the special committee of the Supervisory Committee on 15 July 2022. Given that the Supervisory Committee became inquorate due to Mr. Zhang Xiaoli's resignation, pursuant to relevant laws and regulations of the PRC and the Articles of Association, Mr. Zhang Xiaoli shall continue 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 May 23,2023, the National Financial Regulatory Administration (the "NFRA") approved the qualification of Mr. Dong Qingxiu, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang to serve as supervisors, therefore Mr. Zhang Xiaoli ceased to perform the duties as a supervisor from May 23,2023 onwards.

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (1) Directors and supervisors (continued)

In accordance with the policies of the relevant authorities in the PRC, the Company did not pay any compensation to Mr. Wang Tingke and Mr. Luo Xi for their services as the Chairman of the Board.

The remunerations of executive directors, Mr. Jiang Caishi, Mr. Zhang Daoming and Mr Hu Wei were mainly for their services as directors of the Company.

The fees of independent directors and external supervisors consists of two parts: basic fee and floating fee, according to the proposal on remuneration plan of independent directors and external supervisors of the Company. The basic fee is a fixed amount, among which, independent directors and independent supervisors who are the chairman of the committees of the Board of Directors or the Supervisory Committee are proposed to be paid RMB250,000 per person per year before tax, and other independent directors and independent supervisors are proposed to be paid RMB200,000 per person per year before tax. The floating fee is RMB50,000 per person per year before tax, which is linked to the annual performance evaluation results. Those rated as "competent" will be paid at 100%; those rated as "basically competent" will be paid at 60%; those rated as "incompetent" will not be paid for floating fees. The fees of independent directors and external supervisors shall be charged and paid by the Company in accordance with the relevant policies each year during their terms of office. The fees shall be calculated according to the actual length of service of such directors and supervisors during the year if their actual length of service is less than a year. The above disclosed fees only includes basic fees. The floating fees will be paid after the evaluation of the directors and supervisors' performance for the year 2023, and will be disclosed in the restated figures in the next year's report.

The supervisors' remunerations shown above were mainly for their services as employees of the Company.

Pursuant to the PRC relevant regulations, a portion of the performance related bonuses for certain executive directors and supervisors are deferred for a minimum of 3 years.

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (1) Directors and supervisors (continued)

The total compensation packages of Mr. Jiang Caishi, Mr. Zhang Daoming, Mr. Hu Wei, Mr. Dong Qingxiu, Mr. Zhou Zhiwen and Mr. Fu Xiaoliang for the year ended 31 December 2023 including performance related bonuses have not yet been finalised in accordance with regulations of the relevant authorities in the PRC. Management of the Company believes that the difference between the final remunerations and that disclosed above will not have significant impact on the consolidated financial statements.

| 2022 (Restated) | Fees | Salaries and allowances | Performance related bonuses | Retirement benefits | Housing fund and other benefits | Total remuneration before tax |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Non-executive directors: | | | | | | |
| Mr. Luo Xi (i) (Chairman of the Board) | – | – | – | – | – | – |
| Mr. Li Tao (i) | – | – | – | – | – | – |
| Executive directors: | | | | | | |
| Mr. Yu Ze (i) (President) | – | – | – | – | – | – |
| Mr. Jiang Caishi | – | 599 | 833 | 230 | 113 | 1,775 |
| Mr. Zhang Daoming (appointed as executive director on 22 April 2022) | – | 599 | 848 | 223 | 108 | 1,778 |

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (1) Directors and supervisors (continued)

| 2022 (Restated) | Fees | Salaries and allowances | Performance related bonuses | Retirement benefits | Housing fund and other benefits | Total remuneration before tax |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Independent directors: | | | | | | |
| Mr. Lin Hanchuan | 250 | – | – | – | – | 250 |
| Mr. Lo Chung Hin | 275 | – | – | – | – | 275 |
| Mr. Chu Bende (ii) (resigned on 11 July 2022) | – | – | – | – | – | – |
| Ms. Qu Xiaohui | 300 | – | – | – | – | 300 |
| Mr. Cheng Fengchao (appointed as independent director on 25 November 2022) | 42 | – | – | – | – | 42 |
| Supervisors: | | | | | | |
| Mr.Zhang Xiaoli (iii) (Chairman of the Supervisory Committee) (resigned on 15 July 2022) | – | 587 | 818 | 232 | 112 | 1,749 |
| Mr. Wang Yadong (i) | – | – | – | – | – | – |
| Ms. Gao Hong (iv) (retired on 22 July 2022) | – | – | – | – | – | – |
| Ms. Wang Xiaoli (iv) (retired on 22 July 2022) | – | – | – | – | – | – |
| Independent supervisors: | | | | | | |
| Mr. Lu Zhengfei | 300 | – | – | – | – | 300 |
| Total | 1,167 | 1,785 | 2,499 | 685 | 333 | 6,469 |

(i) These directors and supervisors did not receive any remuneration from the Company.

(ii) According to the relevant requirements, Mr. Chu Bende did not receive any remuneration in 2022.

(iii) Mr. Zhang Xiaoli actually performed his duties as a shareholder supervisor from July to December 2022, hence his remuneration was restated for the entire year of 2022.

(iv) Ms. Gao Hong and Ms. Wang Xiaoli have completed their retirement procedures in 2021.

The remuneration of executive directors and supervisors and the fees of independent directors and independent supervisors for the year 2022 have been restated according to the amounts finalised in the year 2023.

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (2) Senior management

Remuneration of senior management other than directors and supervisors is as follows:

| | 2023<br>*RMB'000* | 2022<br>(Restated)<br>*RMB'000* |
|---|---|---|
| Salaries, allowances | **2,532** | 1,473 |
| Performance related bonuses | **1,609** | 2,035 |
| Retirement benefits | **1,347** | 577 |
| Housing fund and other benefits | **274** | 296 |
| Total | **5,762** | 4,381 |

Pursuant to the PRC relevant regulations, a portion of the performance related bonuses for certain members of senior management are deferred for a minimum of 3 years contingent upon the future performance.

The total compensation packages for senior management for the year ended 31 December 2023 including performance related bonuses have not yet been finalised in accordance with regulations of the relevant authorities in the PRC. Management of the Company believes that the difference between the final remunerations and that disclosed above will not have significant impact on the consolidated financial statements.

The number of senior management other than directors and supervisors whose remuneration fell within the following bands is as follows:

| | 2023 | 2022<br>(Restated) |
|---|---|---|
| HKD1,000,001 to HKD1,500,000 | **–** | – |
| HKD1,500,001 to HKD2,000,000 | **4** | 1 |
| HKD2,000,001 to HKD2,500,000 | **–** | 1 |
| Total | **4** | 2 |

## 15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (2) Senior management (continued)

The compensation amounts for certain members of senior management during their appointment were stated above, in which the compensation amounts for the year ended 31 December 2022 were restated after finalisation in year 2023. Pursuant to the PRC relevant regulations, a portion of the performance related bonuses for the year ended 31 December 2022 amounting to approximately RMB2 million for senior management had been deferred.

## 16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included two directors (2022: two directors and one supervisor), details of whose remunerations are set out in note 15 above. Details of the remuneration for the year of the remaining three (2022: two) highest paid individuals are set out below:

| | 2023<br>*RMB'000* | 2022<br>(Restated)<br>*RMB'000* |
|---|---|---|
| Salaries, allowances | **2,079** | 1,080 |
| Performance related bonuses | **1,092** | 1,499 |
| Retirement benefits | **1,042** | 428 |
| Housing fund and other benefits | **172** | 206 |
| Total | **4,385** | 3,213 |

The number of the highest paid individuals who are not directors/supervisors of the Company whose remunerations fell within the following band is as follows:

| | 2023 | 2022<br>(Restated) |
|---|---|---|
| HKD1,000,001 to HKD1,500,000 | **–** | – |
| HKD1,500,001 to HKD2,000,000 | **3** | 1 |
| HKD2,000,001 to HKD2,500,000 | **–** | 1 |
| Total | **3** | 2 |

## 16. FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The compensation amounts for highest paid individuals for the year ended 31 December 2022 were restated based on the finalised amounts determined during 2023.

## 17. EARNINGS PER SHARE

### (1) Basic earnings per share

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

| | 2023 | 2022 (Restated) |
|---|---|---|
| Earnings: | | |
| Net profit attributable to owners of the parent (RMB million) | **24,585** | 29,163 |
| Shares: | | |
| Weighted average number of ordinary shares in issue (in million shares) *(note 39)* | **22,242** | 22,242 |
| Basic earnings per share | **1.105** | 1.311 |

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 year ended 31 December 2023 and 2022.

### (2) Diluted earnings per share

For the year ended 31 December 2023 and 2022, the Group holds no dilutive potential ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

## 18. DIVIDENDS

| | 2023 | 2022 |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| Year 2021 Final- RMB0.407 per ordinary share | **–** | 9,053 |
| Year 2022 Final- RMB0.478 per ordinary share | **10,632** | – |

## 18. DIVIDENDS (CONTINUED)

No interim dividend was proposed by the Board of Directors in 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.

## 19. CASH AND CASH EQUIVALENTS

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Demand deposits and cash on hand | **12,242** | 10,848 |
| Securities purchased under resale agreements with original maturity of no more than three months | **4,246** | 10,397 |
| Term deposits with original maturity not exceeding 3 months | **–** | 5 |
| Subtotal | **16,488** | 21,250 |
| Add: Interest receivable | **38** | Not applicable |
| Less: provision for impairment | **–** | – |
| Total | **16,526** | 21,250 |
| Cash and cash equivalents by accounting categories: | | |
| Loans and receivables | **Not applicable** | 21,250 |
| Financial assets at amortised cost | **16,526** | 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 consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate the fair values of those collaterals at 31 December 2023 and 31 December 2022.

## 20. 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 year ended 31 December 2022, an impairment loss of RMB143 million was provided by the Group on held-to-maturity debt securities and RMB32 million was provided on available-for-sale debt securities.

## 21. 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 year ended 31 December 2022, an impairment loss of RMB438 million was provided by the Group on equity securities and mutual funds.

## 22. 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 |

## 23. FINANCIAL INVESTMENTS AT AMORTISED COST

| | 31 December 2023 |
|---|---|
| Bond investments: | |
| Government bonds | **19,119** |
| Corporate bonds | **17,904** |
| Financial bonds | **6,548** |
| Trust plans | **39,178** |
| Long-term debt investment schemes | **38,118** |
| Project support schemes | **6,149** |
| Others | **532** |
| Gross carrying amount | **127,548** |
| Less: provision for impairment | **(1,356)** |
| Amortised cost | **126,192** |

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 31 December 2023 |
|---|---|
| Debt instruments: | |
| Bond investments | |
| Corporate bonds | 51,442 |
| Government bonds | 27,547 |
| Financial bonds | 16,013 |
| Project support schemes | 71 |
| Subtotal | 95,073 |
| Compromising: | |
| Amortised cost | 90,379 |
| Accumulated fair value changes | 4,694 |
| Equity instruments: | |
| Perpetual bonds (i) | 34,676 |
| Listed shares | 27,941 |
| Perpetual trust plans and perpetual debt plans (i) | 14,998 |
| Preferred shares | 7,454 |
| Subtotal | 85,069 |
| Compromising: | |
| Cost | 76,979 |
| Accumulated fair value changes | 8,090 |
| Total | 180,142 |

(i) These perpetual financial instruments have no fixed maturity date, and the issuer does not have a contractual obligation to make any distributions or to redeem them by paying cash or other financial assets.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

At 31 December 2023, the impairment provision of debt instruments at fair value through other comprehensive income was RMB234 million.

Certain investments in equity instruments that are not held for trading were designated at fair value through other comprehensive income primarily for the purpose of recieiving relatively stable dividends and avoiding short-term price fluctuations which might have significant unexpected impact on the Group's financial performance.

The dividend income recognised by the Group for such equity instruments for the year ended 31 December 2023 was RMB3,853 million. In 2023, for the consideration of optimizing asset allocation and asset-liability management, the Group disposed of equity instruments designated at fair value through other comprehensive income amounted to RMB1,776 million. The cumulative losses net of tax of such equity instruments transferred into retained earnings from revaluation reserve upon disposals was RMB266 million during the year.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 December 2023 |
|---|---|
| Bond investments: | |
| Financial bonds | **63,257** |
| Corporate bonds | **4,048** |
| Government bonds | **331** |
| Mutual funds | **46,448** |
| Equity schemes (i) | **14,647** |
| Listed shares | **7,983** |
| Unlisted shares | **2,651** |
| Trust plans | **2,052** |
| Perpetual bonds | **1,619** |
| Project support schemes | **1,011** |
| Total | **144,047** |

(i) Equity schemes are structured entities which are set up for holding one or more equity investments on behalf of the ultimate investors. The underlying equity investments of these equity schemes are usually determined at inception of these schemes.

## 26. INSURANCE CONTRACTS

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims

| Insurance contracts issued measured under the PAA | 2023 | | | | |
|---|---|---|---|---|---|
| | LRC | | LIC | | |
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Insurance contract liabilities as at 1 January (1) | (143,955) | (3,128) | (122,417) | (4,513) | (274,013) |
| Insurance contract assets as at 1 January (2) | 7,831 | (468) | (6,171) | (437) | 755 |
| Insurance contract liabilities, net as at 1 January (3) = (1) + (2) | (136,124) | (3,596) | (128,588) | (4,950) | (273,258) |
| Insurance revenue (4) | 452,110 | - | - | - | 452,110 |
| Incurred claims and other directly attributable expenses (excluding insurance acquisition cash flows) (5) | - | - | (346,491) | (3,937) | (350,428) |
| Insurance acquisition cash flows amortisation (6) | (94,238) | - | - | - | (94,238) |
| Losses on onerous contracts and reversals of those losses (7) | - | (2,017) | - | - | (2,017) |
| Changes that relate to past service – changes in the FCF relating to the LIC (8) | - | - | 9,320 | 3,300 | 12,620 |
| Other expenses (9) | - | - | - | - | - |
| Insurance service expenses (10) = (5) + (6) + (7) + (8) + (9) | (94,238) | (2,017) | (337,171) | (637) | (434,063) |
| Insurance service result (11) = (4) + (10) | 357,872 | (2,017) | (337,171) | (637) | 18,047 |
| Finance expenses from insurance contracts issued (12) | (4,383) | - | (4,672) | (167) | (9,222) |
| Other income or expenses recognised in profit or loss (13) | - | - | - | - | - |
| Other income or expenses recognised in other comprehensive income (14) | - | - | - | - | - |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2023 | | | | |
|---|---|---|---|---|---|
| | LRC | | LIC | | |
| Insurance contracts issued measured under the PAA | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | 353,489 | (2,017) | (341,843) | (804) | 8,825 |
| Investment components (16) | 48,326 | - | (48,326) | - | - |
| Premiums received (17) | (509,056) | - | - | - | (509,056) |
| Insurance acquisition cash flows (18) | 95,510 | - | - | - | 95,510 |
| Claims and other directly attributable expenses paid (including investment components) (19) | - | - | 366,686 | - | 366,686 |
| Other cash flows (20) | - | - | - | - | - |
| Total cash flows (21) = (17) + (18) + (19) + (20) | (413,546) | - | 366,686 | - | (46,860) |
| Other movements (22) | - | - | 3,365 | - | 3,365 |
| Insurance contracts liabilities, net as at 31 December (23) = (3) + (15) + (16) + (21) + (22) | (147,855) | (5,613) | (148,706) | (5,754) | (307,928) |
| Insurance contract assets as at 31 December (24) | 10,629 | (400) | (6,762) | (456) | 3,011 |
| Insurance contract liabilities as at 31 December (25) | (158,484) | (5,213) | (141,944) | (5,298) | (310,939) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | LRC | | LIC | | |
| Insurance contracts issued measured under the PAA | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Insurance contract liabilities as at 1 January (1) | (135,681) | (3,022) | (76,727) | (2,537) | (217,967) |
| Insurance contract assets as at 1 January (2) | – | – | – | – | – |
| Insurance contract liabilities, net as at 1 January (3) = (1) + (2) | (135,681) | (3,022) | (76,727) | (2,537) | (217,967) |
| Insurance revenue (4) | 417,388 | – | – | – | 417,388 |
| Incurred claims and other directly attributable expenses (excluding insurance acquisition cash flows) (5) | – | – | (305,610) | (4,164) | (309,774) |
| Insurance acquisition cash flows amortisation (6) | (87,215) | – | – | – | (87,215) |
| Losses on onerous contracts and reversals of those losses (7) | – | (574) | – | – | (574) |
| Changes that relate to past service – changes in the FCF relating to the LIC (8) | – | – | (9) | 1,854 | 1,845 |
| Other expenses (9) | – | – | – | – | – |
| Insurance service expenses (10) = (5) + (6) + (7) + (8) + (9) | (87,215) | (574) | (305,619) | (2,310) | (395,718) |
| Insurance service result (11) = (4) + (10) | 330,173 | (574) | (305,619) | (2,310) | 21,670 |
| Finance expenses from insurance contracts issued (12) | (4,284) | – | (2,976) | (103) | (7,363) |
| Other income or expenses recognised in profit or loss (13) | – | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (14) | – | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | LRC | | LIC | | |
| Insurance contracts issued measured under the PAA | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | 325,889 | (574) | (308,595) | (2,413) | 14,307 |
| Investment components (16) | 50,619 | – | (50,619) | – | – |
| Premiums received (17) | (466,607) | – | – | – | (466,607) |
| Insurance acquisition cash flows (18) | 89,656 | – | – | – | 89,656 |
| Claims and other directly attributable expenses paid (including investment components) (19) | – | – | 304,148 | – | 304,148 |
| Other cash flows (20) | – | – | – | – | – |
| Total cash flows (21) = (17) + (18) + (19) + (20) | (376,951) | – | 304,148 | – | (72,803) |
| Other movements (22) | – | – | 3,205 | – | 3,205 |
| Insurance contracts liabilities, net as at 31 December (23) = (3) + (15) + (16) + (21) + (22) | (136,124) | (3,596) | (128,588) | (4,950) | (273,258) |
| Insurance contract assets as at 31 December (24) | 7,831 | (468) | (6,171) | (437) | 755 |
| Insurance contract liabilities as at 31 December (25) | (143,955) | (3,128) | (122,417) | (4,513) | (274,013) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2023 | | | |
|---|---|---|---|---|
| | LRC | | | |
| Insurance contracts issued measured under the GMM | Excluding loss component | Loss component | LIC | Total |
| Insurance contract liabilities as at 1 January (1) | (6,188) | (256) | (70,797) | (77,241) |
| Insurance contract assets as at 1 January (2) | 700 | – | (844) | (144) |
| Insurance contract liabilities, net as at 1 January (3) = (1) + (2) | (5,488) | (256) | (71,641) | (77,385) |
| Insurance revenue (4) | 5,093 | – | – | 5,093 |
| Incurred claims and other directly attributable expenses (excluding insurance acquisition cash flows) (5) | – | 260 | (4,245) | (3,985) |
| Insurance acquisition cash flows amortisation (6) | (756) | – | – | (756) |
| Losses on onerous contracts and reversals of those losses (7) | – | (269) | – | (269) |
| Changes that relate to past service – changes in the FCF relating to the LIC (8) | – | – | 7,082 | 7,082 |
| Other expenses (9) | – | – | – | – |
| Insurance service expenses (10) = (5) + (6) + (7) + (8) + (9) | (756) | (9) | 2,837 | 2,072 |
| Insurance service result (11) = (4) + (10) | 4,337 | (9) | 2,837 | 7,165 |
| Finance expenses from insurance contracts issued (12) | (159) | (16) | (1,195) | (1,370) |
| Other income or expenses recognised in profit or loss (13) | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (14) | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| Insurance contracts issued measured under the GMM | 2023 LRC Excluding loss component | 2023 LRC Loss component | 2023 LIC | 2023 Total |
|---|---|---|---|---|
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | 4,178 | (25) | 1,642 | 5,795 |
| Investment components (16) | (1) | – | 1 | – |
| Premiums received (17) | (4,618) | – | – | (4,618) |
| Insurance acquisition cash flows (18) | 1,064 | – | – | 1,064 |
| Claims and other directly attributable expenses paid (including investment components) (19) | – | – | 14,086 | 14,086 |
| Other cash flows (20) | – | – | – | – |
| Total cash flows (21) = (17) + (18) + (19) + (20) | (3,554) | – | 14,086 | 10,532 |
| Other movements (22) | – | – | 42 | 42 |
| Insurance contracts liabilities, net as at 31 December (23) = (3) + (15) + (16) + (21) + (22) | (4,865) | (281) | (55,870) | (61,016) |
| Insurance contract assets as at 31 December (24) | 620 | – | (746) | (126) |
| Insurance contract liabilities as at 31 December (25) | (5,485) | (281) | (55,124) | (60,890) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | LRC | | | |
| Insurance contracts issued measured under the GMM | Excluding loss component | Loss component | LIC | Total |
| Insurance contract liabilities as at 1 January (1) | (7,322) | (167) | (92,057) | (99,546) |
| Insurance contract assets as at 1 January (2) | 698 | – | (256) | 442 |
| Insurance contract liabilities, net as at 1 January (3) = (1) + (2) | (6,624) | (167) | (92,313) | (99,104) |
| Insurance revenue (4) | 6,967 | – | – | 6,967 |
| Incurred claims and other directly attributable expenses (excluding insurance acquisition cash flows) (5) | – | 114 | (6,195) | (6,081) |
| Insurance acquisition cash flows amortisation (6) | (563) | – | – | (563) |
| Losses on onerous contracts and reversals of those losses (7) | – | (198) | – | (198) |
| Changes that relate to past service – changes in the FCF relating to the LIC (8) | – | – | 6,594 | 6,594 |
| Other expenses (9) | – | – | – | – |
| Insurance service expenses (10) = (5) + (6) + (7) + (8) + (9) | (563) | (84) | 399 | (248) |
| Insurance service result (11) = (4) + (10) | 6,404 | (84) | 399 | 6,719 |
| Finance expenses from insurance contracts issued (12) | (130) | (5) | (2,050) | (2,185) |
| Other income or expenses recognised in profit or loss (13) | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (14) | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (1) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | LRC | | | |
| Insurance contracts issued measured under the GMM | Excluding loss component | Loss component | LIC | Total |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | 6,274 | (89) | (1,651) | 4,534 |
| Investment components (16) | 175 | – | (175) | – |
| Premiums received (17) | (6,258) | – | – | (6,258) |
| Insurance acquisition cash flows (18) | 945 | – | – | 945 |
| Claims and other directly attributable expenses paid (including investment components) (19) | – | – | 22,434 | 22,434 |
| Other cash flows (20) | – | – | – | – |
| Total cash flows (21) = (17) + (18) + (19) + (20) | (5,313) | – | 22,434 | 17,121 |
| Other movements (22) | – | – | 64 | 64 |
| Insurance contracts liabilities, net as at 31 December (23) = (3) + (15) + (16) + (21) + (22) | (5,488) | (256) | (71,641) | (77,385) |
| Insurance contract assets as at 31 December (24) | 700 | – | (844) | (144) |
| Insurance contract liabilities as at 31 December (25) | (6,188) | (256) | (70,797) | (77,241) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Asset for remaining coverage | | Asset for incurred claims | | |
| Reinsurance contracts held measured under the PAA | Excluding loss recovery component | Loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Reinsurance contract assets as at 1 January (1) | (2,492) | 306 | 26,857 | 814 | 25,485 |
| Reinsurance contract liabilities as at 1 January (2) | - | - | - | - | - |
| Reinsurance contract assets, net as at 1 January (3) = (1) + (2) | (2,492) | 306 | 26,857 | 814 | 25,485 |
| Allocation of reinsurance premiums (4) | (31,530) | - | - | - | (31,530) |
| Incurred claims recovery (5) | - | (131) | 26,767 | 648 | 27,284 |
| Recognition and reversal of the loss-recovery component (6) | - | 156 | - | - | 156 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery (7) | - | - | (559) | (456) | (1,015) |
| Effect of changes in the risk of reinsurers' non-performance (8) | - | - | (8) | - | (8) |
| Others (9) | - | - | - | - | - |
| Amounts recoverable from reinsurers (10) = (5) + (6) + (7) + (8) + (9) | - | 25 | 26,200 | 192 | 26,417 |
| Net expenses from reinsurance contracts held (11) = (4) + (10) | (31,530) | 25 | 26,200 | 192 | (5,113) |
| Finance income from reinsurance contracts held (12) | 472 | 6 | 529 | 28 | 1,035 |
| Other income or expenses recognised in profit or loss (13) | - | - | - | - | - |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Asset for remaining coverage | | Asset for incurred claims | | |
| Reinsurance contracts held measured under the PAA | Excluding loss recovery component | Loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Other income or expenses recognised in other comprehensive income (14) | - | - | - | - | - |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | (31,058) | 31 | 26,729 | 220 | (4,078) |
| Investment components (16) | (2,597) | - | 2,597 | - | - |
| Premiums ceded to reinsurers (17) | 35,346 | - | - | - | 35,346 |
| Amounts received from reinsurers relating to incurred claims (including investment components) (18) | - | - | (24,249) | - | (24,249) |
| Other cash flows (19) | - | - | - | - | - |
| Total cash flows (20) = (17) + (18) + (19) | 35,346 | - | (24,249) | - | 11,097 |
| Other movements (21) | - | - | - | - | - |
| Reinsurance contract assets, net as at 31 December (22) = (3) + (15) + (16) + (20) + (21) | (801) | 337 | 31,934 | 1,034 | 32,504 |
| Reinsurance contract assets as at 31 December (23) | (756) | 337 | 31,899 | 1,034 | 32,514 |
| Reinsurance contract liabilities as at 31 December (24) | (45) | - | 35 | - | (10) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Asset for remaining coverage | | Asset for incurred claims | | |
| Reinsurance contracts held measured under the PAA | Excluding loss recovery component | Loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Reinsurance contract assets as at 1 January (1) | (1,802) | 290 | 13,817 | 426 | 12,731 |
| Reinsurance contract liabilities as at 1 January (2) | – | – | – | – | – |
| Reinsurance contract assets, net as at 1 January (3) = (1) + (2) | (1,802) | 290 | 13,817 | 426 | 12,731 |
| Allocation of reinsurance premiums (4) | (33,203) | – | – | – | (33,203) |
| Incurred claims recovery (5) | – | (52) | 26,393 | 609 | 26,950 |
| Recognition and reversal of the loss-recovery component (6) | – | (48) | – | – | (48) |
| Changes that relate to past service – changes in the FCF relating to incurred claims recovery (7) | – | – | 1,501 | (238) | 1,263 |
| Effect of changes in the risk of reinsurers' non-performance (8) | – | – | (15) | – | (15) |
| Others (9) | – | – | – | – | – |
| Amounts recoverable from reinsurers (10) = (5) + (6) + (7) + (8) + (9) | – | (100) | 27,879 | 371 | 28,150 |
| Net expenses from reinsurance contracts held (11) = (4) + (10) | (33,203) | (100) | 27,879 | 371 | (5,053) |
| Finance income from reinsurance contracts held (12) | 352 | 116 | 388 | 17 | 873 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Asset for remaining coverage | | Asset for incurred claims | | |
| Reinsurance contracts held measured under the PAA | Excluding loss recovery component | Loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Other income or expenses recognised in profit or loss (13) | – | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (14) | – | – | – | – | – |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | (32,851) | 16 | 28,267 | 388 | (4,180) |
| Investment components (16) | (2,815) | – | 2,815 | – | – |
| Premiums ceded to reinsurers (17) | 34,976 | – | – | – | 34,976 |
| Amounts received from reinsurers relating to incurred claims (including investment components) (18) | – | – | (18,042) | – | (18,042) |
| Other cash flows (19) | – | – | – | – | – |
| Total cash flows (20) = (17) + (18) + (19) | 34,976 | – | (18,042) | – | 16,934 |
| Other movements (21) | – | – | – | – | – |
| Reinsurance contract assets, net as at 31 December (22) = (3) + (15) + (16) + (20) + (21) | (2,492) | 306 | 26,857 | 814 | 25,485 |
| Reinsurance contract assets as at 31 December (23) | (2,492) | 306 | 26,857 | 814 | 25,485 |
| Reinsurance contract liabilities as at 31 December (24) | – | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2023 | | | |
|---|---|---|---|---|
| | Asset for remaining coverage | | | |
| Reinsurance contracts held measured under the GMM | Excluding Loss recovery component | Loss recovery component | Asset for incurred claims | Total |
| Reinsurance contract assets as at 1 January (1) | 363 | 4 | 10,975 | 11,342 |
| Reinsurance contract liabilities as at 1 January (2) | – | – | – | – |
| Reinsurance contract assets, net as at 1 January (3) = (1) + (2) | 363 | 4 | 10,975 | 11,342 |
| Allocation of reinsurance premiums (4) | (647) | – | – | (647) |
| Incurred claims recovery (5) | – | (2) | 447 | 445 |
| Recognition and reversal of the loss-recovery component (6) | – | (2) | – | (2) |
| Changes that relate to past service – changes in the FCF relating to incurred claims recovery (7) | – | – | (818) | (818) |
| Effect of changes in the risk of reinsurers' non-performance (8) | – | – | (7) | (7) |
| Others (9) | – | – | – | – |
| Amounts recoverable from reinsurers (10) = (5) + (6) + (7) + (8) + (9) | – | (4) | (378) | (382) |
| Net expenses from reinsurance contracts held (11) = (4) + (10) | (647) | (4) | (378) | (1,029) |
| Finance income from reinsurance contracts held (12) | 39 | – | 255 | 294 |
| Other income or expenses recognised in profit or loss (13) | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2023 | | | |
|---|---|---|---|---|
| | Asset for remaining coverage | | | |
| Reinsurance contracts held measured under the GMM | Excluding Loss recovery component | Loss recovery component | Asset for incurred claims | Total |
| Other income or expenses recognised in other comprehensive income (14) | - | - | - | - |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | (608) | (4) | (123) | (735) |
| Investment components (16) | (20) | - | 20 | - |
| Premiums ceded to reinsurers (17) | 119 | - | - | 119 |
| Amounts received from reinsurers relating to incurred claims (including investment components) (18) | - | - | (4,360) | (4,360) |
| Other cash flows (19) | - | - | - | - |
| Total cash flows (20) = (17) + (18) + (19) | 119 | - | (4,360) | (4,241) |
| Other movements (21) | - | - | - | - |
| Reinsurance contract assets, net as at 31 December (22) = (3) + (15) + (16) + (20) + (21) | (146) | - | 6,512 | 6,366 |
| Reinsurance contract assets as at 31 December (23) | (78) | - | 6,455 | 6,377 |
| Reinsurance contract liabilities as at 31 December (24) | (68) | - | 57 | (11) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | Asset for remaining coverage | | | |
| Reinsurance contracts held measured under the GMM | Excluding Loss recovery component | Loss recovery component | Asset for incurred claims | Total |
| Reinsurance contract assets as at 1 January (1) | 69 | 2 | 18,798 | 18,869 |
| Reinsurance contract liabilities as at 1 January (2) | – | – | – | – |
| Reinsurance contract assets, net as at 1 January (3) = (1) + (2) | 69 | 2 | 18,798 | 18,869 |
| Allocation of reinsurance premiums (4) | (1,167) | – | – | (1,167) |
| Incurred claims recovery (5) | – | (1) | 793 | 792 |
| Recognition and reversal of the loss-recovery component (6) | – | 3 | – | 3 |
| Changes that relate to past service – changes in the FCF relating to incurred claims recovery (7) | – | – | (566) | (566) |
| Effect of changes in the risk of reinsurers' non-performance (8) | – | – | (2) | (2) |
| Others (9) | – | – | – | – |
| Amounts recoverable from reinsurers (10) = (5) + (6) + (7) + (8) + (9) | – | 2 | 225 | 227 |
| Net expenses from reinsurance contracts held (11) = (4) + (10) | (1,167) | 2 | 225 | (940) |
| Finance income from reinsurance contracts held (12) | 107 | – | 368 | 475 |
| Other income or expenses recognised in profit or loss (13) | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (2) Reconciliation of the asset for remaining coverage and the asset for incurred claims (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | Asset for remaining coverage | | | |
| Reinsurance contracts held measured under the GMM | Excluding Loss recovery component | Loss recovery component | Asset for incurred claims | Total |
| Other income or expenses recognised in other comprehensive income (14) | – | – | – | – |
| Total amounts recognised in total comprehensive income (15) = (11) + (12) + (13) + (14) | (1,060) | 2 | 593 | (465) |
| Investment components (16) | (55) | – | 55 | – |
| Premiums ceded to reinsurers (17) | 1,409 | – | – | 1,409 |
| Amounts received from reinsurers relating to incurred claims (including investment components) (18) | – | – | (8,471) | (8,471) |
| Other cash flows (19) | – | – | – | – |
| Total cash flows (20) = (17) + (18) + (19) | 1,409 | – | (8,471) | (7,062) |
| Other movements (21) | – | – | – | – |
| Reinsurance contract assets, net as at 31 December (22) = (3) + (15) + (16) + (20) + (21) | 363 | 4 | 10,975 | 11,342 |
| Reinsurance contract assets as at 31 December (23) | 363 | 4 | 10,975 | 11,342 |
| Reinsurance contract liabilities as at 31 December (24) | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (3) Reconciliation of the measurement components of insurance contracts issued

| | 2023 | | | |
|---|---|---|---|---|
| Insurance contracts issued measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Insurance contract liabilities as at 1 January (1) | (74,011) | (2,451) | (779) | (77,241) |
| Insurance contract assets as at 1 January (2) | (102) | (42) | – | (144) |
| Insurance contracts liabilities, net as at 1 January (3) = (1) + (2) | (74,113) | (2,493) | (779) | (77,385) |
| CSM recognised for the service provided (4) | – | – | 174 | 174 |
| Change in the risk adjustment for non-financial risk for the risk expired (5) | – | 147 | – | 147 |
| Experience adjustments – relating to insurance service expenses (6) | 31 | – | – | 31 |
| Changes that relate to current service (7) = (4) + (5) + (6) | 31 | 147 | 174 | 352 |
| Contracts initially recognised in the year (8) | (204) | (217) | (3) | (424) |
| Changes in estimates that adjust the CSM (9) | (126) | (8) | 134 | – |
| Changes in estimates that do not adjust the CSM (10) | 163 | (8) | – | 155 |
| Other changes that relate to future service (11) | – | – | – | – |
| Changes that relate to future service (12) = (8) + (9) + (10) + (11) | (167) | (233) | 131 | (269) |
| Changes in the FCF relating to the LIC (13) | 6,331 | 751 | – | 7,082 |
| Other changes that relate to past service (14) | – | – | – | – |
| Changes that relate to past service (15) = (13) + (14) | 6,331 | 751 | – | 7,082 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (3) Reconciliation of the measurement components of insurance contracts issued (continued)

| | 2023 | | | |
|---|---|---|---|---|
| Insurance contracts issued measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Insurance service result (16) = (7) + (12) + (15) | 6,195 | 665 | 305 | 7,165 |
| Insurance finance expenses from insurance contracts issued (17) | (1,283) | (63) | (24) | (1,370) |
| Other income or expenses recognised in profit or loss (18) | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (19) | – | – | – | – |
| Total amounts recognised in total comprehensive income (20) = (16) + (17) + (18) + (19) | 4,912 | 602 | 281 | 5,795 |
| Premiums received (21) | (4,618) | – | – | (4,618) |
| Insurance acquisition cash flows (22) | 1,064 | – | – | 1,064 |
| Claims and other directly attributable expenses paid (including investment components) (23) | 14,086 | – | – | 14,086 |
| Other cash flows (24) | – | – | – | – |
| Total cash flows (25) = (21) + (22) + (23) + (24) | 10,532 | – | – | 10,532 |
| Other movements (26) | 42 | – | – | 42 |
| Insurance contract liabilities, net as at 31 December (27) = (3) + (20) + (25) + (26) | (58,627) | (1,891) | (498) | (61,016) |
| Insurance contract assets as at 31 December (28) | (96) | (30) | – | (126) |
| Insurance contract liabilities as at 31 December (29) | (58,531) | (1,861) | (498) | (60,890) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (3) Reconciliation of the measurement components of insurance contracts issued (continued)

| Insurance contracts issued measured under the GMM | 2022 Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
|---|---|---|---|---|
| Insurance contract liabilities as at 1 January (1) | (94,654) | (3,888) | (1,004) | (99,546) |
| Insurance contract assets as at 1 January (2) | 442 | – | – | 442 |
| Insurance contracts liabilities, net as at 1 January (3) = (1) + (2) | (94,212) | (3,888) | (1,004) | (99,104) |
| CSM recognised for the service provided (4) | – | – | 467 | 467 |
| Change in the risk adjustment for non-financial risk for the risk expired (5) | – | 206 | – | 206 |
| Experience adjustments – relating to insurance service expenses (6) | (350) | – | – | (350) |
| Changes that relate to current service (7) = (4) + (5) + (6) | (350) | 206 | 467 | 323 |
| Contracts initially recognised in the year (8) | 177 | (152) | (43) | (18) |
| Changes in estimates that adjust the CSM (9) | 179 | (8) | (171) | – |
| Changes in estimates that do not adjust the CSM (10) | (182) | 2 | – | (180) |
| Other changes that relate to future service (11) | – | – | – | – |
| Changes that relate to future service (12) = (8) + (9) + (10) + (11) | 174 | (158) | (214) | (198) |
| Changes in the FCF relating to the LIC (13) | 5,157 | 1,437 | – | 6,594 |
| Other changes that relate to past service (14) | – | – | – | – |
| Changes that relate to past service (15) = (13) + (14) | 5,157 | 1,437 | – | 6,594 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (3) Reconciliation of the measurement components of insurance contracts issued (continued)

| | 2022 | | | |
|---|---|---|---|---|
| Insurance contracts issued measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Insurance service result (16) = (7) + (12) + (15) | 4,981 | 1,485 | 253 | 6,719 |
| Insurance finance expenses from insurance contracts issued (17) | (2,067) | (90) | (28) | (2,185) |
| Other income or expenses recognised in profit or loss (18) | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (19) | – | – | – | – |
| Total amounts recognised in total comprehensive income (20) = (16) + (17) + (18) + (19) | 2,914 | 1,395 | 225 | 4,534 |
| Premiums received (21) | (6,258) | – | – | (6,258) |
| Insurance acquisition cash flows (22) | 945 | – | – | 945 |
| Claims and other directly attributable expenses paid (including investment components) (23) | 22,434 | – | – | 22,434 |
| Other cash flows (24) | – | – | – | – |
| Total cash flows (25) = (21) + (22) + (23) + (24) | 17,121 | – | – | 17,121 |
| Other movements (26) | 64 | – | – | 64 |
| Insurance contract liabilities, net as at 31 December (27) = (3) + (20) + (25) + (26) | (74,113) | (2,493) | (779) | (77,385) |
| Insurance contract assets as at 31 December (28) | (102) | (42) | – | (144) |
| Insurance contract liabilities as at 31 December (29) | (74,011) | (2,451) | (779) | (77,241) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (4) Reconciliation of the measurement components of reinsurance contracts held

| | 2023 | | | |
|---|---|---|---|---|
| Reinsurance contracts held measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Reinsurance contract assets as at 1 January (1) | 10,581 | 557 | 204 | 11,342 |
| Reinsurance contract liabilities as at 1 January (2) | – | – | – | – |
| Reinsurance contracts assets, net as at 1 January (3) = (1) + (2) | 10,581 | 557 | 204 | 11,342 |
| CSM recognised for the service received (4) | – | – | (72) | (72) |
| Change in the risk adjustment for non-financial risk (5) | – | (22) | – | (22) |
| Experience adjustments for the period (6) | (108) | – | – | (108) |
| Changes that relate to current service (7) = (4) + (5) + (6) | (108) | (22) | (72) | (202) |
| Reinsurance contracts initially recognised in the period (8) | – | – | – | – |
| Changes in estimates that adjust the CSM (9) | 30 | 2 | (32) | – |
| Changes in estimates that do not adjust the CSM (10) | – | – | – | – |
| Recognition and reversal of the loss-recovery component (11) | – | – | (2) | (2) |
| Other changes that relate to future service (12) | – | – | – | – |
| Changes that relate to future service (13) = (8) + (9) + (10) + (11) + (12) | 30 | 2 | (34) | (2) |
| Changes in the FCF relating to incurred claims recovery (14) | (633) | (185) | – | (818) |
| Other changes that relate to past service (15) | – | – | – | – |
| Changes that relate to past service (16) = (14) + (15) | (633) | (185) | – | (818) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (4) Reconciliation of the measurement components of reinsurance contracts held (continued)

| | 2023 | | | |
|---|---|---|---|---|
| Reinsurance contracts held measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Changes in the risk of reinsurers non- performance (17) | (7) | - | - | (7) |
| Net expenses from reinsurance contracts held (18) = (7) + (13) + (16) + (17) | (718) | (205) | (106) | (1,029) |
| Finance income or expenses from reinsurance contracts held (19) | 273 | 15 | 6 | 294 |
| Other income or expenses recognised in profit or loss (20) | - | - | - | - |
| Other income or expenses recognised in other comprehensive income (21) | - | - | - | - |
| Total amounts recognised in total comprehensive income (22) = (18) + (19) + (20) + (21) | (445) | (190) | (100) | (735) |
| Premiums ceded to reinsurers (23) | 119 | - | - | 119 |
| Amounts received from reinsurers relating to incurred claims and other expenses (including investment components) (24) | (4,360) | - | - | (4,360) |
| Other cash flows (25) | - | - | - | - |
| Total cash flows (26) = (23) + (24) + (25) | (4,241) | - | - | (4,241) |
| Other movements (27) | - | - | - | - |
| Reinsurance contract assets, net as at 31 December (28) = (3) + (22) + (26) + (27) | 5,895 | 367 | 104 | 6,366 |
| Reinsurance contract assets as at 31 December (29) | 5,906 | 367 | 104 | 6,377 |
| Reinsurance contract liabilities as at 31 December (30) | (11) | - | - | (11) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (4) Reconciliation of the measurement components of reinsurance contracts held (continued)

| | 2022 | | | |
|---|---|---|---|---|
| Reinsurance contracts held measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Reinsurance contract assets as at 1 January (1) | 17,659 | 846 | 364 | 18,869 |
| Reinsurance contract liabilities as at 1 January (2) | – | – | – | – |
| Reinsurance contract assets, net as at 1 January (3) = (1) + (2) | 17,659 | 846 | 364 | 18,869 |
| CSM recognised for the service received (4) | – | – | (156) | (156) |
| Change in the risk adjustment for non-financial risk (5) | – | (30) | – | (30) |
| Experience adjustments for the period (6) | (189) | – | – | (189) |
| Changes that relate to current service (7) = (4) + (5) + (6) | (189) | (30) | (156) | (375) |
| Reinsurance contracts initially recognised in the period (8) | – | – | – | – |
| Changes in estimates that adjust the CSM (9) | 15 | 2 | (17) | – |
| Changes in estimates that do not adjust the CSM (10) | – | – | – | – |
| Recognition and reversal of the loss-recovery component (11) | – | – | 3 | 3 |
| Other changes that relate to future service (12) | – | – | – | – |
| Changes that relate to future service (13) = (8) + (9) + (10) + (11) + (12) | 15 | 2 | (14) | 3 |
| Changes in the FCF relating to incurred claims recovery (14) | (284) | (282) | – | (566) |
| Other changes that relate to past service (15) | – | – | – | – |
| Changes that relate to past service (16) = (14) + (15) | (284) | (282) | – | (566) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (4) Reconciliation of the measurement components of reinsurance contracts held (continued)

| | 2022 | | | |
|---|---|---|---|---|
| Reinsurance contracts held measured under the GMM | Present value of FCF | Risk adjustment for non-financial risk | CSM | Total |
| Changes in the risk of reinsurers non- performance (17) | (2) | – | – | (2) |
| Net expenses from reinsurance contracts held (18) = (7) + (13) + (16) + (17) | (460) | (310) | (170) | (940) |
| Finance income or expenses from reinsurance contracts held (19) | 444 | 21 | 10 | 475 |
| Other income or expenses recognised in profit or loss (20) | – | – | – | – |
| Other income or expenses recognised in other comprehensive income (21) | – | – | – | – |
| Total amounts recognised in total comprehensive income (22) = (18) + (19) + (20) + (21) | (16) | (289) | (160) | (465) |
| Premiums ceded to reinsurers (23) | 1,409 | – | – | 1,409 |
| Amounts received from reinsurers relating to incurred claims and other expenses (including investment components) (24) | (8,471) | – | – | (8,471) |
| Other cash flows (25) | – | – | – | – |
| Total cash flows (26) = (23) + (24) + (25) | (7,062) | – | – | (7,062) |
| Other movements (27) | – | – | – | – |
| Reinsurance contract assets, net as at 31 December (28) = (3) + (22) + (26) + (27) | 10,581 | 557 | 204 | 11,342 |
| Reinsurance contract assets as at 31 December (29) | 10,581 | 557 | 204 | 11,342 |
| Reinsurance contract liabilities as at 31 December (30) | – | – | – | – |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (5) Expected release of the contractual service margin

An analysis of the expected release of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

| | 31 December 2023 | |
|---|---|---|
| **Number of years until expected to be released** | **Insurance contracts issued** | **Reinsurance contracts held** |
| Within 1 year | **132** | **(41)** |
| More than 1 year to 2 years | **83** | **(16)** |
| More than 2 years to 3 years | **56** | **(8)** |
| More than 3 years to 4 years | **40** | **(6)** |
| More than 4 years to 5 years | **33** | **(5)** |
| More than 5 years | **154** | **(28)** |
| Total | **498** | **(104)** |

| | 31 December 2022 | |
|---|---|---|
| Number of years until expected to be released | Insurance contracts issued | Reinsurance contracts held |
| Within 1 year | 253 | (94) |
| More than 1 year to 2 years | 157 | (45) |
| More than 2 years to 3 years | 101 | (18) |
| More than 3 years to 4 years | 63 | (9) |
| More than 4 years to 5 years | 40 | (6) |
| More than 5 years | 165 | (32) |
| Total | 779 | (204) |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (6) Contractual service margin by transition approach

| | 2023 | | | |
|---|---|---|---|---|
| Insurance contracts issued measured under the GMM | Contracts measured under the modified retrospective approach at transition | Contracts measured under the fair value approach at transition | New contracts and contracts measured under the full retrospective approach at transition | Total |
| CSM as at 1 January | – | 774 | 5 | 779 |
| Changes that relate to current service | | | | |
| CSM recognised for the services provided | (3) | (165) | (6) | (174) |
| Changes that relate to future service | | | | |
| Contracts initially recognised in the period | – | – | 3 | 3 |
| Changes in estimates that adjust the CSM | 5 | (144) | 5 | (134) |
| Subtotal | 2 | (309) | 2 | (305) |
| Finance expenses from insurance contracts issued | – | 24 | – | 24 |
| Total amounts recognised in comprehensive income | 2 | (285) | 2 | (281) |
| CSM as at 31 December | 2 | 489 | 7 | 498 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (6) Contractual service margin by transition approach (continued)

| | 2022 | | | |
|---|---|---|---|---|
| Insurance contracts issued measured under the GMM | Contracts measured under the modified retrospective approach at transition | Contracts measured under the fair value approach at transition | New contracts and contracts measured under the full retrospective approach at transition | Total |
| CSM as at 1 January | – | 1,004 | – | 1,004 |
| Changes that relate to current service | | | | |
| CSM recognised for the services provided | – | (465) | (2) | (467) |
| Changes that relate to future service | | | | |
| Contracts initially recognised in the period | – | – | 43 | 43 |
| Changes in estimates that adjust the CSM | – | 207 | (36) | 171 |
| Subtotal | – | (258) | 5 | (253) |
| Finance expenses from insurance contracts issued | – | 28 | – | 28 |
| Total amounts recognised in comprehensive income | – | (230) | 5 | (225) |
| CSM as at 31 December | – | 774 | 5 | 779 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (6) Contractual service margin by transition approach (continued)

| Reinsurance contracts held measured under the GMM | 2023 | | | |
|---|---|---|---|---|
| | Contracts measured under the modified retrospective approach at transition | Contracts measured under the fair value approach at transition | New contracts and contracts measured under the full retrospective approach at transition | Total |
| CSM as at 1 January | – | 204 | – | 204 |
| Changes that relate to current service | | | | |
| CSM recognised for the services | – | (72) | – | (72) |
| Changes that relate to future service | | | | |
| Changes in estimates that adjust the CSM | – | (32) | – | (32) |
| Recognition and reversal of the loss-recovery component | – | (2) | – | (2) |
| Subtotal | – | (106) | – | (106) |
| Finance income or expenses from reinsurance contracts held | – | 6 | – | 6 |
| Total amounts recognised in comprehensive income | – | (100) | – | (100) |
| CSM as at 31 December | – | 104 | – | 104 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (6) Contractual service margin by transition approach (continued)

| | 2022 | | | |
|---|---|---|---|---|
| Reinsurance contracts held measured under the GMM | Contracts measured under the modified retrospective approach at transition | Contracts measured under the fair value approach at transition | New contracts and contracts measured under the full retrospective approach at transition | Total |
| CSM as at 1 January | – | 364 | – | 364 |
| Changes that relate to current service | | | | |
| CSM recognised for the services | – | (156) | – | (156) |
| Changes that relate to future service | | | | |
| Changes in estimates that adjust the CSM | – | (17) | – | (17) |
| Recognition and reversal of the loss-recovery component | – | 3 | – | 3 |
| Subtotal | – | (170) | – | (170) |
| Finance income or expenses from reinsurance contracts held | – | 10 | – | 10 |
| Total amounts recognised in comprehensive income | – | (160) | – | (160) |
| CSM as at 31 December | – | 204 | – | 204 |

## 26. INSURANCE CONTRACTS (CONTINUED)

### (7) Impact of contracts recognised in the year

| Insurance contracts issued measured under the GMM | 2023 Non-onerous contracts acquired | 2023 Onerous contracts acquired | 2023 Total |
|---|---|---|---|
| Insurance acquisition cash flows | 6 | 1,163 | 1,169 |
| Claims and other directly attributable expenses | 1 | 3,612 | 3,613 |
| Estimates of the present value of future cash outflows | 7 | 4,775 | 4,782 |
| Estimates of the present value of future cash inflows | (10) | (4,568) | (4,578) |
| Risk adjustment for non-financial risk | – | 217 | 217 |
| CSM | 3 | – | 3 |
| Loss recognised on initial recognition | – | 424 | 424 |

| Insurance contracts issued measured under the GMM | 2022 Non-onerous contracts acquired | 2022 Onerous contracts acquired | 2022 Total |
|---|---|---|---|
| Insurance acquisition cash flows | 203 | 772 | 975 |
| Claims and other directly attributable expenses | 466 | 2,063 | 2,529 |
| Estimates of the present value of future cash outflows | 669 | 2,835 | 3,504 |
| Estimates of the present value of future cash inflows | (740) | (2,941) | (3,681) |
| Risk adjustment for non-financial risk | 28 | 124 | 152 |
| CSM | 43 | – | 43 |
| Loss recognised on initial recognition | – | 18 | 18 |

## 27. TERM DEPOSITS

The original maturities of the term deposits are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| More than 3 months to 1 year | 472 | 2,228 |
| More than 1 year to 2 years | 7 | 25 |
| More than 2 years to 3 years | 8,978 | 9,394 |
| More than 3 years | 47,410 | 62,010 |
| Subtotal | 56,867 | 73,657 |
| Add: interest receivables | 1,138 | Not applicable |
| Less: provision for impairment | (220) | – |
| Amortised cost | 57,785 | 73,657 |

## 28. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | 31 December 2023 | 31 December 2022 (Restated) |
|---|---|---|
| Associates | | |
| Cost of investments in associates (i) | **39,759** | 38,765 |
| Share of post-acquisition profit, and other equity movement, less dividends received or receivable | **22,809** | 19,282 |
| Subtotal | **62,568** | 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 | **(58)** | (60) |
| Subtotal | **40** | 38 |
| Total | **62,608** | 58,085 |
| Less: provision for impairment | **(7)** | – |
| Net value | **62,601** | 58,085 |

(i) A dilution loss arising on a reduced stake in an associate amounting to RMB95 million was included in this item for the year ended 31 December 2022.

## 28. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Movement of investments in associates and joint ventures is as follows:

| Associates and joint ventures | 1 January 2023 | Addition | Share of profit | Share of other comprehensive income | Others | Dividend received | Impairment losses | 31 December 2023 |
|---|---|---|---|---|---|---|---|---|
| Hua Xia Bank Co., Limited ("Hua Xia Bank") | 42,213 | – | 3,783 | 114 | – | (982) | – | **45,128** |
| Others | 15,936 | 994 | 1,747 | (785) | (1) | (411) | (7) | **17,473** |
| | 58,149 | 994 | 5,530 | (671) | (1) | (1,393) | (7) | **62,601** |

### Particulars of a material associate

Particulars of a material associate at 31 December 2023 and 2022 are as follows:

| Name | Place of registration and operations | Paid up/ registered | Proportion of ownership interest and voting right at 31 December | | Principal activities |
|---|---|---|---|---|---|
| | | | 2023 | 2022 | |
| Hua Xia Bank | Beijing, PRC | 15,915 | **16.106%** | 16.106% | Commercial banking |

On 28 December 2015, the Company entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien ("Sal. Oppenheim") and Deutsche Bank Luxembourg S. A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to the Company 877 million shares,267 million shares and 992 million shares of Hua Xia Bank, respectively, held by them (amounting to a total of 2,136 million shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and the Company conditionally agreed to purchase these shares with total amount of RMB22,444 million. This transaction was completed on 17 November 2016.

On 28 December 2018, Hua Xia Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%. As such, a dilution loss amounting to RMB737 million was recognised in investments in associates and joint ventures and reserves.

## 28. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

### Particulars of a material associate (continued)

On 18 October 2022, Hua Xia Bank completed its private offering of shares. The PICC P&C, a subsidiary of the Group, did not subscribe for the shares proportionately, therefore its total equity interest in Hua Xia Bank was diluted from 16.66% to 16.11%. As such, a dilution loss amounting to RMB95million was recognised in losses arising on a reduced stake in an associate.

Management has assessed the level of influence that the Group has on Hua Xia Bank, and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation. Consequently, this investment has been classified as an associate. It is accounted for using equity method.

Except for Hua Xia Bank, all the associates and joint ventures are private companies or structured entities, and there are no quoted market prices available for these shares. Hua Xia Bank is listed on the Shanghai Stock Exchange and the fair value of the Group's interests in Hua Xia Bank at 31 December 2023 was RMB14,405 million (31 December 2022: RMB13,303 million).

At 31 December 2023, the carrying amount of Hua Xia Bank exceeded its fair value for more than five years. Management performed impairment test accordingly considering such impairment indicator exists. The recoverable amount of the interest in Hua Xia Bank is determined by value-in-use approach. The calculation used pre-tax cash flow projections for the five years ending 31 December 2028 with subsequent extrapolation to perpetuity. The discount rate used was based on a cost of capital used to evaluate investments in Mainland China. Management judgement is required in estimating the future cash flows of Hua Xia Bank. The key assumptions are determined with reference to external sources of information. Based on management's assessment results, there was no impairment at 31 December 2023. Reasonably possible changes in key assumptions will not lead to impairment loss.

## 28. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

### Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below.

*Hua Xia Bank*

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Total assets | **4,254,766** | 3,900,167 |
| Net assets attributable to equity holders of Hua Xia Bank | **318,579** | 320,457 |

| | 2023 | 2022 |
|---|---|---|
| Revenue | **93,207** | 93,808 |
| Profit attributable to equity holders of Hua Xia Bank | **26,363** | 25,035 |
| Dividends received from the associate during the year | **982** | 866 |

Reconciliation of the carrying amount of the interest in Hua Xia Bank recognised in the consolidated financial statements:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Net assets attributable to equity holders of Hua Xia Bank | **318,579** | 320,457 |
| Total preference shares issued by Hua Xia Bank | **–** | (19,978) |
| Total perpetual bonds issued by Hua Xia Bank | **(39,993)** | (39,993) |
| Net assets attributable to ordinary shareholders of Hua Xia Bank | **278,586** | 260,486 |
| Proportion of the Group's ownership interest in Hua Xia Bank | **16.106%** | 16.106% |
| The Group's ownership interest in net assets of Hua Xia Bank | **44,869** | 41,954 |
| Net fair value adjustment to the investee's identifiable assets and liabilities | **(63)** | (63) |
| Amortisation of intangible assets and financial instruments recognised in fair value adjustments | **322** | 322 |
| Carrying amount of the Group's interest in Hua Xia Bank | **45,128** | 42,213 |
| Fair value of shares listed in Mainland China | **14,405** | 13,303 |

## 28. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

### Aggregate information of associates and joint ventures that are not individually material:

At 31 December 2023 apart from the associate disclosed above, the Group has in aggregate 9 (31 December 2022: 8) individually immaterial associates and joint ventures and their aggregate information is presented as below:

| | 2023 | 2022 (Restated) |
|---|---|---|
| The Group's share of profit | **1,747** | 1,081 |
| The Group's share of other comprehensive income | **(785)** | (578) |
| The Group's share of total comprehensive income | **962** | 503 |
| Aggregate carrying amount of the Group's interests in these associates and joint ventures | **17,473** | 15,872 |

## 29. SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2023 and 2022 are as follows:

| Name of subsidiary | Place of incorporation and type of legal entity | Share capital registered/ paid-up capital in million | Equity interest and voting right held by the Company as at 31 December | | Principal activities |
|---|---|---|---|---|---|
| | | | 2023 | 2022 | |
| PICC Minhe Holding (Beijing) Company Limited (Formerly known as PICC Community Sales Service Company Limited) | Shenzhen, PRC Limited Liability | RMB250 | **100%** | 100% | Provision of insurance agency services |
| PICC Haikou Training Center Company Limited | Hainan, PRC Limited Liability | RMB0.1 | **100%** | 100% | Provision of training services |
| PICC North Information Center Management Co., Ltd. ("PICC North Center") | Hebei, PRC Limited Liability | RMB1,551 | **70%** | 70% | Provision of IT services and business services |
| PICC Services (Europe) Ltd. | London, UK Limited Liability | GBP0.5 | **100%** | 100% | Claim handling agency |
| PICC Real Estate (Shenzhen) Company Limited ("PICC Real Estate") (i) | Shenzhen, PRC Limited Liability | RMB4,940 | **50%** | 50% | Property management |

(i) The Group assesses it has control over PICC Real Estate as the Group has the power to appoint or remove a majority of the Board of Directors of PICC Real Estate to have the majority voting rights on the board meetings.

## 30. INVESTMENT PROPERTIES

| | 2023 | 2022 |
|---|---|---|
| At 1 January | **7,440** | 5,851 |
| Transferred from property and equipment and right-of-use assets | **839** | 1,589 |
| Fair value gains on revaluation of investment properties transferred from property and equipment and right-of-use assets | **397** | 636 |
| Decrease in fair value of investment properties *(note 10, note 8)* | **(216)** | (161) |
| Transferred to property and equipment and right-of-use assets | **(884)** | (475) |
| At 31 December | **7,576** | 7,440 |
| Hierarchy of fair value: | | |
| Level 3 | **7,576** | 7,440 |

The Group is still in the process of applying for the title certificates of certain investment properties with a total carrying value of RMB252 million at 31 December 2023 (31 December 2022: RMB302 million). The directors of the Company do not expect this to have any impacts on the operation of the Group.

At 31 December 2023 and 2022, the Group's investment properties were not pledged as collateral.

## 30. INVESTMENT PROPERTIES (CONTINUED)

At 31 December 2023 and 2022, 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 valuation date by discounting the 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 properties with similar properties that had recent market transactions, adjusting the difference of status, date, region and other specific factors that might have an impact on the fair value measurement of the properties.

The independent valuers usually determine the fair value of the investment properties using either approach according to their professional judgement. Therefore, these fair values are categorised as Level 3.

There has been no change in the valuation technique used from the prior years. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

One of the key inputs used in valuing these investment properties was the capitalisation rate used, which ranges from 4% to 7.5% at 31 December 2023 (31 December 2022: 4% to 7.5%). A slight increase in the capitalisation rate used would result in significant decrease in fair value measurement of investment properties, and vice versa.

There was no transfer in or out of Level 3 during the year.

For investment properties measured at fair value categorised as Level 3, their valuations are performed by the independent valuers at 30 June and 31 December of each year, as well as on the dates of transfers in and out of investment properties. The finance department reviews the overall reasonableness of these valuations and reports the results of valuations to management.

Operating lease income from investment properties for the year amounting to RMB397 million (2022: RMB325 million) was recognised in the consolidated income statement.

## 31. PROPERTY AND EQUIPMENT

| | Lands and buildings | Motor vehicles | Office equipment, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 31 December 2022 | 25,257 | 1,738 | 9,064 | 6,390 | 42,449 |
| Additions | 271 | 4 | 784 | 298 | 1,357 |
| Transfers to/(from) | 1,310 | – | – | (1,310) | – |
| Transfers from investment properties | 588 | – | – | – | 588 |
| Transfers to investment properties | (983) | – | – | – | (983) |
| Disposals | (28) | (94) | (307) | – | (429) |
| At 31 December 2023 | 26,415 | 1,648 | 9,541 | 5,378 | 42,982 |
| Accumulated depreciation | | | | | |
| At 31 December 2022 | (8,752) | (1,261) | (7,662) | – | (17,675) |
| Depreciation charge *(note 13)* | (1,006) | (152) | (676) | – | (1,834) |
| Transfers to investment properties | 211 | – | – | – | 211 |
| Disposals | 23 | 90 | 294 | – | 407 |
| At 31 December 2023 | (9,524) | (1,323) | (8,044) | – | (18,891) |
| Net book value | | | | | |
| At 31 December 2023 | 16,891 | 325 | 1,497 | 5,378 | 24,091 |
| At 31 December 2022 | 16,505 | 477 | 1,402 | 6,390 | 24,774 |

At 31 December 2023, certain acquired buildings of the Group with a net book value of RMB439 million (31 December 2022: RMB484 million) were still in the process of title registration. The directors of the Company do not expect this to have any impacts on the operation of the Group.

## 32. RIGHT-OF-USE ASSETS

| | Leasehold lands | Leased properties | Others | Total |
|---|---|---|---|---|
| Cost | | | | |
| At 31 December 2022 | 6,181 | 3,185 | 20 | 9,386 |
| Additions | 30 | 647 | 15 | 692 |
| Transfers from investment properties | 296 | – | – | 296 |
| Transfers to investment properties | (126) | – | – | (126) |
| Disposals/Terminations | (54) | (1,019) | (20) | (1,093) |
| At 31 December 2023 | 6,327 | 2,813 | 15 | 9,155 |
| Accumulated depreciation | | | | |
| At 31 December 2022 | (2,093) | (1,718) | (17) | (3,828) |
| Provided for the year *(note 13)* | (197) | (753) | (11) | (961) |
| Transfers to investment properties | 59 | – | – | 59 |
| Disposals/Terminations | 16 | 974 | 21 | 1,011 |
| At 31 December 2023 | (2,215) | (1,497) | (7) | (3,719) |
| Net book value | | | | |
| At 31 December 2023 | 4,112 | 1,316 | 8 | 5,436 |
| At 31 December 2022 | 4,088 | 1,467 | 3 | 5,558 |

The above items of leasehold lands are depreciated on a straight-line basis over 30-70 years. For the year ended 31 December 2023, expense relating to leases of low-value assets and short-term leases that applied the simplified approach is approximately RMB128 million (2022: RMB82 million).

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB59 million (2022: RMB44 million) in which the Group is in the process of obtaining.

## 33. DEFERRED TAX

The movements in deferred tax assets and liabilities for the year ended 31 December 2023 are as follows:

| | Impairment losses on financial assets | Fair value changes of financial assets | Insurance contracts | Salaries and staff welfare payables | Revaluation of investment properties | Others | Total |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | | |
| At 1 January 2023 | 576 | – | 13,941 | 1,802 | – | 876 | 17,195 |
| Credit to/(Charged to) income statement *(note 14)* | 49 | 1,132 | (3,737) | 143 | – | 339 | (2,074) |
| Credited to other comprehensive income | – | – | 95 | – | – | – | 95 |
| Gross deferred tax assets at 31 December 2023 | 625 | 1,132 | 10,299 | 1,945 | – | 1,215 | 15,216 |
| Deferred tax liabilities | | | | | | | |
| At 1 January 2023 | – | (3,170) | – | – | (1,827) | (138) | (5,135) |
| Credited to income statement *(note 14)* | – | – | – | – | 40 | 82 | 122 |
| Credit to/(Charged to) other comprehensive income | – | 117 | – | – | (96) | – | 21 |
| Tax effect due to disposals of equity instruments at fair value through other comprehensive income | – | (85) | – | – | – | – | (85) |
| Gross deferred tax liabilities at 31 December 2023 | – | (3,138) | – | – | (1,883) | (56) | (5,077) |
| Net deferred tax assets at 31 December 2023 | | | | | | | 10,139 |

## 33. DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities for the year ended 31 December 2022 (restated) are as follows:

| | Impairment losses on financial assets | Fair value changes of available-for-sale financial assets | Insurance contracts | Salaries and staff welfare payables | Revaluation of investment properties | Others | Total |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | | |
| At 1 January 2022 | 1,072 | – | 10,354 | 1,183 | – | 828 | 13,437 |
| Credited to income statement *(note 14)* | 72 | – | 3,545 | 619 | – | 100 | 4,336 |
| Credited to other comprehensive income | – | – | 42 | – | – | – | 42 |
| Gross deferred tax assets at 31 December 2022 | 1,144 | – | 13,941 | 1,802 | – | 928 | 17,815 |
| Deferred tax liabilities | | | | | | | |
| At 1 January 2022 | – | (6,782) | – | – | (1,713) | (193) | (8,688) |
| Credited to income statement *(note 14)* | – | – | – | – | 39 | 55 | 94 |
| Credited to/(Charged to) other comprehensive income | – | 3,015 | – | – | (153) | – | 2,862 |
| Gross deferred tax liabilities at 31 December 2022 | – | (3,767) | – | – | (1,827) | (138) | (5,732) |
| Net deferred tax assets at 31 December 2022 | | | | | | | 12,083 |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities as they relate to the same tax authority.

## 33. DEFERRED TAX (CONTINUED)

### OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has not been enacted in mainland China, the jurisdiction in which the Company is incorporated. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

The Group is in the progress of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculation GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate about 15%, there may still be Pillar Two tax implications.

## 34. PREPAYMENTS AND OTHER ASSETS

| | 31 December 2023 | 31 December 2022 (Restated) |
|---|---|---|
| Interest receivables | **Not applicable** | 5,185 |
| Deductible input value-added tax | **5,226** | 4,263 |
| Restricted statutory deposits (i) | **4,726** | 4,449 |
| Receivables from co-insurers for amounts paid on their behalf | **3,877** | 2,818 |
| Prepaid income tax | **3,731** | – |
| Intangible assets | **2,811** | 2,765 |
| Prepaid output value-added tax borne by the policyholders | **1,728** | 1,609 |
| Receivables arising from redemption of investment funds | **1,422** | 2,415 |
| Deposits paid | **1,232** | 1,338 |
| Prepayments for acquisition of assets and services | **265** | 157 |
| Amounts due from PICC Group *(note 45 (4))* | **53** | 106 |
| Amounts due from associates *(note 45 (4))* | **50** | 49 |
| Amounts due from fellow subsidiaries under PICC Group *(note 45 (4))* | **25** | 13 |
| Others | **2,919** | 2,931 |
| Total | **28,065** | 28,098 |
| Less: provision for impairment | **(753)** | (922) |
| Net value | **27,312** | 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 NFRA as a security fund. The use of the security fund is subject to the approval of the NFRA.

## 35. RESTRICTED DEPOSITS

At 31 December 2023, term deposits contained an amount of RMB1,965 million (31 December 2022: RMB2,212 million) that were subject to various restrictions. These deposits are mainly managed in specific bank accounts according to requirements of certain local governments and can only be used to settle for catastrophic losses from agriculture insurance business.

## 36. INVESTMENT CONTRACT LIABILITIES

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Policyholders' deposits | **1,676** | 1,681 |
| Policy dividends payable | **60** | 60 |
| Total | **1,736** | 1,741 |

For the years ended 31 December 2023 and 2022, the Group has underwritten policies in household property and accidental insurance products containing both insurance and investment features. Policyholders deposit a fixed principal amount which is only refundable upon the maturity of the policy, and the policyholders receive a fixed rate of interest or bear no interest. Penalties on early termination are charged according to the terms stated in the policy.

## 37. BONDS PAYABLE

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Carrying amount repayable in: | | |
| more than five years | **8,365** | 8,097 |

On 23 March 2020, the Company issued capital supplementary bonds with par value of RMB8,000 million and a contractual period of ten years. The Company has an option to redeem the bonds at par value at the end of the fifth year from the date of issue. The coupon rate of the bonds is 3.59% per annum in the first five years and 4.59% per annum in the following five years.

## 38. ACCRUALS AND OTHER LIABILITIES

| | 31 December 2023 | 31 December 2022 (Restated) |
|---|---|---|
| Salaries and staff welfare payables | **20,491** | 17,281 |
| Other taxes payable | **7,990** | 7,506 |
| Premiums received in advance | **4,963** | 4,755 |
| Payables to co-insurers | **2,821** | 3,019 |
| Insurance deposit received | **578** | 648 |
| Amounts due to fellow subsidiaries under PICC Group *(note 45 (4))* | **201** | 168 |
| Accrued capital expenditures | **143** | 255 |
| Interest payable | **Not applicable** | 247 |
| Others | **8,820** | 9,266 |
| Total | **46,007** | 43,145 |

## 39. ISSUED CAPITAL

| | 31 December 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 |

## 40. 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 financial liabilities. Details of fair value measurements of investment properties are disclosed in note 30 to the consolidated financial statements.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 31 December 2023 | 31 December 2022 (Restated) | 31 December 2023 | 31 December 2022 (Restated) |
| **Financial assets** | | | | |
| Cash and cash equivalents | 16,526 | 21,250 | 16,526 | 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 | 126,192 | Not applicable | 134,051 | Not applicable |
| Financial assets at fair value through other comprehensive income | 180,142 | Not applicable | 180,142 | Not applicable |
| Financial assets at fair value through profit or loss | 144,047 | Not applicable | 144,047 | Not applicable |
| Term deposits | 57,785 | 73,657 | 57,785 | 73,657 |
| Other financial assets | 17,088 | 18,549 | 17,088 | 18,549 |
| Total financial assets | 541,780 | 518,457 | 549,639 | 523,300 |
| **Financial liabilities** | | | | |
| Securities sold under agreements to repurchase | 40,037 | 41,690 | 40,037 | 41,690 |
| Investment contract liabilities | 1,736 | 1,741 | 1,736 | 1,741 |
| Bonds payable | 8,365 | 8,097 | 8,296 | 8,062 |
| Other financial liabilities | 12,539 | 15,703 | 12,539 | 15,703 |
| Total financial liabilities | 62,677 | 67,231 | 62,608 | 67,196 |

## 40. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (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.

*(a) Fair value of financial assets that are measured at fair value*

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).

## 40. 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 (continued)*

| Items | 31 December 2023 | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|
| Financial assets at fair value through profit or loss | 42,165 | Level 1 | Quoted bid prices in an active market. |
| Financial assets at fair value through profit or loss | 82,531 | 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 | 14,336 | 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 | 5,015 | Level 3 | Fair value of the investments is based on the use of respective discounted cash flow valuation models. |
| Debt instruments at fair value through other comprehensive income | 6,679 | Level 1 | Quoted bid prices in an active market. |
| Debt instruments at fair value through other comprehensive income | 88,394 | 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 instruments at fair value through other comprehensive income | 24,735 | Level 1 | Quoted bid prices in an active market. |
| Equity instruments at fair value through other comprehensive income | 42,129 | 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 instruments at fair value through other comprehensive income | 3,207 | 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. |
| Equity instruments at fair value through other comprehensive income | 14,998 | Level 3 | Fair value of the investments is based on the use of respective discounted cash flow valuation models. |

## 40. 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 (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 | 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 | 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. |

## 40. 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 (continued)*

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | 42,165 | 82,531 | 19,351 | 144,047 |
| Debt instruments at fair value through other comprehensive income | 6,679 | 88,394 | – | 95,073 |
| Equity instruments at fair value through other comprehensive income | 24,735 | 42,129 | 18,205 | 85,069 |
| Total | 73,579 | 213,054 | 37,556 | 324,189 |

| | 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 |

## 40. 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 (continued)*

For the year ended 31 December 2023, financial assets at fair value through profit or loss with a carrying amount of RMB1,267 million and financial assets at fair value through other comprehensive income with a carrying amount of RMB1,553 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 RMB1,816 million and financial assets at fair value through other comprehensive income with a carrying amount of RMB2,235 million were transferred from Level 2 to Level 1 because quoted prices in active markets were available at 31 December 2023.

#### *(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 31 December 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:

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | Fair value hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial investments at amortised cost | 1,129 | 47,599 | 85,323 | 134,051 |
| Financial liabilities | | | | |
| Bonds payable | – | 8,296 | – | 8,296 |

## 40. 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 (continued)*

| | 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.

## 40. 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*

| | 2023 |
|---|---|
| 31 December 2022 | 33,215 |
| Impact of initial application of HKFRS 9 | 2,261 |
| 1 January | 35,476 |
| Addition | 2,455 |
| Realised and unrealised losses recognised in profit or loss | (388) |
| Unrealised gains recognised in other comprehensive income | 1,373 |
| Disposal | (942) |
| Transfer from Level 3 to Level 1 | (418) |
| 31 December | 37,556 |

## 41. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that the Company meets all obligations arising from the insurance contracts and the applicable laws and regulations in the PRC so as to support the growth of business and maximise the shareholders' value.

## 41. CAPITAL MANAGEMENT (CONTINUED)

The comprehensive and core solvency margin ratios of the Company are listed below:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Actual capital | **226,182** | 215,415 |
| Core capital | **203,088** | 189,730 |
| Minimum capital | **97,334** | 93,964 |
| Comprehensive solvency margin ratio (%) | **232%** | 229% |
| Core solvency margin ratio (%) | **209%** | 202% |

Insurance companies carrying out business in China are required to comply with capital requirements imposed by the NFRA. These capital requirements are generally known as solvency requirements in the insurance industry.

Insurance companies comply with requirements on both the core capital and actual capital (sum of core and supplementary capital). Under China Risk Oriented Solvency System, the minimum capital is calculated by formula prescribed by the NFRA. The minimum capital requirement is a result of quantifications of underwriting risks, market risks, credit risks and results of an internal control assessment. For the Company, core capital is principally net assets, while supplementary capital is mainly capital supplementary bonds issued by the Company.

Comprehensive and core solvency margin ratios are defined as actual capital and core capital divided by the minimum capital requirements, respectively. Comprehensive and core solvency margin ratio have to be higher than 100% and 50% respectively for compliance with the solvency requirements.

The NFRA can take a number of regulatory measures against any insurance company non-compliant with the solvency requirements. These regulatory measures include restriction on business scope, dividend distributions, investment strategy; order to transfer business or place reinsurance; removal of senior executives of the insurance companies.

## 42. 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.

### (1) Insurance risk

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contract is that the actual claim payments and the costs of claim settlements exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected

Severity risk – the possibility that the costs of the events will differ from those expected

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period

The Group has the objective to control and minimise insurance risk so as to reduce the volatility of the operating profits. The Group manages insurance risk through the following mechanism:

– The launch of any new product has to be approved by appropriate authorities;

– Underwriting and claims-handling authorities at different levels are properly established;

– Treaty reinsurance and most facultative reinsurance arrangements are centrally managed at the head office level; and

– Catastrophe reinsurance is used to limit the Group's exposure to flooding, earthquakes and typhoons.

## 42. RISK MANAGEMENT (CONTINUED)

### (1) Insurance risk (continued)

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the businesses ceded are placed on a quota share basis or surplus line basis with retention limits varying by product line. There are profit commission, sliding scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophe reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

*Insurance risk concentration*

Claims in certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC.

The Group's concentration of insurance risk before and after reinsurance, measured by geographical gross written premiums and net written premiums, is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Gross written premiums | Net written premiums | Gross written premiums | Net written premiums |
| Coastal and developed provinces/cities | **238,579** | **215,589** | 223,030 | 197,749 |
| Western China | **103,887** | **95,842** | 97,038 | 87,436 |
| Northern China | **57,692** | **51,868** | 57,411 | 50,594 |
| Central China | **87,484** | **81,678** | 81,949 | 75,491 |
| North-eastern China | **30,385** | **27,178** | 28,105 | 24,727 |
| Total | **518,027** | **472,155** | 487,533 | 435,997 |

## 42. RISK MANAGEMENT (CONTINUED)

### (1) Insurance risk (continued)

*Sensitivity analysis*

It is not possible to quantify the sensitivity of certain variables like legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the insurance contract balances are not quantifiable with certainty.

The LIC's sensitivity to unpaid claims and expenses is outlined below. The analysis is performed for possible movements in unpaid claims and expenses with all other variables held constant, showing the pre-tax impact on profit and equity before and after risk mitigation by reinsurance contracts held.

| | Change in assumptions | Pre-tax impact on profit 2023 | | Pre-tax impact on equity 31 December 2023 | | Pre-tax impact on profit 2022 | | Pre-tax impact on equity 31 December 2022 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| Unpaid claims and expenses | +3% | (6,252) | (5,072) | (6,275) | (5,091) | (6,145) | (4,988) | (6,155) | (4,996) |
| Unpaid claims and expenses | -3% | 6,252 | 5,072 | 6,275 | 5,091 | 6,145 | 4,988 | 6,155 | 4,996 |

## 42. RISK MANAGEMENT (CONTINUED)

### (1) Insurance risk (continued)

*Sensitivity analysis (continued)*

Reproduced below is an analysis that shows the development of the undiscounted claims over a period of time on a gross basis:

| | Accident year-Gross | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| Estimated cumulative claims | | | | | | |
| End of current year | 268,651 | 279,884 | 315,563 | 331,070 | **362,420** | 1,557,588 |
| One year later | 269,007 | 278,261 | 315,081 | 321,466 | | 1,183,815 |
| Two years later | 269,206 | 277,899 | 315,012 | | | 862,117 |
| Three years later | 269,483 | 277,602 | | | | 547,085 |
| Four years later | 269,131 | | | | | 269,131 |
| Estimated cumulative claims | 269,131 | 277,602 | 315,012 | 321,466 | **362,420** | 1,545,631 |
| Less: cumulative gross claims and other directly attributable expenses paid | (264,714) | (269,845) | (299,578) | (278,241) | **(244,784)** | (1,357,162) |
| Sub-total | | | | | | 188,469 |
| Prior year adjustments, unallocated loss adjustment expenses, discounting, risk adjustment for non-financial risk and etc. | | | | | | 21,861 |
| Gross LIC | | | | | | 210,330 |

## 42. RISK MANAGEMENT (CONTINUED)

### (1) Insurance risk (continued)

*Sensitivity analysis (continued)*

Reproduced below is an analysis that shows the development of the undiscounted claims over a period of time on a net basis:

| | Accident year-net | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| Estimated cumulative claims | | | | | | |
| End of current year | 245,536 | 255,114 | 287,366 | 299,423 | **331,652** | 1,419,091 |
| One year later | 245,671 | 253,738 | 285,476 | 290,387 | | 1,075,272 |
| Two years later | 245,782 | 253,116 | 285,239 | | | 784,137 |
| Three years later | 245,732 | 252,973 | | | | 498,705 |
| Four years later | 245,628 | | | | | 245,628 |
| Estimated cumulative claims | 245,628 | 252,973 | 285,239 | 290,387 | **331,652** | 1,405,879 |
| Less: cumulative net claims and other directly attributable expenses paid | (242,390) | (246,776) | (273,382) | (252,938) | **(225,948)** | (1,241,434) |
| Sub-total | | | | | | 164,445 |
| Prior year adjustments, unallocated loss adjustment expenses, discounting, risk adjustment for non-financial risk and etc. | | | | | | 6,405 |
| Net LIC | | | | | | 170,850 |

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years' financial statements.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks

#### *(a) Credit risk*

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, investments in debt instruments, and reinsurance arrangements with reinsurers.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A. M. Best, Fitch or Moody's) or above except for state-owned reinsurance companies. Management of the Group performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies.

#### Credit quality

The majority of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks. Most of the reinsurance contracts are entered into with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have a high credit quality. The trustees of the Group's trust plans, creditors' investments plans and asset support plans are mostly large domestic trust companies and asset management companies.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Collateral and other credit enhancements**

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collaterals and the valuation parameters.

Securities purchased under resale agreements are pledged by counterparts' debt securities of which the Group could take the ownership should the owner of the collateral defaults.

Management monitors the market value of the collateral, requests additional collaterals when needed and performs impairment testing when applicable.

At 31 December 2023, the maximum credit risk exposure of the reinsurance contract assets is RMB12,213 million (31 December 2022: RMB12,679 million).

# 42. RISK MANAGEMENT (CONTINUED)

## (2) Financial risks (continued)

### *(a) Credit risk (continued)*

#### Collateral and other credit enhancements (continued)

At 31 December 2022, an aging analysis of the financial assets past due but not impaired and impaired financial assets is shown as follows:

| 31 December 2022 (Restated) | Not past due | Past due but not impaired: Less than 30 days | 31 to 90 days | More than 90 days | Sub-total | Past due and impaired | Total |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 21,250 | – | – | – | – | – | 21,250 |
| Term deposits | 73,657 | – | – | – | – | – | 73,657 |
| Debt securities | 193,106 | – | – | – | – | – | 193,106 |
| Investments classified as loans and receivables | 71,727 | – | – | – | – | 584 | 72,311 |
| Interest receivables | 5,185 | – | – | – | – | – | 5,185 |
| Restricted statutory deposits | 4,449 | – | – | – | – | – | 4,449 |
| Gross Amount | 369,374 | – | – | – | – | 584 | 369,958 |
| Less: Impairment provision | (561) | – | – | – | – | (573) | (1,134) |
| Net Amount | 368,813 | – | – | – | – | 11 | 368,824 |

#### Expected credit loss

From 1 January 2023, the Group formulates the credit losses of debt instruments carried at amortised cost and FVOCI using ECL models according to HKFRS 9 requirements.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Parameters of ECL model

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

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk and whether credit impairment occurs. For financial instruments with or without significant increase in credit risk,12-month or lifetime ECL are provided respectively. The ECL is the result of discounting the product of EAD, PD and LGD.

- Exposure at Default ("EAD"): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

- Probability of Default ("PD"): PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.

- Loss given Default ("LGD"): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

**Judgement** of significant increase in credit risk ("SICR")

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Judgement of significant increase in credit risk ("SICR") (continued)

The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the significant fluctuations in evaluation of bonds, significant changes in the financial business performance of the issuers, obvious changes in the issuers' ability and willingness of the solvency, incidents that affect the security of the bonds and other indicators of SICR, etc. In the judgement of whether the financial instruments have SICR after initial recognition, the Group considers the 30 days past due as one of criteria of SICR, in accordance with the standard.

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

The definition of credit-impaired assets (continued)

- Default (considered to be default if it is 90 days past due);
- The debtor has significant financial difficulties;
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- The debtor is likely to go bankrupt or other financial restructuring;
- The active market for financial assets disappears;
- Purchase or generate a financial asset at a significant discount that reflects the fact of credit loss.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and ECL for each portfolio. The Group has developed macroeconomic forward-looking adjustment model by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors include Gross Domestic Product (GDP) quarter on quarter percentage change, Customer Price Index (CPI) year on year percentage change, term deposit interest rates and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are determined through forecasting economic indicator.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Forward-looking information (continued)

During the reporting period, the Group adjusted the predicted values of forward-looking economic indicators by statistical analysis and also considered the range of possible outcomes represented by each scenario, to determine the final macroeconomic scenarios and weights for measuring the relevant expected credit loss. The impact of these economic indicators on PD and LGD varies to different businesses. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators with PD and LGD.

The specific values of the key macroeconomic assumptions used in the various scenarios to evaluate ECL at 31 December 2023 are as follows:

| Scenarios | The GDP quarter on quarter percentage change |
|---|---|
| Pessimistic scenario | 4.15% |
| Baseline scenario | 5.08% |
| Optimistic scenario | 5.10% |

Similar to other economic forecasts, the estimates of economic indicators forecasting have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

The Group has conducted a sensitivity analysis of the macroeconomic indicators used in the forward measurement. At 31 December 2023, the change in expected credit losses will not exceed 5% when the material economic indicators in the baseline scenario rise or fall by 10%.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Credit risk exposure

The following table presents the credit risk exposure of the financial assets under the scope of ECL. Without considering guarantee or any other credit enhancement measures, the maximum credit risk exposure is presented as the carrying amount of the financial assets:

| | 31 December 2023 | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Maximum credit risk exposure | Maximum credit risk exposure |
| Cash and cash equivalents | 16,526 | – | – | 16,526 | 21,250 |
| Financial investments: | | | | | |
| Debt securities | Not applicable | Not applicable | Not applicable | Not applicable | 192,970 |
| Investments classified as loans and receivables | Not applicable | Not applicable | Not applicable | Not applicable | 71,313 |
| Financial investments at amortised cost | 122,467 | 3,697 | 28 | 126,192 | Not applicable |
| Debt instruments at fair value through other comprehensive income | 95,073 | – | – | 95,073 | Not applicable |
| Term deposits | 57,785 | – | – | 57,785 | 73,657 |
| Interest receivables | Not applicable | Not applicable | Not applicable | Not applicable | 5,185 |
| Restricted statutory deposits | 4,723 | – | – | 4,723 | 4,449 |
| Total | 296,574 | 3,697 | 28 | 300,299 | 368,824 |

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Credit risk exposure (continued)

The Group closely monitors collateral of credit-impaired financial assets.

The following tables explain the changes in the gross carrying amount and provision for impairment of the main financial assets between the beginning and the end of the annual period due to these factors:

| | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|---|---|---|---|---|---|---|---|
| Financial investments at amortised cost | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Provision for impairment |
| 1 January 2023 | 108,959 | (367) | 5,290 | (108) | 589 | (573) | (1,048) |
| Net increase/(decrease) for the year * | 15,132 | (361) | (2,365) | (16) | (57) | 69 | (308) |
| Net amount transfer (out)/in from Level 1 to Level 2 | (902) | 6 | 902 | (6) | - | - | - |
| Net amount transfer (out)/in from Level 1 to Level 3 | - | - | - | - | - | - | - |
| Net amount transfer (out)/in from Level 2 to Level 3 | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| 31 December 2023 | 123,189 | (722) | 3,827 | (130) | 532 | (504) | (1,356) |

* Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Credit risk exposure (continued)

| | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|---|---|---|---|---|---|---|---|
| Debt instruments at fair value through other comprehensive income | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Provision for impairment |
| 1 January 2023 | 86,188 | (123) | 156 | (125) | - | - | (248) |
| Net increase/(decrease) for the year * | 8,885 | (111) | (156) | 125 | - | - | 14 |
| Net amount transfer (out)/in from Level 1 to Level 2 | - | - | - | - | - | - | - |
| Net amount transfer (out)/in from Level 1 to Level 3 | - | - | - | - | - | - | - |
| Net amount transfer (out)/in from Level 2 to Level 3 | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| 31 December 2023 | 95,073 | (234) | - | - | - | - | (234) |

* Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(a) Credit risk (continued)*

**Expected credit loss (continued)**

Credit risk exposure (continued)

The following table contains an analysis of the credit rating of financial investments at amortised cost and debt instruments at fair value through other comprehensive income. The credit rating of these financial assets is assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets (other than overseas bonds)

| | 31 December 2023 |
|---|---|
| AAA | **190,199** |
| Not rated* | **31,066** |
| Total | **221,265** |

* Included in the not rated category, there is an aggregate carrying amount of RMB31,037 million of government bonds and certain financial bonds issued by policy banks with low credit risks, and the remaining financial assets with carrying amount of RMB28 million without any credit rating do not have low credit risk.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(b) Liquidity or funding risk*

Liquidity risk is the risk of not having access to sufficient funds or being unable to realize an asset in a timely manner at a reasonable price to meet the Group's obligations as they become due. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The major liquidity risk the Group confronts is the daily calls on its available cash resources in respect of claims arising from insurance contracts and maturities of policyholders' deposits.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

At 31 December 2023, the Group maintained demand deposits at 2% of total assets (31 December 2022: 2%) to ensure sufficient liquid assets are available to meet its payment obligations. Management closely monitors the increase of non-current assets.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(b) Liquidity or funding risk (continued)*

**Maturity analysis**

The tables below summarise maturity profiles of financial assets, lease liabilities and financial liabilities of the Group. Maturity profiles of financial assets, lease liabilities and financial liabilities are prepared, using the contractual collection and repayment dates, respectively.

All amounts are based on undiscounted contractual cash flows.

| 31 December 2023 | On demand/ past due | Within 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | No maturity date | Total |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| Cash and cash equivalents | 12,275 | 4,251 | - | - | - | - | 16,526 |
| Financial investment at amortised cost | - | 3,729 | 10,945 | 80,783 | 72,307 | - | 167,764 |
| Financial asset at fair value through other comprehensive income | - | 2,207 | 6,899 | 52,173 | 57,113 | 85,069 | 203,461 |
| Financial assets at fair value through profit or loss | - | 1,179 | 3,530 | 12,331 | 72,681 | 75,400 | 165,121 |
| Term deposits | - | 2,275 | 9,058 | 48,906 | 2,072 | - | 62,311 |
| Restricted statutory deposits | - | 33 | 2,156 | 2,819 | - | - | 5,008 |
| Subtotal | 12,275 | 13,674 | 32,588 | 197,012 | 204,173 | 160,469 | 620,191 |
| Liabilities: | | | | | | | |
| Securities sold under agreements to repurchase | - | 40,046 | - | - | - | - | 40,046 |
| Investment contract liabilities | 1,736 | - | - | - | - | - | 1,736 |
| Bonds payable | - | 287 | - | 1,389 | 8,734 | - | 10,410 |
| Lease liabilities | - | 173 | 412 | 847 | 109 | - | 1,541 |
| Subtotal | 1,736 | 40,506 | 412 | 2,236 | 8,843 | - | 53,733 |
| Net liquidity gap | 10,539 | (26,832) | 32,176 | 194,776 | 195,330 | 160,469 | 566,458 |

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(b) Liquidity or funding risk (continued)*

Maturity analysis (continued)

| 31 December 2022 (Restated) | On demand/ past due | Within 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | No maturity date | Total |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| Cash and cash equivalents | 10,849 | 10,411 | – | – | – | – | 21,260 |
| Debt securities | – | 8,436 | 12,393 | 71,400 | 177,310 | – | 269,539 |
| Equity securities and mutual funds | – | – | – | – | – | 140,718 | 140,718 |
| Investments classified as loans and receivables | 584 | 3,129 | 7,037 | 61,827 | 13,030 | – | 85,607 |
| Term deposits | – | 58 | 24,980 | 54,888 | – | – | 79,926 |
| Restricted statutory deposits | – | 974 | 443 | 3,270 | – | – | 4,687 |
| Subtotal | 11,433 | 23,008 | 44,853 | 191,385 | 190,340 | 140,718 | 601,737 |
| Liabilities: | | | | | | | |
| Securities sold under agreements to repurchase | – | 41,718 | – | – | – | – | 41,718 |
| Investment contract liabilities | 1,741 | – | – | – | – | – | 1,741 |
| Bonds payable | – | 287 | – | 1,309 | 9,102 | – | 10,698 |
| Lease liabilities | – | 187 | 338 | 965 | 115 | – | 1,605 |
| Subtotal | 1,741 | 42,192 | 338 | 2,274 | 9,217 | – | 55,762 |
| Net liquidity gap | 9,692 | (19,184) | 44,515 | 189,111 | 181,123 | 140,718 | 545,975 |

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(b) Liquidity or funding risk (continued)*

#### Maturity analysis (continued)

The following tables present the estimated amount and timing of the remaining contractual undiscounted cash flows arising from insurance contracts and reinsurance contracts (the LRC for insurance contracts issued and the ARC for reinsurance contracts held measured under the PAA are not included in the tables).

| | 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash inflows/(outflows) | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | Total |
| Insurance contract assets | (5,282) | (875) | (390) | (285) | (34) | (10) | (6,876) |
| Reinsurance contract assets | 25,503 | 6,527 | 2,902 | 1,747 | 1,001 | 1,165 | 38,845 |
| Insurance contract liabilities | (131,350) | (43,534) | (14,963) | (6,845) | (4,178) | (6,207) | (207,077) |
| Reinsurance contract liabilities | 23 | 1 | - | - | - | - | 24 |
| Net gap | (111,106) | (37,881) | (12,451) | (5,383) | (3,211) | (5,052) | (175,084) |

| | 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash inflows/(outflows) | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | Total |
| Insurance contract assets | (5,877) | (311) | (1) | - | - | - | (6,189) |
| Reinsurance contract assets | 27,018 | 5,183 | 2,815 | 1,654 | 779 | 620 | 38,069 |
| Insurance contract liabilities | (142,023) | (33,626) | (13,013) | (6,744) | (3,977) | (2,568) | (201,951) |
| Reinsurance contract liabilities | 36 | - | 1 | - | - | - | 37 |
| Net gap | (120,846) | (28,754) | (10,198) | (5,090) | (3,198) | (1,948) | (170,034) |

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(c) Market risk*

Market risk refer to the risk that cause unexpected losses to the Group due to unfavorable changes in foreign exchange rates, interest rates or market prices. The market risk comprises currency risk, interest rate risk and other price risk.

The Group uses multiple methods to manage market risk, including using sensitivity analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

The Group mitigates its market risk through proper diversification of its investment portfolio. Investment mandate is also approved by an investment committee to direct investment decisions.

##### (i) Currency risk

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group's principal transactions are carried out in RMB. Certain insurance policies issued by the Group, however, in particular in respect of cargo, commercial properties and aviation insurance, were denominated in United States Dollars ("USD"). Therefore, premiums received, reinsurance premiums ceded, claims paid and paid losses recovered from reinsurers in respect of these policies are transacted in USD.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(c) Market risk (continued)*

##### (i) Currency risk (continued)

The table below summarises the Group's assets and liabilities by major currency, expressed in the RMB equivalent:

| 31 December 2023 | RMB | USD in RMB equivalent | HKD in RMB equivalent | Others in RMB equivalent | Total in RMB equivalent |
|---|---|---|---|---|---|
| Cash and cash equivalents | 15,431 | 981 | 78 | 36 | 16,526 |
| Financial investments at amortised cost | 126,192 | – | – | – | 126,192 |
| Financial assets at fair value through other comprehensive income | 180,142 | – | – | – | 180,142 |
| Financial assets at fair value through profit or loss | 138,694 | 4,212 | 1,141 | – | 144,047 |
| Insurance contract assets | 1,478 | 1,390 | 10 | 7 | 2,885 |
| Reinsurance contract assets | 37,834 | 1,041 | (1) | 17 | 38,891 |
| Term deposits | 56,431 | 1,354 | – | – | 57,785 |
| Prepayments and other assets | 26,902 | 368 | 3 | 39 | 27,312 |
| Total assets | 583,104 | 9,346 | 1,231 | 99 | 593,780 |
| Securities sold under agreements to repurchase | 40,037 | – | – | – | 40,037 |
| Investment contract liabilities | 1,736 | – | – | – | 1,736 |
| Insurance contract liabilities | 370,831 | 973 | 27 | (2) | 371,829 |
| Reinsurance contract liabilities | 21 | – | – | – | 21 |
| Bonds payable | 8,365 | – | – | – | 8,365 |
| Accruals and other liabilities | 45,180 | 766 | 19 | 42 | 46,007 |
| Total liabilities | 466,170 | 1,739 | 46 | 40 | 467,995 |
| Net exposure | 116,934 | 7,607 | 1,185 | 59 | 125,785 |

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(c) Market risk (continued)*

##### (i) Currency risk (continued)

| 31 December 2022 | RMB | USD in RMB equivalent | HKD in RMB equivalent | Others in RMB equivalent | Total in RMB equivalent |
|---|---|---|---|---|---|
| Cash and cash equivalents | 19,663 | 1,465 | 98 | 24 | 21,250 |
| Debt securities | 192,514 | 456 | – | – | 192,970 |
| Equity securities and mutual funds | 135,780 | 3,855 | 1,083 | – | 140,718 |
| Investments classified as loans and receivables | 71,313 | | | | 71,313 |
| Insurance contract assets | 611 | – | – | – | 611 |
| Reinsurance contract assets | 36,117 | 720 | 1 | (11) | 36,827 |
| Term deposits | 71,979 | 1,678 | – | – | 73,657 |
| Prepayments and other assets | 27,158 | 18 | – | – | 27,176 |
| Total assets | 555,135 | 8,192 | 1,182 | 13 | 564,522 |
| Securities sold under agreements to repurchase | 41,690 | – | – | – | 41,690 |
| Investment contract liabilities | 1,741 | – | – | – | 1,741 |
| Insurance contract liabilities | 351,069 | 297 | 18 | (130) | 351,254 |
| Bonds payable | 8,097 | – | – | – | 8,097 |
| Accruals and other liabilities | 41,545 | 1,285 | 47 | 268 | 43,145 |
| Total liabilities | 444,142 | 1,582 | 65 | 138 | 445,927 |
| Net exposure | 110,993 | 6,610 | 1,117 | (125) | 118,595 |

# 42. RISK MANAGEMENT (CONTINUED)

## (2) Financial risks (continued)

### *(c) Market risk (continued)*

#### (i) Currency risk (continued)

Sensitivity analysis

The analysis below is performed for reasonably possible movements in exchange rate with all other variables held constant, showing the pre-tax impact on profit and equity. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in foreign currency exchange rate, the correlations of these variables are ignored.

| Appreciation/(Depreciation) against RMB | | 31 December 2023 Pre-tax impact on profit | 31 December 2023 Pre-tax impact on equity | 31 December 2022 Pre-tax impact on profit | 31 December 2022 Pre-tax impact on equity |
|---|---|---|---|---|---|
| Financial instruments | +5% | **463** | **463** | 212 | 459 |
| Financial instruments | -5% | **(463)** | **(463)** | (212) | (459) |
| Insurance contracts | +5% | **73** | **73** | 26 | 26 |
| Insurance contracts | -5% | **(73)** | **(73)** | (26) | (26) |

The impact on equity arising from assets and liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(c) Market risk (continued)*

##### (ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it 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 variable interest rate risk through interest rate swap instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Sensitivity analysis

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, showing the pre-tax impact on profit and equity.

| | | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|---|
| Increase/(Decrease) in interest rate | | Pre-tax impact on profit | Pre-tax impact on equity | Pre-tax impact on profit | Pre-tax impact on equity |
| Financial instruments | +50bp | (1,387) | (4,275) | (68) | (4,594) |
| Financial instruments | -50bp | 1,432 | 4,539 | 66 | 4,299 |
| Insurance contracts | +50bp | 382 | 1,278 | 297 | 1,006 |
| Insurance contracts | -50bp | (408) | (1,313) | (361) | (1,075) |

## 42. RISK MANAGEMENT (CONTINUED)

### (2) Financial risks (continued)

#### *(c) Market risk (continued)*

##### (iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to listed equity securities and mutual funds whose values will fluctuate as a result of changes in market prices.

The Group holds a diversified portfolio of equity instruments and therefore does not have significant concentration risk in any particular individual instrument. However, the Group principally invests in the stock markets in Hong Kong and Mainland China and is subject to price risk arising from volatilities of these two markets.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and carefully plan the use of derivative financial instruments.

Sensitivity analysis

The analysis below is performed to show the reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit and equity.

| | | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|---|
| Increase/(Decrease) in price | | Pre-tax impact on profit | Pre-tax impact on equity | Pre-tax impact on profit | Pre-tax impact on equity |
| Financial instruments | +5% | 3,769 | 8,023 | 151 | 7,036 |
| Financial instruments | -5% | (3,769) | (8,023) | (151) | (7,036) |

## 43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Securities sold under agreements to repurchase | Interest payable *(note 38)* | Bonds payable *(note 37)* | Lease liabilities | Total |
|---|---|---|---|---|---|
| At 31 December 2022 | 41,690 | 247 | 8,097 | 1,484 | 51,518 |
| Impact of initial application of HKFRS 9 | 20 | (247) | 227 | – | – |
| At 1 January 2023 | 41,710 | Not applicable | 8,324 | 1,484 | 51,518 |
| Financing cash flows | (2,414) | Not applicable | (318) | (859) | (3,591) |
| Finance costs | 741 | Not applicable | 359 | 51 | 1,151 |
| New leases entered/lease modified | – | Not applicable | – | 640 | 640 |
| At 31 December 2023 | 40,037 | Not applicable | 8,365 | 1,316 | 49,718 |

| | Securities sold under agreements to repurchase | Interest payable | Bonds payable *(note 37)* | Lease liabilities | Total |
|---|---|---|---|---|---|
| At 31 December 2021 | 37,985 | 240 | 8,058 | 1,786 | 48,069 |
| Financing cash flows | 3,705 | (893) | – | (927) | 1,885 |
| Finance costs | – | 900 | 39 | 66 | 1,005 |
| New leases entered/lease modified | – | – | – | 559 | 559 |
| At 31 December 2022 | 41,690 | 247 | 8,097 | 1,484 | 51,518 |

## 44. 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 year ended 31 December 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 31 December 2023 and 31 December 2022 or operating results of the Group for the year ended 31 December 2023 and 2022.

### (2) Capital commitments

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Property and equipment commitments: | | |
| Contracted, but not provided for | **717** | 655 |
| Authorised, but not contracted | **269** | 353 |
| Investment commitments: | | |
| Contracted, but not provided for | **1,309** | 1,664 |
| Total | **2,295** | 2,672 |

## 45. RELATED PARTY TRANSACTIONS

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

A party is considered to be related to the Group if: (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### (1) Related parties with control relationship

The Company is a state-owned enterprise and its controlling shareholder is PICC Group.

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (2) Other related parties without controlling relationship with the Company:

| Related parties' name | Relationship |
|---|---|
| PICC Asset Management Company Limited ("PICC AMC") | Fellow subsidiary |
| The People's Insurance Company of China (Hong Kong) Limited ("PICC HK") | Fellow subsidiary |
| PICC Capital Insurance Asset Management Company Limited (Former PICC Capital Investment Management Company Limited, "PICC Capital") | Fellow subsidiary |
| PICC Investment Holding Company Limited ("PICC Investment") | Fellow subsidiary |
| PICC Pension Company Limited ("PICC Pension") | Fellow subsidiary |
| PICC Information Technology Company Limited ("PICC Technology") | Fellow subsidiary |
| PICC Capital Equity Investment Company Limited ("PICC Equity") | A subsidiary of a fellow subsidiary |
| PICC Life Insurance Company Limited ("PICC Life") | An associate of the Company and fellow subsidiary |
| PICC Health Insurance Company Limited ("PICC Health") | An associate of the Company and fellow subsidiary |
| PICC Reinsurance Company Limited ("PICC Re") | An associate of the Company and fellow subsidiary |
| PICC Financial Services Company Limited ("PICC Financial Services") | An associate of the Company and fellow subsidiary |
| Prime Insurance Brokers Company Limited ("PIB") | A subsidiary of a fellow subsidiary |
| PICC Investment Holding (Beijing) Operation Management Company Limited ("PICC Operation") | A subsidiary of a fellow subsidiary |
| Hua Xia Bank | An associate of the Company |
| Industrial Bank Co., Ltd. ("IBC") | An associate of the controlling shareholder |
| China Merchants Securities Co. Ltd. ("China Merchant Securities") | An associate of the controlling shareholder |
| Bangbang Auto Sales Service (Beijing) Co., Ltd. ("Bangbang") | A joint venture of the Company |
| Aibao Technology Co., Ltd. ("Aibao Technology") | An associate of a fellow subsidiary |

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (3) Material transactions with related parties

| | Note | 2023 | 2022 (Restated) |
|---|---|---|---|
| Transactions with PICC Group: | | | |
| 2022 final dividend distribution | *(i)* | **7,334** | – |
| 2021 final dividend distribution | *(i)* | **–** | 6,245 |
| Addition to right-of-use assets | *(ii)* | **74** | 78 |
| Addition to lease liabilities | *(ii)* | **74** | 78 |
| Payment of lease liabilities | *(ii)* | **75** | 79 |
| Interest on lease liabilities | *(ii)* | **1** | 1 |
| Service fee | *(ii)* | **63** | 69 |
| Internal audit service fee | | **104** | – |
| Labor dispatch service income | | **185** | – |
| Rental income | | **4** | – |
| Transactions with fellow subsidiaries under PICC Group: | | | |
| Management fee | *(iii)* | **478** | 458 |
| Subscription amount of financial products set up and managed by fellow subsidiaries under PICC Group | *(iii)* | **11,143** | 7,270 |
| Premiums ceded | *(iv)* | **671** | 838 |
| Reinsurance commission income | *(iv)* | **206** | 238 |
| Paid losses recoverable from reinsurers | *(iv)* | **412** | 394 |
| Reinsurance premiums assumed | *(iv)* | **18** | 18 |
| Commission expenses – reinsurance | *(iv)* | **4** | 4 |
| Gross claims paid – reinsurance | *(iv)* | **7** | 6 |
| Brokerage commission expense | *(v)* | **179** | 287 |
| Technology service fees | *(xiv)* | **146** | 72 |
| Rental income | | **7** | 8 |
| Rental expense | *(xv)* | **107** | 103 |
| Addition to right-of-use assets | *(xv)* | **17** | 82 |
| Addition to lease liabilities | *(xv)* | **17** | 82 |
| Payment of lease liabilities | *(xv)* | **79** | 84 |
| Interest on lease liabilities | *(xv)* | **6** | 5 |
| Property service fees | *(xvi)* | **146** | – |

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (3) Material transactions with related parties (continued)

| | Note | 2023 | 2022 (Restated) |
|---|---|---|---|
| Transactions with associates of the Company: | | | |
| Agency services commission income | *(vi), (vii)* | **95** | 88 |
| Agency services commission expense | *(vi), (vii)* | **271** | 310 |
| Premiums paid | *(viii)* | **168** | 43 |
| Sale of insurance products | *(x)* | **18** | 10 |
| Gross claim paid | *(x)* | **2** | 2 |
| Interest income | *(x)* | **1** | 1 |
| Dividend received | *(x)* | **982** | 866 |
| Premiums ceded | *(xi)* | **5,153** | 4,616 |
| Reinsurance commission income | *(xi)* | **1,523** | 1,386 |
| Paid losses recoverable from reinsurers | *(xi)* | **2,835** | 2,341 |
| Addition to right-of-use assets | | **31** | 3 |
| Addition to lease liabilities | | **31** | 3 |
| Payment of lease liabilities | | **16** | 15 |
| Rental income | | **36** | 25 |
| Interest on lease liabilities | | **1** | 2 |
| Service fees | | **85** | 48 |
| Transactions with associates of PICC Group: | | | |
| Dividend income | *(ix)* | **1,494** | 1,306 |
| Interest income | *(ix)* | **483** | 563 |
| Sale of insurance products | *(ix)* | **61** | 61 |
| Gross claim paid | *(ix)* | **24** | 30 |
| Commission expense | *(ix)* | **–** | 1 |
| Transactions with joint ventures of the Company: | | | |
| Purchase of spare parts | *(xii)* | **217** | 389 |
| Service fee | | **3** | 24 |
| Transactions with associates of fellow subsidiaries: | | | |
| Service fee | *(xiii)* | **430** | 689 |

*Notes:*

(i) As PICC Group held 68.98% of the share capital of the Company, the Company distributed 2022 dividend amounting to RMB7,334 million to PICC Group during the year of 2023.

The Company distributed 2021 dividend amounting to RMB6,245 million to PICC Group during the year of 2022.

(ii) On 31 December 2021, the Company entered into the South Information Center Package Service Agreement with PICC Group for one years effective from 1 January 2022. On 30 December 2022, the Company renewed the South Centre Package Service Agreement with PICC Group for one year effective from 1 January 2023. Pursuant to the agreement, PICC Group shall provide the Company with, among others, the service of leasing workplaces, meeting rooms and server installation positions in the server building.

The Company paid the rent and service fees to PICC Group. The rental transaction was accounted for as right-of-use assets and lease liabilities.

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (3) Material transactions with related parties (continued)

*Notes: (continued)*

(iii) On 28 August 2019, the Company and PICC AMC entered into asset management agreement and supplemental agreements for 3 years, effective from 1 July 2019. Pursuant to the asset management agreement, PICC AMC provided investment and management services in respect of certain financial assets of the Company. The Company paid management fee to PICC AMC, which was calculated based on the daily net asset value of the entrusted assets and the applicable rates. Other than management fees, performance bonuses were also paid to PICC AMC when the investment performance has satisfied certain conditions. On 8 September 2022, the Company and PICC AMC further renewed the asset management agreement effective from 1 July 2022 to 30 June 2025.

On 7 August 2019, the Company and PICC AMC entered into a Marketisation Entrusted Portfolio Asset Management Agreement for 3 years, effective from 7 August 2019. Pursuant to the Marketisation Agreement, the Company agrees to entrust PICC AMC to manage some of its assets, and PICC AMC shall manage the entrusted assets in accordance with the Marketisation Agreement, relevant laws and regulations and regulatory rules in consideration of the entrusted asset management fees to be paid by the Company to PICC AMC.

On 28 August 2019, the Company entered into asset management agreements and supplemental agreements with PICC Investment and PICC Capital respectively for 3 years, effective from 28 August 2019. Pursuant to the asset management agreements and supplemental agreements, the Company entrusts some investment assets to PICC Investment and PICC Capital for their management, and PICC Investment and PICC Capital manage the entrusted assets in accordance with the asset management agreements and supplemental agreements, relevant laws and regulations and regulatory provisions and the investment guidelines formulated by the Company, and use the assets entrusted by the Company to subscribe for the debt financial products and equity financial products sponsored and managed by them. Meanwhile, the Company pays product management fees to PICC Investment and PICC Capital. On 8 September 2022, the Company further renewed asset management agreements and supplemental agreements with PICC Capital effective from 28 August 2022 to 30 June 2025.

On 28 August 2019, the Company and PICC AMC entered into a memorandum on connected transaction (the "memorandum") for a term of three years effective from 28 August 2019. Pursuant to the memorandum, in respect of the Company's subscription of the debt financial products and the equity financial products set up and managed, either solely or jointly, by PICC AMC, PICC Capital, PICC Investment and PICC Equity, and when there are connected person (s) of the Company also subscribing for the same financial products, the aggregated annual subscription amount for the debt financial products and the equity products should not exceed RMB8,000 million, and none of the applicable percentage ratios shall be more than 5%.

On 11 October 2023, the Company entered into the Asset Management Supplemental Agreement (II) with PICC Capital, which is valid from a term commencing from 11 October 2023 to 30 June 2025. The Supplemental Agreement (II) adjusted the scope of application of the entrusted management fee under the Asset Management Agreement with PICC Capital as follows: "the annual fee rate of the entrusted management fee payable to the trustee for purchasing insurance asset management products issued by third parties is 8 BP and the annual charging days are 365 days" has been amended as "the annual fee rate of the entrusted management fee payable to the trustee for purchasing financial products issued by third parties is 8 BP and the annual charging days are 365 days. " Save for such amendment, other terms of the Asset Management Agreement with PICC Capital shall remain unchanged. For the matters not covered by the Supplemental Agreement (II), the relevant terms as set out in the Asset Management Agreement with PICC Capital shall continue to apply.

(iv) On 17 December 2021, the Company and PICC HK entered into the Framework Agreement for one year, effective from 1 January 2022. On 30 December 2022, the Company and PICC HK renewed the Framework Agreement for one year, effective from 1 January 2023. Pursuant to the Framework Agreement, the Company agreed to cede insurance premiums to and receive commissions from PICC HK, and PICC HK agreed to cede insurance premiums to and receive commissions from the Company.

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (3) Material transactions with related parties (continued)

*Notes: (continued)*

(v) On 21 June 2019, the Company entered into business cooperation agreements with PIB with a term of 3 years, effective from 17 June 2019. On 15 June 2022, the Company further renewed business cooperation agreements with PIB with a term of 3 years, effective from 17 June 2022. Pursuant to the agreement, PIB provided insurance brokerage services for the insurance contracts entered into between the insurance purchasers and the Company, and the Company paid brokerage commissions to PIB.

(vi) On 30 August 2019, the Company and PICC Health entered into the mutual insurance agency agreement for a term of three years, effective from 31 August 2019. On 30 August 2022, the Company and PICC Health renewed the mutual insurance agency agreement for a term of three years, effective from 31 August 2022. Pursuant to the mutual insurance agency agreement, the Company and PICC Health mutually acted as the agent for selling the insurance products and receiving agency premiums on behalf of each other. The Company would pay an agency fee to PICC Health in consideration of the agency services provided by PICC Health on the Company's insurance products. The Company would receive an agency fee from PICC Health in consideration of the agency services provided by the Company on PICC Health's insurance products. The agency fees were calculated by the actual agency premiums received multiplied by the agreed commission rates. The commission rates were negotiated between the Company and PICC Health on normal commercial terms.

PICC Health is both an associate of the Company and a fellow subsidiary of the Company. In the above note, PICC Health is included in "associates" and excluded from "fellow subsidiaries".

(vii) On 30 August 2019, the Company and PICC Life entered into a mutual insurance agency agreement for a term of three years, effective from 31 August 2019. On 30 August 2022, the Company and PICC Life renewed the mutual insurance agency agreement for a term of three years, effective from 31 August 2022. Pursuant to the mutual insurance agency agreement, the Company and PICC Life mutually acted as the agent for selling the insurance products and receiving agency premiums on behalf of each other. The Company would pay an agency fee to PICC Life in consideration of the agency services provided by PICC Life on the Company's insurance products. The Company would receive an agency fee from PICC Life in consideration of the agency services provided by the Company on PICC Life's insurance products. The agency fees were calculated by the actual agency premiums received multiplied by the agreed commission rates. The commission rates were negotiated between the Company and PICC Life on normal commercial terms.

PICC Life is both an associate of the Company and a fellow subsidiary of the Company. In the above note, PICC Life is included in "associates" and excluded from "fellow subsidiaries".

(viii) The Company purchased life or health insurance products from PICC Life and PICC Health for the employees of the Company.

(ix) The transactions with IBC are related party transactions as IBC is an associate of PICC Group since 2013. The transactions with China Merchant Securities are related party transactions as China Merchant Securities is an associate of PICC Group since 2017.

(x) The transactions with Hua Xia Bank are related party transactions as Hua Xia Bank is an associate of the Company since 2016.

(xi) On 17 December 2021, the Company and PICC Re entered into a Framework Agreement on Reinsurance Business Cooperation for a term of one year, effective from 1 January 2022. On 30 December 2022, the Company and PICC Re renewed the framework agreement for a term of one year, effective from 1 January 2023. Pursuant to the agreement, the Company agreed to cede insurance premiums to PICC Re and PICC Re agreed to pay commissions to the Company.

PICC Re is both an associate of the Company and a fellow subsidiary of the Company. In the above note, PICC Re is included in "associates" and excluded from "fellow subsidiaries".

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (3) Material transactions with related parties (continued)

*Notes: (continued)*

(xii) On 29 May 2019, the Company and Bangbang signed a Goods Procurement Contract for a term of two years, effective from 1 April 2019. Pursuant to the contract, the Company shall purchase spare parts for the maintenance of insured accident-damaged vehicles from BangBang, and BangBang shall supply spare parts for accident-damaged vehicles and provide services on development, operation and maintenance of relevant systems to the Company. The Company shall pay the cost of the auto spare parts to BangBang.

On 29 April 2021, the Company entered into an Auto Parts Procurement Contract with Bangbang for a term of two years, effective from 1 April 2021. Pursuant to the contract, the Company shall purchase auto spare parts from Bangbang for the maintenance of insured vehicles damaged in accidents, and Bangbang shall supply the goods ordered under the Contract, undertake the responsibility of delivery, installment, adjustment of goods, and provide the Company with services including warranty, maintenance, consultation and training. The Company shall pay the cost of the auto spare parts to Bangbang.

On 16 June 2023, the Company entered into the Auto Parts Procurement Supplemental Contract with Bangbang Auto Sales & Services to extend the term of the Original Contract for 8 months (commencing from 1 April 2023 to 30 November 2023, and the Company may terminate the Contract at any time).

(xiii) On 28 October 2021, the Company entered into a Customer Services Cooperation Framework Agreement with Aibao Technology, with a term commencing from 28 October 2021 and expiring on 31 December 2022. On 30 December 2022, the Company and Aibao Technology renewed the customer services cooperation framework agreement which is valid from a term commencing from 1 January 2023 to 31 December 2023. Pursuant to the agreement, Aibao Technology and its subsidiaries shall provide value-added services for customers' motor vehicle insurance, value-added services related to online activities, and online advertising services etc. to the Company, and the Company shall pay service fees to Aibao Technology and its subsidiaries. services for customers' motor vehicle insurance, value-added services related to online activities, and online advertising services etc. to the Company, and the Company shall pay service fees to Aibao Technology and its subsidiaries.

(xiv) On 28 October 2022, the Company entered into the 2022 PICC Technology Service Agreement with PICC Technology. The agreement is valid from 28 October 2022 to 31 December 2022. On December 30,2022, the Company renewed its technology services agreement with PICC Technology for the period from 1 January 2023 to 31 December 2023. Pursuant to the Agreement, PICC Technology will provide the Company with shared projects and services as well as exclusive services and the Company will pay technology service fees to PICC Technology.

(xv) In 2021, the Company entered into the Former Property Leasing Agreement with PICC Investment, commencing on 7 July 2021 and expiring on 6 July 2022. On 5 July 2022, the Company renewed the Property Leasing Extension Agreement with PICC Investment for a term of two years, effective from 7 July 2022. Pursuant to the Agreement, PICC Investment (as the lessor) leases its property to the Company (as the lessee) and the Company pays rent to PICC Investment; the Company (as the lessor) leases its property to PICC Investment (as the lessee) and PICC Investment pays rent to the Company.

(xvi) On 21 March 2023, the Company entered into Fully Entrusted Service Agreement for Business Workplace Property Management with The PICC Investment and PICC Operation for a term of three years, effective from 21 March 2023. Pursuant to the agreement, the Company, PICC Investment and PICC Operation will jointly formulate the overall work plan, PICC Operation will provide property management services and property management consultancy services to the Company, the Company will pay the property service fees to PICC Operation and will not be required to pay fees to PICC Investment.

(xvii) On 13 February 2023, the Company entered into Equity Investment Advisory Services and Technical Support Agreement with PICC Capital for a term of three years, effective from 13 February 2023.Pursuant to the agreement, PICC Capital provides equity investment advisory services and technical support services to the Company, and the Company pays advisory services fees and a share of excess returns (if the project meets a set yield threshold upon exit) to PICC Capital.

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (4) Outstanding balances with related parties

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash and cash equivalents: | | |
| Associates of PICC Group | **3,053** | 2,480 |
| Associates | **181** | 5 |
| Term deposits: | | |
| Associates of PICC Group | **6,092** | 11,120 |
| Associates | **–** | 35 |
| Debt securities at fair value through other comprehensive income: | | |
| Associates of PICC Group | **701** | Not applicable |
| Equity securities at fair value through other comprehensive income: | | |
| Associates of PICC Group | **18,835** | 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 | **1,149** | 988 |
| Fellow subsidiaries under PICC Group | **288** | 365 |
| Amounts due from related parties: | | |
| PICC Group *(note 34)* | **53** | 106 |
| Associates *(note 34)* | **50** | 49 |
| Fellow subsidiaries under PICC Group *(note 34)* | **25** | 13 |
| Payables to reinsurers: | | |
| Associates | **2,868** | 2,554 |
| Fellow subsidiaries under PICC Group | **266** | 389 |

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (4) Outstanding balances with related parties (continued)

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Amounts due to related parties: | | |
| Fellow subsidiaries under PICC Group *(note 38)* | **201** | 168 |
| Associates | **10** | 21 |
| Lease liabilities: | | |
| Fellow subsidiaries under PICC Group | **45** | 87 |
| PICC Group | **78** | – |
| Associates | **17** | – |

PICC Life, PICC Health, PICC Re and 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.

### (5) 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.

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Transactions with other government-related entities in the PRC (continued)

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.

### (6) Compensation of key management personnel

| | 2023<br>*RMB'000* | 2022<br>(Restated)<br>*RMB'000* |
|---|---|---|
| Fees, salaries and allowances | **5,532** | 3,257 |
| Performance related bonuses | **4,089** | 4,533 |
| Retirement benefits | **2,999** | 1,263 |
| Housing fund and other benefits | **672** | 629 |
| | **13,292** | 9,682 |

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.

The total compensation packages for key management personnel for the year ended 31 December 2023 including performance related bonuses have not yet been finalised in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final remunerations and that disclosed above will not have significant impact on the consolidated financial statements.

## 45. RELATED PARTY TRANSACTIONS (CONTINUED)

### (6) Compensation of key management personnel (continued)

The compensation amounts for certain key management personnel for the year ended 31 December 2022 were restated based on the finalised amounts determined in 2023. Additionally, pursuant to the PRC relevant regulations, a portion of the performance related bonuses for the year ended 31 December 2022 amounting to RMB5 million for key management personnel had been deferred.

## 46. OPERATING LEASING ARRANGEMENTS

### As lessor

The Group leases its investment properties (note 30) under lease arrangements, with lease terms ranging from one to twenty three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2023 and 2022, the undiscounted lease payments to be received under leases are as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Within one year, inclusive 1 year | **286** | 206 |
| One to two years, inclusive 2 years | **197** | 136 |
| Two to three years, inclusive 3 years | **137** | 82 |
| Three to four years, inclusive 4 years | **46** | 55 |
| Four to five years, inclusive 5 years | **71** | 38 |
| After five years | **95** | 107 |
| Total | **832** | 624 |

## 47. STRUCTURED ENTITIES

### (1) Interests in consolidated structured entities

To determine whether control exists in a structured entity, the Group uses the judgements as described in note 3.

The Group had consolidated certain structured entities during the year which are debt or equity schemes. At 31 December 2023, interests in these consolidated structured entities held by the Group represented by their investment cost amounted to RMB1,533 million (31 December 2022: RMB1,591 million).

The financial impact of these debt schemes on the Group's financial position at 31 December 2023, and results and cash flows for the year then ended, though consolidated, are not significant individually and therefore not disclosed separately.

Interests held by other interest holders in consolidated structured entities are presented as other finance costs in the consolidated income statement and as accruals and other liabilities in the consolidated statement of financial position respectively. The Group had no payables to interest holders of consolidated structured entities at 31 December 2023 (31 December 2022: nill). The consolidated structured entities had no finance costs to interest holders at 31 December 2023 (31 December 2022: 1 million).

### (2) Interests in unconsolidated structured entities

The Group invested in a variety of structured entities including asset management products sponsored by asset management companies, securities companies or insurance asset management companies, mutual funds sponsored by mutual fund management companies, trusts sponsored by trust companies and wealth management products sponsored by banks. Investments in these unconsolidated structured entities are disclosed in respective notes of "Financial investments at amortised cost", "Financial assets at fair value through other comprehensive income" and "Financial assets at fair value through profit or loss". The corresponding investment income is recorded in other investments income

## 47. STRUCTURED ENTITIES (CONTINUED)

### (2) Interests in unconsolidated structured entities (continued)

The Group is not the investment manager, and has no power over changing any investment decisions and investment managers, as such, the Group does not control any of these structured entities and does not consolidate these structured entities.

The following table shows the Groups' interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur. The Group does not provide any financial support to these unconsolidated structured entities.

| | 31 December 2023 | | |
|---|---|---|---|
| | Funding provided by the Group and carrying amount of the investment | The Group's maximum exposure | Interest held by the Group |
| Products managed by related parties | **50,064** | **50,064** | **Investment income** |
| Products managed by third parties | **110,786** | **110,786** | **Investment income** |
| Total | **160,850** | **160,850** | |

| | 31 December 2022 | | |
|---|---|---|---|
| | Funding provided by the Group and carrying amount of the investment | The Group's maximum exposure | Interest held by the Group |
| Products managed by related parties | 47,678 | 47,678 | Investment income |
| Products managed by third parties | 91,123 | 91,123 | Investment income |
| Total | 138,801 | 138,801 | |

## 48. EVENTS AFTER THE REPORTING PERIOD

On 26 March 2024, the Board of Directors of the Company proposed a final dividend of RMB0.489 per ordinary share in respect of the year ended 31 December 2023, and an amount of RMB7 billion to be appropriated to discretionary surplus reserve.

The above event is subject to the approval of shareholders' general meeting of the Company.

## 49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (1) The Company's statement of financial position

| | 31 December 2023 | 31 December 2022 (Restated) | 1 January 2022 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | **15,588** | 20,320 | 16,824 |
| Financial investments: | | | |
| Debt securities | **Not applicable** | 192,970 | 172,848 |
| Equity securities and mutual funds | **Not applicable** | 140,698 | 143,804 |
| Investments classified as loans and receivables | **Not applicable** | 71,883 | 59,243 |
| Financial investments at amortised cost | **126,164** | Not applicable | Not applicable |
| Financial assets at fair value through other comprehensive income | **180,142** | Not applicable | Not applicable |
| Financial assets at fair value through profit or loss | **144,030** | Not applicable | Not applicable |
| Insurance contract assets | **2,885** | 611 | 442 |
| Reinsurance contract assets | **38,891** | 36,827 | 31,600 |
| Term deposits | **57,647** | 73,448 | 73,427 |
| Investments in associates and joint ventures | **43,586** | 42,550 | 42,311 |
| Investment properties | **5,546** | 5,826 | 5,477 |
| Property and equipment | **20,462** | 20,877 | 19,342 |
| Right-of-use assets | **5,351** | 5,481 | 5,730 |
| Deferred income tax assets | **10,124** | 11,927 | 4,558 |
| Prepayments and other assets | **27,154** | 27,024 | 24,498 |
| **TOTAL ASSETS** | **677,570** | 650,442 | 600,104 |

## 49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### (1) The Company's statement of financial position (continued)

| | 31 December 2023 | 31 December 2022 (Restated) | 1 January 2022 (Restated) |
|---|---|---|---|
| **LIABILITIES** | | | |
| Securities sold under agreements to repurchase | **40,037** | 41,690 | 37,985 |
| Income tax payable | **–** | 3,446 | 856 |
| Investment contract liabilities | **1,736** | 1,741 | 1,748 |
| Insurance contract liabilities | **371,681** | 351,254 | 317,513 |
| Reinsurance contract liabilities | **21** | – | – |
| Bonds payable | **8,365** | 8,097 | 8,058 |
| Lease liabilities | **1,419** | 1,600 | 1,786 |
| Accruals and other liabilities | **45,455** | 42,693 | 39,543 |
| **TOTAL LIABILITIES** | **468,714** | 450,521 | 407,489 |
| **EQUITY** | | | |
| Issued capital | **22,242** | 22,242 | 22,242 |
| Reserves | **186,614** | 177,679 | 170,373 |
| **TOTAL EQUITY** | **208,856** | 199,921 | 192,615 |
| **TOTAL LIABILITIES AND EQUITY** | **677,570** | 650,442 | 600,104 |

## 49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### (2) Movement in the Company's reserves

Movements in the Company's reserves are as follows:

| | For the year ended 31 December 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Retained earnings | Total equity |
| 31 December 2022 (Restated) | 22,242 | 11,367 | 4,739 | - | 11,874 | (227) | 67,526 | 23,249 | 85 | 59,066 | 199,921 |
| Impact of initial application of HKFRS 9 | - | - | - | 10,092 | (11,874) | - | 165 | 165 | - | 1,387 | (65) |
| 1 January 2023 | 22,242 | 11,367 | 4,739 | 10,092 | - | (227) | 67,691 | 23,414 | 85 | 60,453 | 199,856 |
| Total comprehensive income | | | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 20,109 | 20,109 |
| Other comprehensive income | - | - | 286 | (476) | - | (287) | - | - | - | - | (477) |
| Appropriations to statutory surplus reserve and general risk reserve | - | - | - | - | - | - | 2,491 | 2,491 | - | (4,982) | - |
| Appropriations to discretionary surplus reserve | - | - | - | - | - | - | 10,000 | - | - | (10,000) | - |
| Appropriations to catastrophic loss reserve | - | - | - | - | - | - | - | - | 255 | (255) | - |
| Utilisation of catastrophic loss reserve | - | - | - | - | - | - | - | - | (210) | 210 | - |
| Dividends declared | - | - | - | - | - | - | - | - | - | (10,632) | (10,632) |
| Reclassification of losses on disposal of equity instruments at fair value through other comprehensive income to retained earnings upon disposals | - | - | - | 266 | - | - | (27) | (27) | - | (212) | - |
| 31 December 2023 | 22,242 | 11,367 | 5,025 | 9,882 | - | (514) | 80,155 | 25,878 | 130 | 54,691 | 208,856 |

## 49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### (2) Movement in the Company's reserves (continued)

Movements in the Company's reserves are as follows (continued):

| | For the year ended 31 December 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Retained earnings | Total equity |
| 31 December 2021 | 22,242 | 11,432 | 4,332 | 21,355 | – | 64,100 | 19,823 | 307 | 41,920 | 185,511 |
| Impact of initial application of HKFRS 17 | – | – | – | – | (101) | 568 | 568 | – | 6,069 | 7,104 |
| 1 January 2022 (Restated) | 22,242 | 11,432 | 4,332 | 21,355 | (101) | 64,668 | 20,391 | 307 | 47,989 | 192,615 |
| Total comprehensive income | | | | | | | | | | |
| Net profit for the year | – | – | – | – | – | – | – | – | 25,624 | 25,624 |
| Other comprehensive income | – | – | 407 | (9,481) | (126) | – | – | – | – | (9,200) |
| Appropriations to statutory surplus reserve and general risk reserve | – | – | – | – | – | 2,858 | 2,858 | – | (5,716) | – |
| Appropriations to catastrophic loss reserve | – | – | – | – | – | – | – | 428 | (428) | – |
| Utilisation of catastrophic loss reserve | – | – | – | – | – | – | – | (650) | 650 | – |
| Dividends declared | – | – | – | – | – | – | – | – | (9,053) | (9,053) |
| Others | – | (65) | – | – | – | – | – | – | – | (65) |
| 31 December 2022 (Restated) | 22,242 | 11,367 | 4,739 | 11,874 | (227) | 67,526 | 23,249 | 85 | 59,066 | 199,921 |

# Definitions

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

| | |
|---|---|
| "Aibao Technology" | Aibao Technology Co., Ltd. |
| "Articles of Association" | the articles of association of the Company |
| "Bangbang Auto Sales & Services" | Bangbang Auto Sales & Service (Beijing) Co., Ltd. |
| "Board" or "Board of Directors" | the board of directors of the Company |
| "CBIRC" | China Banking and Insurance Regulatory Commission (currently known as the National Financial Regulatory Administration) |
| "China Credit Trust" | China Credit Trust Company Limited |
| "Code of Corporate Governance" | Code of Corporate Governance for Banking and Insurance Institutions |
| "Company" "We" or "PICC Property and Casualty" | 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 C1 of the Listing Rules |
| "C-ROSS" | China Risk-oriented Solvency System |
| "Director(s)" | the director(s) of the Company |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Hua Xia Bank" | Hua Xia Bank Co., 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 C3 of the Listing Rules |
| "NFRA" | National Financial Regulatory Administration |
| "PIB" | Prime Insurance Brokers Company Limited |
| "PICC AMC" | PICC Asset Management Company Limited |
| "PICC Capital" | PICC Capital Insurance Asset Management Co., Ltd. |
| "PICC Equity" | PICC Capital Equity Investment Company Limited |

# Definitions

| | |
|---|---|
| "PICC Financial Services" | PICC Financial Services Company Limited |
| "PICC Group" | The People's Insurance Company (Group) of China Limited |
| "PICC Health" | PICC Health Insurance Company Limited |
| "PICC HK" | The People's Insurance Company of China (Hong Kong), Limited |
| "PICC Investment" | PICC Investment Holding Company Limited |
| "PICC Life" | PICC Life Insurance Company Limited |
| "PICC Operation" | PICC Investment Holding (Beijing) Operation Management Company Limited |
| "PICC Pension" | PICC Pension Company Limited |
| "PICC Reinsurance" | PICC Reinsurance Company Limited |
| "PICC Technology" | PICC Information Technology Co., Ltd. |
| "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)" | the supervisor(s) of the Company |
| "Supervisory Committee" | the supervisory committee of the Company |
| "Year" | the year ended 31 December 2023 |
| "%" | 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

## INVESTOR RELATIONS CONTACT

Tel: (8610) 85176084
E-mail: ir@picc.com.cn

## AUDITORS

*International Auditor*
PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

*Domestic Auditor*
PricewaterhouseCoopers Zhong Tian LLP