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***Notice to Hong Kong investors:** The Issuer (as defined below) confirms that the Bonds (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules (as defined below)) only and are listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING CIRCULAR



中國太平洋保險（集團）股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(Stock Code: 02601)

HK\$15,556,000,000 Zero Coupon Convertible Bonds due 2030 (the “Bonds”)

(Stock Code: 5920)

This announcement is issued by China Pacific Insurance (Group) Co., Ltd. 中國太平洋保險（集團）股份有限公司 (the “**Issuer**” or the “**Company**”) pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”).

Reference is made to the notice of listing of the Bonds on the Hong Kong Stock Exchange dated 18 September 2025 published by the Issuer.

Please refer to the offering circular dated 10 September 2025 (the “**Offering Circular**”) appended hereto in relation to the HK\$15,556,000,000 zero coupon convertible bonds due 2030 (the “**Bonds**”). As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on the basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

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

Hong Kong, 19 September 2025

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

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “**Offering Circular**”) received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer (as defined in the attached Offering Circular) or from J.P. Morgan Securities (Asia Pacific) Limited, UBS AG Hong Kong Branch, Huatai Financial Holdings (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited and Morgan Stanley Asia Limited (each a “**Manager**” and together, the “**Managers**”) as a result of such access. You acknowledge that access to the attached Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person. In order to review the attached Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer and the Managers that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”); (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission; (4) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are not a “connected person” (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”)) of Issuer, which includes but is not limited to any director, chief executive or substantial shareholder of the Issuer or any of its subsidiaries or any associate of any of them within the meaning of the Listing Rules; and (5) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are, and will immediately after completion of the offering of such securities be, independent of and not acting in concert with, any of such connected persons in relation to the control of the Issuer.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Managers, the Trustee (as defined in the attached Offering Circular) and the Agents (as defined in the attached Offering Circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Managers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT DELIVER OR FORWARD THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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中國太平洋保險(集團)股份有限公司
China Pacific Insurance (Group) Co., Ltd.

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

(Hong Kong Stock Exchange Stock Code: 02601)

HK\$15,556,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2030

Issue Price: 100.15 per cent.

The zero coupon convertible bonds due 2030 in the aggregate principal amount of HK\$15,556,000,000 (the **"Bonds,"** which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in *"Terms and Conditions of the Bonds"* (the **"Conditions"** or the **"Terms and Conditions"**), and each of the Conditions, a **"Condition"**), will be issued by China Pacific Insurance (Group) Co., Ltd. 中國太平洋保險(集團)股份有限公司 (the **"Issuer"** or the **"Company"**). The issue price of the Bonds shall be 100.15 per cent. of the aggregate principal amount of the Bonds. The specified denomination of each Bond shall be HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.

The Bonds will, upon issue, constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 3.1 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1 (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.

Each Bond will, subject to the Terms and Conditions, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and canceled) at any time on or after the 41st day after September 18, 2025 (the **"Issue Date"**) up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling seven working days prior to the Maturity Date (as defined herein) (both days inclusive) into fully paid ordinary H Shares (as defined in the Terms and Conditions) with a par value of RMB1.00 each of the Company at an initial conversion price of HK\$39.04 per H Share. The conversion price is subject to adjustment in the circumstances described under *"Terms and Conditions of the Bonds – Conversion"*.

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused.

Unless previously redeemed, converted or purchased and canceled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount on September 18, 2030 (the **"Maturity Date"**). On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem all but not some only of the Bonds at their principal amount, (i) at any time after September 18, 2027 but prior to the Maturity Date, subject to certain conditions as specified in the Terms and Conditions, or (ii) if at any time the aggregate principal amount of the Bonds outstanding, is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 (*Further Issues*) of the Terms and Conditions).

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice, redeem all but not some only of the Bonds at their principal amount, in the event of certain changes in, or amendments to, the laws or regulations of the People's Republic of China (the **"PRC"**) or Hong Kong taxation, as further described in the Terms and Conditions.

The holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date (as defined in the Terms and Conditions) at their principal amount, following the occurrence of a Relevant Event (as defined in the Terms and Conditions). See *"Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation"*. The holder of each Bond will also have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on September 18, 2028 (the **"Put Option Date"**) at their principal amount.

For a detailed description of the Bonds, see *"Terms and Conditions of the Bonds"*.

The Issuer undertakes that it will (i) within 15 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date, register or cause to be registered with the State Administration of Foreign Exchange or its local branch (the **"SAFE"**) the Bonds (the **"Foreign Debt Registration"**) pursuant to the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and its operating guidelines, effective as of May 13, 2013 as amended from time to time (the **"Foreign Debt Registration Measures"**) and if applicable, the Circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the **"Cross-Border Financing Circular"**), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (being the day falling 90 Registration Business Days after the Issue Date) and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to the Foreign Debt Registration Measures, the Cross-Border Financing Circular and any implementing measures promulgated thereunder from time to time.

With reference to the Administrative Measures for the Review and Registration of Medium-and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the **"Order 56"**) issued by the PRC National Development and Reform Commission (the **"NDRC"**) and effective from February 10, 2023 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on September 1, 2025 (the **"NDRC Certificate"**) evidencing such registration which remains valid and in full force and effect. The Issuer undertakes that it will within the relevant prescribed timeframes after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with Order 56 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the **"NDRC Post-Issuance Filing"**, which term for the avoidance of doubt, includes the Initial NDRC Post-Issuance Filing (as defined below)).

The Issuer undertakes to file or cause to be filed with the China Securities Regulatory Commission (the **"CSRC"**) within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds in accordance with the CSRC Filing Rules (as defined in the Terms and Conditions) (the **"CSRC Post-Issuance Filings"**, which term for the avoidance of doubt, includes the Initial CSRC Post-Issuance Filing (as defined below)) and comply with the continuing obligations under the CSRC Filing Rules and any implementation rules as issued by the CSRC from time to time. The Issuer shall file or cause to be filed (a) the initial NDRC Post-Issuance Filing with the NDRC or its competent local counterpart of the information and documents relating to the issue of the Bonds that are required to be filed in accordance with Order 56 within ten Registration Business Days after the Issue Date (the **"Initial NDRC Post-Issuance Filing"**) and (b) the CSRC Filing Report (as defined in the Terms and Conditions) and other requisite information and documents in respect of the Bonds that are required to be filed with the CSRC within three Registration Business Days after the Issue Date in accordance with the CSRC Filing Rules (the **"Initial CSRC Post-Issuance Filing"**).

Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the **"Professional Investors"**) only. This document is for distribution to professional investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investors should be aware that there are risks relating to the exercise of Conversion Rights of the Bonds, and there are various other risks relating to the Bonds, the Issuer and its subsidiaries, its business and its jurisdiction of operations which investors should familiarise themselves with before making an investment in the Bonds. See *"Risk Factors"* beginning on page 17.

The Bonds will initially be represented by a global certificate (the **"Global Certificate"**) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or the Issue Date with, a common depository on behalf of Euroclear Bank SA/NV (**"Euroclear"**) and Clearstream Banking S.A. (**"Clearstream"**). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds and the H Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the **"Securities Act"**) and may not be offered or sold within the United States except pursuant to an exemption from, or in transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the H Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see *"Subscription and Sale"*.

The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer as defined in the Listing Rules (**"connected persons"**). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and the Managers (as defined below) that it is not a connected person of the Issuer, and will not after completion of the subscription of the Bonds be a connected person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Managers that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the **"SFC"**), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P. Morgan

UBS

Huatai International

BofA Securities

Morgan Stanley

The Offering Circular is dated September 10, 2025

NOTICE TO INVESTORS

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information (including financial, business conditions and prospects information) with respect to the Issuer and its subsidiaries taken as a whole (the “**Group**”), and to the Bonds and the Shares which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws and regulations according to the particular nature of the Issuer, the Group, the Bonds and the Shares, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group, and the rights attaching to the Bonds and the Shares); (ii) the statements contained in this Offering Circular relating to the Issuer, and to the Group, are true and accurate in all material respects and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts in relation to the Issuer, the Group, the Bonds and the Shares and to verify the accuracy in all material respects of all such information and statements in relation to the Issuer, the Group, the Bonds and the Shares as contained in this Offering Circular; and (v) this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact or other facts in relation to the Issuer, the Group, the Shares or the Bonds, necessary in order to make the statements therein, in the light of the circumstances under which they were made or in the context of the issue and offering of the Bonds, not misleading.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of J.P. Morgan Securities (Asia Pacific) Limited, UBS AG Hong Kong Branch, Huatai Financial Holdings (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited and Morgan Stanley Asia Limited (each a “**Manager**” and together, the “**Managers**”) or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*” below. By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Group, or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Managers, the Trustee or the Agents (each as defined in “*Terms and Conditions of the Bonds*” below) or their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person

who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

This Offering Circular is being furnished by the Issuer in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular each investor is deemed to have agreed to these restrictions.

None of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Agents or any of the respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds.

Each person receiving this Offering Circular acknowledges that it has not relied on the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and such person must rely on its own examination of the Issuer and the Group, and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” below for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Group or the issue and offering of the Bonds or the Shares. Each of the Managers, the Trustee and the Agents and each of their respective affiliates, officers, employees, agents, representatives, directors and advisers and each person who

controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations. Prospective investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisor.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are “capital market intermediaries” (together, the “**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors.

Certain CMIs may also be acting as “overall coordinators” (together, the “**OCs**”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an “**Association**”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs

in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

INDUSTRY AND MARKET DATA

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes the information to be reliable, it has not been independently verified by the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them and none of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Group and the terms of the offering and the Bonds, including the merits and risks involved. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All references to the “**Issuer**” or the “**Company**” are to China Pacific Insurance (Group) Co., Ltd. 中國太平洋保險(集團)股份有限公司.

All references to the “**PRC**” or “**China**” are to the People’s Republic of China. All references to “**Mainland China**” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of this Offering Circular. All references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China.

Unless otherwise indicated or required by the context, all references in this Offering Circular to “**RMB**” or “**Renminbi**” are to the Renminbi, the lawful currency of the PRC; and “**HKD**” or “**HK\$**” are to Hong Kong dollars, the lawful currency of Hong Kong.

References to “**NDRC**” are to the National Development and Reform Commission of the PRC.

References to “**PBOC**” are to the People’s Bank of China, the central bank of the PRC.

References to “**NFRA**” are to the National Financial Regulatory Administration of the PRC.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down to the nearest whole number. Therefore, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. In addition, certain percentages presented in the tables in this Offering Circular may reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. References to information in billions of units are to the equivalent of a thousand million units.

This Offering Circular contains translations of certain HKD to RMB at specified rates solely for the convenience of the reader. Such translation should not be construed as representations that the HKD amounts actually represent such RMB amounts or could have been or could be converted into RMB at any particular rate, or at all. Unless otherwise specified, all conversions were made at an exchange rate of HKD1.00 = RMB0.91195 (being the exchange rate published by the People’s Bank of China on June 30, 2025).

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless the context otherwise requires, references to “**2022**”, “**2023**” and “**2024**” in this Offering Circular are to the financial years ended December 31, 2022, 2023 and 2024, respectively.

PRESENTATION AND INCORPORATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Issuer as of and for the years ended December 31, 2022, 2023 and 2024, which has been extracted from the audited financial statements of the Issuer as of and for the years ended December 31, 2023 and 2024. Such audited financial statements of the Issuer were prepared and presented in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance of the PRC on February 15, 2006 and in subsequent periods (the “**Accounting Standards for Business Enterprises**” or “**CASs**”), and have been audited by Ernst & Young Hua Ming LLP, the Issuer’s independent auditor.

This Offering Circular also contains consolidated financial information as of and for the six months ended June 30, 2024 and 2025, which has been extracted from the unaudited interim financial statements of the Issuer as of and for the six months ended June 30, 2025. Such unaudited interim financial statements of the Issuer were prepared and presented in accordance with the Accounting Standard for Business Enterprises and have been reviewed by Ernst & Young Hua Ming LLP, the Issuer’s independent auditor.

Unless specified as “original” numbers, financial information as of and for the year ended December 31, 2022 used in this Offering Circular derives from the consolidated financial statements of the Issuer for the year ended December 31, 2023 (which has been restated).

Certain monetary amounts included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “going-forward”, “next”, “under-estimate”, “expect”, “hope”, “confirm”, “navigate”, “intend”, “might”, “anticipate”, “justify”, “need”, “estimate”, “believe”, “moving forward”, “looking forward”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “could”, “should”, “would”, “aim”, “around”, “can”, “may”, “will”, and the negative of these words and other similar expressions. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include, but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical facts.

Such statements are subject to certain risks and uncertainties because they relate to and depend on events and circumstances that may or may not occur. The Issuer cautions potential investors that forward-looking statements are not guarantees of future performance and that the actual financial condition, results of operations and cash flows, and prospects of the Issuer may differ materially from those made in or suggested by the forward-looking statements included in this Offering Circular. In addition, even if the financial condition, results of operations and cash flows and prospects of the Issuer are consistent with such statements, those results or developments may not be indicative of results or prospects in subsequent periods. Actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors. The factors that could cause the actual results, performances and achievements of the Issuer or the Group or any member of the Group to be materially different include, among others:

- general economic, political and business conditions and competitive environment, including those related to the PRC and globally;
- ability to successfully implement business plans and strategies;
- capital expenditure plans and ability to carry out those plans;
- ability of the Group to control its costs;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- the actions and developments of the Group’s competitors;
- financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;

- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;
- other risks associated with industries in which the Group operates; and
- other factors, including those discussed in "*Risk Factors*" below.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" below and elsewhere in this Offering Circular. Although the Issuer believes that management's expectations as reflected in such forward-looking statements are reasonable based on information currently available to the Issuer, it cannot be assured that such expectations will be realized. The Issuer cautions investors not to place undue reliance on these forward-looking statements which reflect its managements' view only as of the date of this Offering Circular. The Issuer does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

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SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. You should read the entire Offering Circular carefully, including the Group's consolidated financial statements and related notes and "Risk Factors", to determine whether an investment in the Bonds is appropriate.

OVERVIEW

We are a leading comprehensive insurance group in China, holding a wide range of licenses across life and health insurance, property and casualty insurance, and asset management. We are also the only Chinese insurance group listed on the Shanghai, Hong Kong, and London stock exchanges. In terms of our customer coverage, we have a vast customer base of 183 million customers as of December 31, 2024. Our nationwide distribution network comprises more than 2,100 service outlets in life and health insurance, and 3,200 service outlets in property and casualty insurance, with branches fully covering provinces, cities and districts in Mainland China, as well as Hong Kong.

Since our establishment in 1991, we have achieved a balanced development across different segments of the insurance value chain including (i) life and health insurance; (ii) property and casualty insurance; and (iii) asset management, ensuring that our offerings meet the evolving needs of our customers and support sustainable growth. In terms of life and health insurance, we are the third largest life insurance company in China in terms of primary premium income, and we offer a comprehensive product suite covering the full life cycle of customer needs, including risk protection, retirement, and legacy inheritance. Our channel diversification strategy has delivered tangible results, with significant contributions from agency and bancassurance channels. For the year ended December 31, 2024, our new business value ("NBV") reached RMB13.3 billion, with an NBV margin of 16.8%. In terms of property and casualty insurance, our focus on high-quality development and underwriting discipline has enabled us to maintain a track record of underwriting profitability. Our combined ratio of 98.6% in 2024 is a testament of our ability to balance growth with risk control and operational efficiency. We are also the third largest property and casualty insurance company in China by primary premium income. In terms of asset management, we adhere to prudent, value-oriented, long-term, and responsible investing principles. As of December 31, 2024, our assets under management ("AUM") reached RMB3,542.7 billion.

Driven by our commitment to excellence and innovation, we have earned global recognition for our leadership in insurance. We ranked 251st on the 2025 Fortune Global 500. Our subsidiaries have received strong international ratings: CPIC Life is rated A1 by Moody's, while CPIC P/C is rated A1 by Moody's and A by S&P. Moreover, CPIC Group ranked 5th in 2023 and 2024, and 11th in 2025 among the World's 100 Most Valuable Insurance Brands, according to BrandFinance.

In terms of our financial performance, for the year ended December 31, 2024, we achieved operating income of RMB404.1 billion, with total assets reaching RMB2,834.9 billion, and an AUM of RMB3,542.7 billion, including RMB808.2 billion in third-party AUM. Our comprehensive investment yield was 6.0%; our total investment yield was 5.6%; and our net profit attributable to shareholders of the parent for 2024 was RMB44,960 million. We have also maintained a strong solvency position, robust capital base, and a stable dividend policy, reflecting our commitment to delivering sustainable value to our shareholders and all stakeholders.

COMPETITIVE STRENGTH

We believe that our previous success and the foundation for future growth are underpinned by the following competitive strengths:

- we are a leading comprehensive insurance group in China with strong core business and expertise along the insurance value chain;
- oriented by our customer demand, we are committed to driving transformation and innovation to foster new momentum for high-quality development;
- we deliver long-term value through robust governance, proactive risk control, and disciplined compliance management; and
- we are committed to creating value for our customers, employees and shareholders as well as society.

STRATEGIES

Our vision is to become a world-class insurance and financial services group with market leadership and global competitiveness. To achieve this, we plan to implement the following strategies:

- continue to enhance core business segments to forge a consolidated foundation for high-quality development; and
- capture future opportunities by advancing our strategies in relation to health service & elderly care, internationalization, and AI+.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated statement of income and cash flow data for the years ended December 31, 2022 (restated), 2023 and 2024 and the summary consolidated statement of balance sheet data as of December 31, 2022 (restated), 2023 and 2024 set forth below are extracted or derived from our Group's audited financial statements as of and for the year ended December 31, 2023 (the “**FY2023 Financial Statements**”) and the audited financial statements as of and for the year ended December 31, 2024 (the “**FY2024 Financial Statements**”) included elsewhere in this Offering Circular.

We adopted the new insurance contract standard and the new financial instruments standards from January 1, 2023. The implementation of the new insurance contract standard resulted in significant changes including in the recognition of insurance revenue and insurance service expenses, the measurement of insurance contract liabilities and the presentation in the financial statements. See “*Note III – Summary of Significant Accounting Policies and Accounting Estimates – 21. Insurance Contract*” in our Group's FY2023 Financial Statements. According to requirements of the new insurance contract standard, we adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, we did not adjust comparative figures of the prior period which related to investment business.

The summary consolidated statement of income and cash flow data for the six months ended June 30, 2024 and 2025 and the summary consolidated statement of balance sheet data as of June 30, 2025 set forth below are extracted or derived from our Group's unaudited financial statements as of and for the six months ended June 30, 2025 (the “**2025 Interim Financial Statements**”) included elsewhere in this Offering Circular. The consolidated financial information as of and for the six months ended June 30, 2025 and comparative financial information for the six months ended June 30, 2024 are not audited by an independent auditor. Consequently, such financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate our financial condition, results of operations. Such financial information should not be taken as an indication of our Group's expected financial condition, results of operations and results for the full financial year ending December 31, 2025.

The FY2023 Financial Statements and FY2024 Financial Statements were audited by Ernst & Young Hua Ming LLP, our independent auditor, and have been prepared in accordance with the Accounting Standard for Business Enterprises. The 2025 Interim Financial Statements were reviewed by Ernst & Young Hua Ming LLP, our independent auditor, and have been prepared in accordance with the Accounting Standard for Business Enterprises.

Summary Consolidated Income Statement

	For the year ended December 31,			For the six months ended June 30,	For the six months ended June 30,
	2022 (Restated) ⁽¹⁾	2023	2024	2024	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Operating income	332,140	323,945	404,089	194,634	200,496
Insurance revenue	249,745	266,167	279,473	137,019	141,824
Interest income	–	58,262	55,991	27,769	29,061
Investment income	77,510	7,053	26,907	6,893	21,671
Other income	183	251	257	86	106
(Losses)/gains arising from changes in fair value	(61)	(11,712)	37,713	20,945	5,856
Exchange gains/(losses)	1,085	159	(64)	32	(13)
Other operating income	3,654	3,742	3,810	1,889	1,918
Gains on disposal of assets	24	23	2	1	73
Operating expenses	(289,600)	(291,885)	(348,378)	(165,187)	(168,224)
Insurance service expenses	(213,988)	(231,023)	(243,147)	(116,298)	(120,169)
Allocation of reinsurance premiums	(15,427)	(15,838)	(15,891)	(7,962)	(7,290)
Less: Recoveries of insurance service expenses from reinsurers	12,609	14,399	14,466	7,602	6,245
Insurance finance expenses for insurance contracts issued	(58,074)	(46,741)	(92,520)	(44,030)	(40,698)
Less: Reinsurance finance income for reinsurance contracts held . .	1,108	1,174	2,103	1,036	715
Changes in insurance premium reserves	(109)	35	116	(449)	(523)
Interest expenses	(2,752)	(2,628)	(2,728)	(1,192)	(2,217)
Commission and brokerage expenses	–	(7)	(56)	(15)	(3)
Taxes and surcharges	(424)	(445)	(439)	(178)	(216)
Operating and administrative expenses	(6,204)	(7,397)	(8,239)	(3,065)	(3,462)
Impairment losses on financial assets	–	(2,013)	(531)	52	(14)
Impairment losses on other assets .	–	(253)	(406)	–	–
Asset impairment losses	(5,303)	–	–	–	–
Other operating expenses	(1,036)	(1,148)	(1,106)	(688)	(592)
Operating profit	42,540	32,060	55,711	29,447	32,272
Add: Non-operating income	147	136	86	24	36
Less: Non-operating expenses . . .	(204)	(195)	(234)	(76)	(49)
Profit before tax	42,483	32,001	55,563	29,395	32,259
Less: Income tax	(4,261)	(4,090)	(9,122)	(3,537)	(3,453)
Net profit	38,222	27,911	46,441	25,858	28,806

	For the year ended December 31,			For the six months ended June 30,	For the six months ended June 30,
	2022	2023	2024	2024	2025
	(Restated) ⁽¹⁾				
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Classified by continuity of operations:					
Net profit from continuing operations	38,222	27,911	46,441	25,858	28,806
Net profit from discontinued operations	—	—	—	—	—
Classified by ownership of the equity:					
Attributable to shareholders of the parent	37,381	27,257	44,960	25,132	27,885
Non-controlling interests	841	654	1,481	726	921
Other comprehensive income/(loss)					
Other comprehensive income/(loss) that will not be reclassified to profit or loss:	—	400	4,775	5,083	1,478
Other comprehensive income/(loss) that will be reclassified to profit or loss:	(25,353)	1,152	2,025	(2,628)	(28,978)
Other comprehensive income/(loss)	(25,353)	1,552	6,800	2,455	(27,500)
Total comprehensive income . . .	12,869	29,463	53,241	28,313	1,306
Attributable to shareholders of the parent	12,496	28,785	51,646	27,541	853
Attributable to non-controlling interests	373	678	1,595	772	453
Earnings per share					
Basic earnings per share (RMB per share)	3.89	2.83	4.67	2.61	2.90
Diluted earnings per share (RMB per share)	3.89	2.83	4.67	2.61	2.90

Note:

- (1) We adopted the new insurance contract standard and the new financial instruments standards from January 1, 2023. The implementation of the new insurance contract standard resulted in significant changes including in the recognition of insurance revenue and insurance service expenses, the measurement of insurance contract liabilities and the presentation in the financial statements. See “*Note III – Summary of Significant Accounting Policies and Accounting Estimates – 21. Insurance Contract*” in our Group’s FY2023 Financial Statements. According to requirements of the new insurance contract standard, we adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, we did not adjust comparative figures of the prior period which related to investment business.

Summary Consolidated Balance Sheet

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(Restated) ⁽¹⁾			
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
ASSETS				
Cash at bank and on hand	33,134	31,455	29,357	46,404
Financial assets at fair value through profit or loss	26,560	–	–	–
Derivative financial assets	197	17	26	11
Securities purchased under agreements to resell	21,124	2,808	10,905	21,349
Interest receivables	19,656	–	–	–
Term deposits	204,517	165,501	173,818	178,219
Available-for-sale financial assets	715,085	–	–	–
Held-to-maturity financial assets	514,250	–	–	–
Investments classified as loans and receivables	397,270	–	–	–
Financial Investments				
– Financial assets at fair value through profit or loss	–	581,602	667,199	674,401
– Financial assets at amortised cost	–	82,334	64,844	55,357
– Debt investments at fair value through other comprehensive income	–	1,247,435	1,607,972	1,746,373
– Equity investments at fair value through other comprehensive income	–	97,965	142,014	154,172
Sub-total	–	2,009,336	2,482,029	2,630,303
Insurance contract assets	305	335	22	–
Reinsurance contract assets	33,205	39,754	46,081	44,068
Long-term equity investments	25,829	23,184	22,520	13,148
Restricted statutory deposits	7,290	7,105	6,851	6,898
Investment properties	11,202	10,667	8,951	28,396
Fixed assets	17,465	18,925	20,255	22,715
Construction in progress	2,291	2,459	2,489	3,357
Right-of-use assets	3,030	3,365	2,921	1,837
Intangible assets	6,666	7,117	7,347	6,993
Goodwill	1,372	1,357	1,357	1,357
Deferred income tax assets	19,661	7,076	3,464	6,919
Other assets	11,227	13,501	16,514	18,126
TOTAL ASSETS	2,071,336	2,343,962	2,834,907	3,030,100
LIABILITIES AND EQUITY				
Derivative financial liabilities	8	21	96	60
Securities sold under agreements to repurchase	119,665	115,819	181,695	180,205
Premium received in advance	17,891	17,026	18,044	6,192
Employee benefits payable	8,635	9,247	10,169	7,810
Taxes payable	5,166	3,536	2,480	4,283
Interest payable	469	–	–	–
Bonds payable	9,999	10,285	10,286	10,103
Insurance contract liabilities	1,664,848	1,872,620	2,229,514	2,428,583
Reinsurance contract liabilities	809	–	–	–
Commission and brokerage payable	4,639	5,861	5,942	6,674
Insurance premium reserves	316	251	129	652
Lease liabilities	2,718	3,095	2,722	1,638
Deferred income tax liabilities	568	1,119	7,362	2,707
Long-term borrowings	–	–	–	157
Other liabilities	33,933	37,378	47,987	67,830
Total liabilities	1,869,664	2,076,258	2,516,426	2,716,894
Total equity	201,672	267,704	318,481	313,206
TOTAL LIABILITIES AND EQUITY	2,071,336	2,343,962	2,834,907	3,030,100

Summary Consolidated Cash Flow Statement

	For the year ended December 31,			For the six months ended June 30,	For the six months ended June 30,
	2022 (Restated) ⁽¹⁾	2023	2024	2024	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from premium of insurance contracts issued	416,072	452,282	482,537	253,730	277,867
Net cash received from reinsurance contracts issued	4,797	485	—	—	2,142
Net decrease in policy loans	753	1,778	521	1,498	2,201
Refund of taxes and surcharges	124	21	107	57	228
Cash received relating to other operating activities	8,867	6,848	7,799	2,887	2,712
Sub-total of cash inflows	430,613	461,414	490,964	258,172	285,150
Cash paid for claims under insurance contracts issued	(153,331)	(180,230)	(189,571)	(92,514)	(93,624)
Net cash paid under reinsurance contracts issued	—	—	(1,965)	(740)	(985)
Net cash paid under reinsurance contracts held	(2,928)	(6,542)	(5,353)	(586)	—
Cash paid for commission and brokerage expenses	(27,566)	(33,701)	(34,715)	(17,669)	(16,647)
Cash paid to and on behalf of employees	(25,507)	(26,623)	(26,393)	(14,930)	(14,600)
Payments of taxes and surcharges	(11,560)	(11,756)	(10,226)	(5,667)	(5,076)
Cash paid relating to other operating activities	(61,057)	(64,699)	(68,337)	(36,141)	(33,715)
Sub-total of cash outflows	(281,949)	(323,551)	(336,560)	(168,247)	(164,647)
Net cash flows from operating activities	148,664	137,863	154,404	89,925	120,503
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash received from disposal of investments	489,390	557,301	728,928	372,772	369,732
Cash received from returns on investments and interest income	74,860	73,860	66,702	35,093	34,954
Net cash received from disposal of subsidiaries and other business entities	2,424	2,559	168	48	133
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	109	181	36	14	52
Cash received relating to other investing activities	—	—	—	—	112
Sub-total of cash inflows	566,783	633,901	795,834	407,927	404,983

	For the year ended December 31,			For the six months ended June 30,	For the six months ended June 30,
	2022	2023	2024	2024	2025
	(Restated) ⁽¹⁾				
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Cash paid to acquire investments	(725,655)	(788,828)	(1,001,338)	(448,159)	(496,360)
Net cash paid to acquire subsidiaries and other business entities	(1,690)	(1,269)	(241)	(161)	(278)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(9,097)	(3,988)	(3,878)	(1,380)	(2,061)
Cash paid relating to other investing activities	(77)	(1,173)	(277)	(13)	(1,673)
Sub-total of cash outflows	(736,519)	(795,258)	(1,005,734)	(449,713)	(500,372)
Net cash flows used in investing activities	(169,736)	(161,357)	(209,900)	(41,786)	(95,389)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash received from capital contributions	43	11,998	8,000	8,000	–
Cash received from bonds issued	–	9,998	–	–	–
Increase in securities sold under agreements to repurchase, net	46,316	–	64,572	–	–
Cash received relating to other financing activities	12,518	10,649	16,058	3,667	8,700
Sub-total of cash inflows	58,877	32,645	88,630	11,667	8,700
Cash repayments of borrowings	(12,875)	(10,782)	(8,260)	(8,218)	(1,070)
Cash payments for distribution of dividends, profits or interest expenses	(15,835)	(12,444)	(13,014)	(1,416)	(2,522)
Decrease in securities sold under agreements to repurchase, net	–	(4,145)	–	(19,201)	(1,437)
Cash paid relating to other financing activities	(1,686)	(1,980)	(6,020)	(803)	(1,223)
Sub-total of cash outflows	(30,396)	(29,351)	(27,294)	(29,638)	(6,252)
Net cash flows from financing activities	28,481	3,294	61,336	(17,971)	2,448
Effects of exchange rate changes on cash and cash equivalents	773	131	93	39	(43)
Net increase/(decrease) in cash and cash equivalents	8,182	(20,069)	5,933	30,207	27,519
Add: Cash and cash equivalents at the beginning of year	45,627	53,809	33,740	33,740	39,673
Cash and cash equivalents at the end of year	53,809	33,740	39,673	63,947	67,192

Note:

- (1) We adopted the new insurance contract standard and the new financial instruments standards from January 1, 2023. The implementation of the new insurance contract standard resulted in significant changes including in the recognition of insurance revenue and insurance service expenses, the measurement of insurance contract liabilities and the presentation in the financial statements. See “Note III – Summary of Significant Accounting Policies and Accounting Estimates – 21. Insurance Contract” in our Group’s FY2023 Financial Statements. According to requirements of the new insurance contract standard, we adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, we did not adjust comparative figures of the prior period which related to investment business.

RECENT DEVELOPMENT

In the six months ended June 30, 2025, our Group maintained strong momentum across our core businesses, demonstrating resilience amid evolving market conditions. CPIC Life focused on channel diversification and product mix optimisation, resulting in solid value growth. CPIC P/C continued to refine its business structure, achieving notable improvements in underwriting profitability and steady premium income growth. Our asset management arm remained committed to asset liability management across market cycles, enhancing professional investment capabilities and delivering sound investment outcomes. These efforts collectively contributed to sustained growth in comprehensive strength and reinforced our commitment to customer-centric transformation. During the same period, our Group's operating income reached RMB200.5 billion, up by 3.0% year on year, with insurance revenue rising 3.5% year on year to RMB141.8 billion. Our net profit attributable to shareholders of the parent rose by 11.0% year on year to RMB27.9 billion, while the operating profit after tax ("OPAT") attributable to shareholders of the parent grew by 7.1% year on year to RMB19.9 billion.

In relation to our life and health insurance business (which includes CPIC Life and CPIC Life (HK)), we have achieved an NBV of RMB9.5 billion for the six months ended June 30, 2025. This was up by 5.6% on a year-on-year basis. For the same period, we have achieved an NBV margin of 15.0%. Written premiums of our life and health insurance business rose by 13.1% to RMB193.5 billion, and OPAT for life insurance reached RMB15.0 billion, which was also up by 5.0%. Our property and casualty insurance business (which comprised CPIC P/C, CPIC Anxin Agricultural and CPIC HK) recorded an underwriting combined ratio of 96.4%, with a primary premium income of RMB114.2 billion.

Investment performance remained stable despite market fluctuations. For the six months ended June 30, 2025, our comprehensive investment yield was 2.4%, while total investment yield was 2.3%. As of June 30, 2025, our Group's AUM reached RMB3,773.0 billion, which was up by 6.5% since December 31, 2024, with third-party AUM growing by 5.0% since December 31, 2024 to RMB848.2 billion. These results reflect our Company's ability to deliver sustainable value across business lines.

THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Summary of Provisions relating to the Bonds in Global Form” shall have the same meanings in this summary. For a complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer	China Pacific Insurance (Group) Co., Ltd. 中國太平洋保險(集團)股份有限公司
Bonds	Hong Kong dollar-denominated zero coupon convertible bonds due 2030 in an aggregate principal amount of HK\$15,556,000,000, convertible into fully-paid ordinary H shares of the Company with a par value RMB1.00 each (the “ Shares ” or “ H Shares ”) at the initial conversion price of HK\$39.04 per Share.
A Share(s)	Ordinary domestic share(s) with a par value of RMB1.00 each in the share capital of the Issuer, which are listed for trading on The Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601601) (the “ A Shares ”).
H Share(s)	Ordinary foreign share(s) with a par value of RMB1.00 each issued by the Issuer which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 02601 (HKD counter)).
Interest	The Bonds will be zero coupon and will not bear interest. See “ <i>Terms and Conditions of the Bonds – Interest</i> ”.
Issue Price	100.15 per cent. of the principal amount of the Bonds.
Issue Date	September 18, 2025.
Maturity Date	September 18, 2030.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.

Status of the Bonds

The Bonds will constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 3.1 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1 (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations. See “*Terms and Conditions of the Bonds – Status*”.

Negative Pledge

So long as any Bond remains outstanding, the Issuer will not create or permit to subsist, and the Issuer will procure that no Principal Subsidiary (as defined in the Terms and Conditions), other than a Listed Subsidiary (as defined in the Terms and Conditions) and Subsidiaries of a Listed Subsidiary, will create, or have outstanding, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than a security interest arising by operation of law) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital), present or future, to secure any Relevant Indebtedness (as defined in the Terms and Conditions) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an extraordinary resolution of the Bondholders. See “*Terms and Conditions of the Bonds – Negative Pledge*”.

Taxation

All payments made by or on behalf of the Issuer in respect of the Bonds will be made free from any set-off, counterclaim, restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Hong Kong or, in each case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the aggregate rate applicable on September 10, 2025, or any Hong Kong deduction or withholding is required, in such event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except in circumstances specified in Condition 8 (*Taxation*) of the Terms and Conditions. See “*Terms and Conditions of the Bonds – Taxation*”.

Conversion Right and Period

Subject as provided in the Terms and Conditions, each Bond shall entitle the holder to convert such Bond into H Shares (the “**Conversion Right**”). Subject to and upon compliance with the Terms and Conditions, the Conversion Right attaching to any Bond may be exercised, at the option of the Bondholder, at any time on or after the 41st day after the Issue Date up to the close of business (at the place where the Certificate (as defined in the Terms and Conditions) evidencing such Bond is deposited for conversion) on the date falling seven working days prior to the Maturity Date (both days inclusive), or if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven working days (at the place aforesaid) prior to the date fixed for redemption thereof; provided that no Conversion Right may be exercised in respect of a Bond where the holder shall have exercised its right to require the Issuer to redeem or repurchase such Bond pursuant to Condition 7.4 (*Redemption at the Option of the Bondholders*) or Condition 7.5 (*Redemption for Relevant Events*) of the Terms and Conditions or during a Restricted Conversion Period (as defined in the Terms and Conditions) (both dates inclusive); provided further that the Conversion Right is exercised subject to any applicable fiscal or other laws or regulations or as hereafter provided in the Terms and Conditions (the “**Conversion Period**”). See “*Terms and Conditions of the Bonds – Conversion Right*”.

Conversion Price

The price at which H Shares will be issued upon conversion will initially be HK\$39.04 per H Share but will be subject to adjustments for, among other things, consolidation, subdivision or re-classification, capitalization of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price and certain other dilutive events. See “*Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*”.

Redemption at Maturity

Unless previously redeemed, converted or purchased and canceled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount on the Maturity Date. See “*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Maturity*”.

Redemption for Taxation Reasons

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Agent and the Bondholders (which notice shall be irrevocable) at their principal amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (Taxation) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after September 10, 2025, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

If the Issuer gives a notice of redemption pursuant to the Condition 7.3 (*Redemption for Taxation Reasons*) of the Terms and Conditions, each Bondholder will have the right to elect that his Bonds shall not be redeemed. Upon a Bondholder electing not to have its Bonds redeemed in such circumstances, any payment of principal or interest (if any) to be made in respect of such Bond(s) which falls due after the relevant date of redemption shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the government of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Taxation Reasons*".

Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), the Bonds may be redeemed by the Issuer in whole, but not in part, (i) at any time after September 18, 2027 but prior to the Maturity Date, subject to certain conditions as specified in the Terms and Conditions, or (ii) if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 (*Further Issues*) of the Terms and Conditions). See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Issuer*".

Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some only of that holder's Bonds on September 18, 2028 (the "**Put Option Date**") at their principal amount. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders*".

Redemption for Relevant Events

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds at their principal amount.

A "**Relevant Event**" means the occurrence of either (a) a Change of Control; (b) the H Shares ceasing to be listed or admitted to trading on the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be) or (c) the suspension in trading of the H Shares for a period of 30 consecutive H Share Stock Exchange Business Days. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Relevant Events*".

Company's Lock-up

The Issuer has agreed in the Subscription Agreement (as defined below) that neither the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date hereof and the date which is 60 days after the Issue Date (both dates inclusive); except for (i) the Bonds and the New Shares issued on conversion of the Bonds, or (ii) any Shares or other securities (including rights or options) which are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of employees (including directors) of the Issuer or any of its subsidiaries pursuant to any employee share scheme or plan existing as at the date of the Subscription Agreement.

For the purposes of this lock-up, “**Shares**” means (i) ordinary shares with a nominal value of RMB1.00 issued by the Issuer to investors which are traded in Hong Kong dollars on the Hong Kong Stock Exchange; (ii) ordinary shares with a par value of RMB1.00 each issued by the Issuer and which are traded in Renminbi on the Shanghai Stock Exchange; and (iii) any other fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorised after the date hereof which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

Events of Default

The Trustee may give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 5 (*Conversion*) of the Terms and Conditions if any of the events listed under Condition 9 (*Events of Default*) of the Terms and Conditions has occurred. See “*Terms and Conditions of the Bonds – Events of Default*”.

Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in the Terms and Conditions in relation to the Initial NDRC Post-Issuance Filing, the CSRC Post-Issuance Filings and the Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the Bonds. See “*Terms and Conditions of the Bonds – Further Issues*”.

Clearing Systems

The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.

Trustee

Citicorp International Limited.

Principal Agent	Citibank, N.A., London Branch.
Registrar and Transfer Agent	Citibank, N.A., London Branch.
Listing and Trading of the Bonds	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on September 19, 2025.
Listing of Shares	Application has been made to the Hong Kong Stock Exchange for the listing of the Shares issuable upon conversion of the Bonds (the “ New Shares ”).
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “ <i>Risk Factors</i> ”.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, the United Kingdom, EEA, the PRC, Hong Kong, Singapore and Japan. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see “ <i>Subscription and Sale</i> ”.
Legal Entity Identifier	529900BA5ILEL308WX03.
ISIN	XS3165356158.
Common Code	316535615.

Note: Concurrent with the offering of the Bonds, the Managers may facilitate sales of existing Shares notionally underlying the Bonds by buyers of the Bonds who wish to sell such Shares in covered short sales to purchasers procured by the Managers in order to hedge the market risk to which buyers of the Bonds are exposed with respect to the Bonds that they may acquire in the offering of the Bonds.

RISK FACTORS

This Offering Circular contains forward-looking statements relating to events that involve risks and uncertainties. Prospective investors should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular. The risks described below are not the only ones that may affect the Company or the Bonds. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our financial condition or results of operations. If any of the possible events described below occur, our financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and investors could lose all or part of their investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business is highly dependent on the macroeconomic environment.

Our business is highly sensitive to macroeconomic fluctuations and capital market volatility. Economic slowdowns, inflation, geopolitical tensions, and declining consumer confidence can reduce household income and business investment, weakening demand for our products and services. These conditions may also lead to higher policy surrenders and lower new business volumes, adversely affecting our revenue and profitability. Additionally, adverse market conditions may result in credit defaults and reduced investment returns, impacting our financial performance and operational stability.

Competitive pressures in the insurance industry are intensifying due to market liberalisation and the growing presence of both domestic and international players. To remain competitive, we must continuously adapt in areas such as pricing, product innovation, brand positioning, distribution, and service quality. These adjustments may compress margins and slow growth, especially in a challenging economic environment.

China's insurance market, while having shown rapid growth and possessing significant potential in terms of insurance penetration and density, faces uncertainty. Macroeconomic instability could slow market expansion, affecting our business development and long-term growth prospects.

We also operate under complex and evolving regulatory frameworks, both in China and overseas. Regulatory changes can increase compliance costs, affect product pricing and terms, and impose stricter operational requirements, particularly for large institutions like ours. Noncompliance – whether due to oversight or shifting interpretations – can result in penalties, reputational damage, and constraints on business development.

Taken together, macroeconomic volatility, competitive dynamics, and regulatory risks present significant challenges. These factors may materially and adversely affect our financial condition, operating results, and future prospects.

Change in interest rate may adversely affect our profitability and investment return.

Our business is subject to interest rates risks. In respect of the insurance business, the profitability of some of our products and investment returns are highly sensitive to interest rate levels and fluctuations, and changes in interest rates could adversely affect our investment returns and results of operations. In periods of rising interest rates, increased investment yields will increase the returns on newly added assets in our investment portfolios. However, surrenders and withdrawals of existing insurance policies may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and

withdrawals may result in cash payments requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realized investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in the net income. In addition, the demand for our life insurance products, in particular the long-term savings type policies, may decrease as investors seek more profitable alternatives. Moreover, a rise in interest rates would adversely affect our Company's shareholders' equity in the immediate financial year due to a decrease in the fair value of our Group's fixed income investments. Such adverse effects would directly and adversely impact the solvency margin ratio of our insurance operations. Conversely, if interest rates decrease or remain at low levels, we may need to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing our investment margin and adversely affecting our profitability. In addition, borrowers may prepay or redeem fixed income securities in our investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates such risk. During periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in-force from year to year, during a period when our new investments carry lower returns.

Like other insurance companies, we seek to manage interest rate risk through managing the average duration of our investment assets and the insurance policy liabilities supported by these assets. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of the changes will largely be offset against each other. However, restrictions under the insurance laws of PRC on the assets classes in which we may invest, as well as the limited availability of long-duration investment assets in the markets in which we invest, have resulted in the duration of our assets being shorter than that of our liabilities. Moreover, the PRC financial markets may not provide an effective means for us to hedge our interest rate risk through financial derivative products. We believe that, with the gradual easing of the investment restrictions imposed on insurance companies in the PRC, our ability to match the duration of our assets to that of our liabilities will improve. We also seek to manage the risk of duration mismatch by focusing on product offerings whose maturity profiles are in line with the duration of investments available to us in the prevailing investment environment. However, if we are unable to match more closely the duration of our assets and liabilities, we will continue to be exposed to risks related to interest changes, which may materially and adversely affect our financial condition and results of operations. We are also engaged in trading and investment activities involving some financial instruments in the domestic market. As the derivatives market has yet to develop in the PRC, risk management tools available to us for hedging market risks are limited. Income from these activities may fluctuate due to, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates will cause the value of our fixed-rate securities to decrease, which may materially and adversely affect our results of operations and financial condition. In general, interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond the Group's control. Any government measures in response to changes in the macroeconomic environment may have a material adverse effect on the Group's business, financial condition and results of operations.

If actual benefits and claims results are materially different from the assumptions and estimates used in the pricing and reserves valuation for our insurance products, as well as in the calculation of our embedded value and new business value, our results of operations and financial condition may be materially and adversely affected.

Our earnings depend significantly on the level of consistency between our actual benefits and claims results, and the assumptions and estimates we use in our pricing and reserves valuation. For life and health insurance, such major assumptions include expected investment returns, discount rate, mortality, morbidity and surrender rates, expense assumptions and policy dividend assumptions. For property and casualty insurance, such major assumptions include expected loss ratio and various expense estimates.

For pricing, unfavorable differences between actual conditions and the assumptions and estimates used may materially and adversely affect the distribution and the profitability of our products. For reserves valuation, if the reserves originally established prove to be inadequate, any required additional reserves may adversely affect our profitability, results of operations and financial condition.

In addition, the calculation of the embedded value and the new business value of our life and health insurance business requires the use of various assumptions, such as investment return, reserving standards, solvency requirements, taxation, mortality, morbidity, expense ratio and other assumptions, many of which are subject to uncertainties. Any significant deviation from the assumptions and estimates used in such calculations may materially affect the embedded value and new business value of our life and health insurance business.

Catastrophic events may significantly reduce our profits and cash flows, and materially and adversely affect our financial condition and results of operations.

Our insurance business faces risks of catastrophic events, which can be unpredictable. Catastrophic events may occur because of natural causes, such as earthquakes, typhoons, floods, droughts, storms, and other causes, such as industrial accidents, fires, explosions, and major diseases or virus outbreaks. The frequency and severity of catastrophic events are inherently unpredictable and directly affect insurance claims.

We have made reasonable assessments of potential losses from catastrophic events within the coverage of our insurance products and established reserves accordingly. However, such reserves may not be sufficient to pay for all related claims. While we have certain reinsurance arrangements in place to reduce our risks associated with catastrophic events, reinsurance may be insufficient due to limitations in the underwriting capacity of reinsurance companies, the terms and conditions of the reinsurance policies as well as risk assessment difficulties. As a result, one or more catastrophic events may significantly reduce our profits and cash flows, thereby materially and adversely affecting our financial condition and results of operations.

Inadequate reinsurance arrangements, adverse changes to the reinsurance market or credit defaults of reinsurers may materially and adversely affect our financial condition and results of operations.

We cede a portion of our underwritten business to several domestic and international reinsurance companies to reduce our underwriting risk. Even though we carefully determine the proportion of insured risks to retain and to cede in accordance with relevant PRC insurance laws and regulations, the assessment of our risk exposure and potential losses may not be entirely consistent with our actual losses. Therefore, the reinsurance arrangements sought by us may not adequately cover our actual losses.

The availability and cost of reinsurance may vary at different periods of time. Significant changes in the reinsurance market may make it difficult for us to maintain our current reinsurance policies. If our existing reinsurance policies are insufficient to cover the insured risks we underwrite, we may be unable to enter into additional reinsurance arrangements promptly or on satisfactory terms due to changes in the reinsurance market.

Furthermore, there are credit default risks with reinsurance companies. If our reinsurers are unable to perform their contractual obligations due to various reasons such as bankruptcy, lack of liquidity, mismanagement and fraud, we will remain liable for those transferred risks, which may materially and adversely affect our financial condition and results of operations.

Defaults on the credit assets may adversely affect our financial condition and results of operations.

Our credit assets include term deposits, debt securities, bond funds, preferred shares (fixed income), debt investment plans, wealth management products and other fixed income investments. The issuers of these fixed income investments may have difficulties in performing their respective repayment obligations due to bankruptcy, lack of liquidity, mismanagement, fraud or other reasons, and it may be difficult for us to enforce our rights against such issuers in all cases, which may, in turn, result in significant losses in respect of our fixed income investments.

Liquidity risks may require our Group to sell our investment assets at a discount, which would adversely affect our financial condition and results of operations.

Our insurance business is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. Although we seek to manage our liquidity risk by matching to the extent possible the duration of our investment assets with the duration of its insurance policies, there is no guarantee that we are able to meet our payment obligations and fund our lending and investment operations on a timely basis.

If it is required to satisfy liquidity needs within a short period of time because of large insurance claims and/or policy surrenders, we may be forced to sell our investment assets or realize an asset at a discount, which would adversely affect our financial condition and results of operations.

We hold a certain amount of illiquid investments, including private debt securities, private equity, real estate and trust assets. Given the lack of market transactions on these investments, if we want to liquidate such investments within a short period of time, we may only be able to sell such investments at a large discount, which may adversely affect our financial condition and results of operations.

As a large institutional investor, we also hold substantial volumes of publicly-traded stocks and fixed income products. The liquidity of such investment assets are influenced by many factors and there may be times, such as during the global financial crisis in 2008, when financial markets become extremely illiquid. If the sale of such investment assets takes place at a time when the market is relatively illiquid, we may have to sell such investments at a price lower than cost.

The duration of investment assets does not fully match that of life insurance liabilities.

The duration of life insurance liabilities is longer than that of investment assets. Improving asset-liability matching is one of our core business strategies. The limited supply of long-duration investment assets in the domestic market may make it difficult for us to effectively manage our asset-liability matching. In particular, investments of matured assets and new investments in a low interest rate environment may result in a lower spread. Given the growth in the life insurance business and the increasingly intense market competition, we may face further difficulties in effectively managing our asset-liability matching, which may adversely affect our liquidity and solvency.

Fluctuations in capital markets may result in a decrease in the value of our investment assets, or a reduction of profits generated from the sale of such assets, which would adversely affect our financial condition and results of operations.

The value of our investment assets, and the profits derived from the sale of such assets are affected by, among other factors, the condition of capital markets, which is, in turn, subject to changes in the economic, political and social environment. If severe economic or political conditions prevail in the markets in which we conduct our investment activities, our financial condition and results of operations may be adversely affected.

If we encounter difficulties in meeting the minimum solvency requirements, we may be subject to regulatory measures, and our financial condition, results of operations and prospects may be adversely affected.

Our Group and its subsidiaries must comply with the solvency requirements stipulated by Chinese regulatory authorities. Solvency sufficiency is a core focus of management.

Our Group has maintained a solid solvency margin ratio since its listing on the Shanghai Stock Exchange in 2007. As of December 31, 2022, 2023 and 2024, the comprehensive solvency margin ratios of our group were 256%, 257% and 256%, respectively. Our Group's solvency margin ratio is influenced by the amount of available capital, business development, asset allocation approach and profitability. Regulatory authorities may impose penalties or other regulatory measures on our Group, or release negative reports or opinions about our Group if we fail to meet the minimum solvency requirements. As a result, we may need to raise additional capital, which is subject to a number of uncertain factors, including, but not limited to, general market conditions, regulatory approvals and our credit rating. If we are unable to raise capital in a timely manner, our financial condition, results of operations and prospects may be adversely affected.

Furthermore, if regulatory authorities impose stricter requirements on insurance companies, such as higher solvency requirements, our Group and our subsidiaries may have difficulties meeting such requirements in a timely manner, which may adversely affect our financial position, results of operations and prospects.

Damage to our reputation may adversely affect our business, results of operations and financial condition.

As integrity and customer trust are highly valued in the insurance industry, our business is susceptible to unfavorable market perceptions. Factors such as litigation, employee misconducts, customer complaints, regulatory investigations and penalties, and negative publicity may damage our reputation, which may lead to an increase in policy surrenders and customer attrition and undermine our ability to attract new customers. This would adversely affect our business, results of operations and financial condition.

The development of new businesses and expansion into new markets may expose us to new risks and challenges.

As we may continue developing new businesses and expanding into new markets within the scope permitted by regulatory authorities, we may be exposed to new risks and challenges, including, but not limited to:

- *economic and political risks*: developing overseas businesses and expanding into new markets may expose us to risks and constraints, including, but not limited to, the risk of litigation outside of China, economic and political instability, trade restrictions and economic sanctions, fluctuations of currency exchange rates, and difficulties in management of overseas resources;
- *regulatory risks*: we may face unfamiliar regulatory environments when developing new businesses and expanding into new markets;
- *competition risks*: there may be intense competition in the markets of our new businesses, and our return may be lower than expected; and
- *strategic and operational risks*: we face strategic and operational risks that may affect our ability to develop and grow new business lines effectively. These include limitations in our experience, expertise, or skills in unfamiliar markets; challenges in formulating and executing strategies; and potential gaps in market recognition of our new products and services. Our ability to attract and retain qualified personnel, strengthen management capabilities, and enhance our information technology systems is also critical. If these areas are not adequately addressed, our strategic initiatives may not deliver the intended outcomes.

We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities.

We are required to comply with applicable laws and regulations relating to anti-money laundering and anti-terrorism in the PRC and other jurisdictions where we operate. We are not currently aware of any money laundering or other major illegal or improper activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you that such activities will not take place in the future or that we can completely eradicate money laundering activities, activities carried out by terrorists and terrorist-related organizations or other improper activities carried out by organizations or individuals through our Group and certain entities within our Group may be subject to fines and other sanctions in respect of such activities. As we have many branches in the PRC and elsewhere, our employees or third parties that are subject to our policies may from time to time be involved in improper conduct. In such situations where such improper conduct is discovered or known, such activities will be handled in accordance with our internal policies, and if required, by the applicable authorities under the applicable laws, regulations or public policy.

If we fail, in a timely manner, to detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies may have the power and authority to impose sanctions on us (including but not limited to fines, revocation of licences and/or other sanctions), which may materially and adversely affect our business, financial condition and results of operations.

Unfavorable changes to our distribution channels and lines of business may affect the distribution of our products, which may materially and adversely affect our results of operations and financial condition.

Our business relies heavily on the effectiveness and adaptability of our distribution channels. A majority of our revenue from life and health insurance is generated through traditional agency channels, particularly via leading life insurance agents. While this model has historically supported stable growth, overreliance on traditional channels may limit our ability to respond to evolving consumer preferences and market dynamics. If we are unable to maintain our position in these channels or adapt to shifts in agent productivity, customer engagement, or regulatory changes, our product distribution and mix may be adversely affected. To remain competitive, we continue to invest in digital distribution platforms such as the CPIC APP, AI anchors, and digital avatars. However, failure to successfully integrate these technologies, capture emerging digital opportunities, or develop products suited for digital channels may hinder our ability to diversify distribution and reach new customer segments. Any disruption or under-performance in either traditional or digital channels could materially and adversely impact our business, financial condition, and results of operations.

Potential investors should not place undue reliance on financial information which is not audited.

This Offering Circular contains the audited consolidated financial statements of our Group as of and for the years ended December 31, 2022, 2023 and 2024, being the latest available audited financial statements of our Group.

The consolidated financial information as of and for the six months ended June 30, 2025 and comparative financial information for the six months ended June 30, 2024 contained in the 2025 Interim Financial Statements included elsewhere in this Offering Circular are not audited by an independent auditor. Consequently, such financial information should not be referred to or relied on by potential investors to provide the same quality of information associated with any audited information. Potential investors should exercise caution when using such data to evaluate our financial condition and results of operations, and must not place undue reliance on such financial information. Such financial information should not be taken as an indication of our Group's expected financial condition, results of operations and results for the full financial year ending December 31, 2025.

We may face challenges in implementing our business strategies throughout the entire organization.

We are committed to implementing our business strategies and promoting business transformation but face challenges including, but not limited to, the complex and uncertain macroeconomic and geopolitical environment, increasingly stringent regulatory requirements, increasingly intense market competition, and a complex management structure of our Group itself.

The implementation of our business strategies requires our continued management and operation inputs as well as capital input. Inability to effectively respond to the aforementioned challenges may result in our failure to achieve successful transformation and steady growth. Furthermore, in view of the increasingly complex domestic and international economic and political environment, increasingly intense competition and rapidly changing market conditions, we may have to adjust our business strategies to prevent material and adverse effects on our financial condition, results of operations and prospects.

Our inability to effectively manage our subsidiaries may materially and adversely affect our operations.

Our insurance, asset management and other businesses are conducted through our subsidiaries and branch offices. Due to factors such as the large number and the widespread geographical distribution of such subsidiaries and branch offices, and limitations in the information technology system, we may not be able to promptly and effectively detect and prevent management issues. Our inability to effectively manage our subsidiaries and/or branch offices may materially and adversely affect our operations.

Our risk management and internal control framework may become ineffective under certain circumstances, which may materially and adversely affect our financial condition, results of operations and prospects.

We have established, and will continue improving, our comprehensive risk management and internal control framework. However, the methods and assumptions used in our risk management and internal control framework are highly based on historical results and data. Therefore, such framework may not be able to sufficiently and accurately identify all risks. In addition, the effectiveness of our risk management and internal control framework depends on the implementation of relevant measures by our employees. Given the significant size of our operations and the large number and widespread geographic distribution of subsidiaries and branch offices, our employees may fail to effectively implement the relevant risk management and internal control measures, which may materially and adversely affect our financial condition, results of operations and prospects.

Misconduct by our employees, policyholders, insured persons, agents and other related parties may damage our reputation and financial position.

Although we have put in place rigorous systems and procedures to control and prevent possible employee misconducts, we may not be able to completely eliminate such risks, including, but not limited to, concealment of risks, execution of unauthorized transactions, breach of confidentiality, and negligence of duties. Furthermore, we may fail to promptly and completely detect, control and prevent fraud, mis-selling, money laundering, illegal fundraising and other misconducts carried out by employees, policyholders, insured persons, agents and other related parties, which may cause us to face litigation and regulatory penalties and, in turn, damage our reputation and financial position.

It may be difficult for us to attract and retain experienced management personnel.

We have a senior management team with extensive domestic and international experience, as well as a large number of experienced management personnel at various levels. Competition may intensify amid the opening-up of China's insurance market and the growing number of insurance companies, which would make it more difficult for us to attract and retain talented management personnel and, in turn, adversely affect our business, financial condition, results of operations and prospects.

We are subject to OFAC-related risks

We are subject to economic and trade sanctions laws and regulations administered by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury. These regulations prohibit transactions and dealings with certain countries, regions, entities, and individuals that are subject to sanctions. As a global insurance provider, we must ensure that our operations, including underwriting, claims handling, investment activities, and third-party relationships, remain fully compliant with applicable OFAC requirements. The complexity and evolving nature of sanctions regimes present ongoing compliance challenges. There is a risk that, despite our internal controls and screening procedures, we may

inadvertently engage in prohibited transactions or fail to identify sanctioned parties. Such failures could result in significant regulatory penalties, reputational damage, and restrictions on our ability to conduct business in certain jurisdictions. Maintaining compliance requires continuous monitoring, timely updates to our sanctions screening systems, and effective training of personnel. Any lapse in these areas may adversely affect our operations, financial condition, and standing with regulatory authorities.

Changes in taxation on our business may materially and adversely affect our Group’s business, financial condition and results of operations.

A substantial proportion of our Group’s revenues and profits are derived from the PRC. The Group is subject to a range of taxes in the PRC, including the Value-added Tax (the “VAT”) and the Enterprise Income Tax (the “EIT”). Under the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》, the “PRC EIT Law”), the enterprise income tax rate for domestic companies in the PRC is 25%. However, there can be no assurance that the tax laws and practices in PRC will not be changed in the future. In the event any such changes are made that increase the Group’s general taxation liability, there would be an adverse impact on the Group’s financial condition and results of operations.

We may be involved in legal and other proceedings arising from our business and may accordingly be subject to material liabilities or incur additional costs.

We may be involved in legal and other proceedings in the ordinary course of business, which may result in reputation damages, business disruptions and additional costs. In addition, our senior management, employees and agents may also be involved in litigations and/or other legal proceedings that may harm our reputation and adversely affect our businesses, financial performance and results of operations.

Fluctuations in currency exchange rates may adversely affect our Group’s financial condition and results of operations.

Our Group’s revenues, costs and expenses are denominated in RMB. The proceeds from the Offering will be denominated in Hong Kong dollars. An appreciation of the Renminbi may lead to a decrease in the value of the Group’s proceeds from the Offering upon conversion to Renminbi, whereas a depreciation of the Renminbi may adversely affect the value of the Group’s stock dividends from foreign investors’ perspectives. In addition, we may develop overseas businesses in the future, and therefore, risks arising from fluctuations in exchange rates may increase accordingly. See “– *The development of new businesses and expansion into new markets may expose our Group to new risks and challenges*”.

Any failure or perceived failure to comply with the evolving laws and regulations in connection with cybersecurity, information security, data privacy and protection and other related rules and requirements could result in legal proceedings, suspension or disruption of operations, negative publicity, increased operating costs or adverse changes to business, or otherwise adversely affect our business.

Our business requires us to collect, use, store, transmit and share confidential information, including personally identifiable information, in relation to our customers. The PRC government has in recent years tightened the regulation of the collection, storage, sharing, use, disclosure and protection of personal data and information.

The PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which became effective in June 2017, created China’s first national-level data protection framework for “network operators”. Any actual or perceived non-compliance with the relevant cybersecurity laws and regulations, may result in administrative penalties, including fines, a business shutdown, suspension of our offerings and revocation of requisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effects on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) promulgated the PRC Data Security Law (《中華人民共和國數據安全法》).

On August 20, 2021, the Standing Committee of the National People’s Congress promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “**PIPL**”) which came into effect in November 2021. The PIPL specifically provides rules for processing sensitive personal information. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. We may store and process sensitive personal information, such as ID number and bank account information. As the PIPL may be further interpreted along with the regulatory development, we cannot assure you that we can comply with the PIPL in all respects. We may be required by regulatory authorities to suspend or terminate personal information collection activities, or become subject to other administrative penalties.

On December 28, 2021, the Cyberspace Administration of China (the “**CAC**”), the NDRC, the Ministry of Industry and Information Technology of the PRC (the “**MIIT**”), and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Review Measures, which became effective on February 15, 2022.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the “**Data Export Measures**”) which became effective on September 1, 2022. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》), effective on the date of promulgation. Such provisions mandate that any data processor intending to transfer personal information exceeding prescribed quantitative thresholds must file a security assessment application with the Cyberspace Administration of China (“**CAC**”) prior to any cross-border data transfer. We may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

We may incur substantial costs to comply with such laws and regulations. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity and data privacy and protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with relevant laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation among our existing and potential customers and subject us to fines and damages, which could have a material adverse effect on our business, financial condition and results of operations.

Malfunctions in our information system or breaches of data security may disrupt the business of our Group.

Our business is highly dependent on our information system to promptly record and process our operational and financial data and provide reliable services. The reliability and security of our information system are therefore crucial to our business. In the event of any partial or total failure of the information system, including, but not limited to, hardware failures, software program errors, cyberattacks and network disruptions, there may be significant disruptions to our business activities. In addition, although we conduct regular backups of our business data and have established an emergency disaster recovery center, we may still face risks of losing critical business data resulting from system reliability or security issues, damaged backup data or improper data recovery procedures, which may, in turn, adversely affect our business.

RISKS RELATED TO THE PRC

Changes in policies of the PRC Government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

Since our business operations are mostly conducted in China, our business, financial position, results of operations and prospects are affected significantly by developments in China. Any slowdown in China's economic development might lead to increased market volatility, sudden declines in business and consumer confidence, dramatic changes in consumer spending habits. The Chinese economy may differ from other economies in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources. The PRC Government may also exercise control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In addition, other economic measures, as well as future actions and policies of the PRC Government such as their exercising government control over capital investments or changes in tax regulations, could also materially affect our liquidity and access to capital and our ability to operate our business.

The changing conditions in the financial markets could increase our cost of borrowing and impede access to or increase the cost of financing our operations and investments.

The availability of credit to entities operating within emerging markets, including us, is significantly influenced by levels of investor confidence in such markets as a whole. Any factors that may affect market confidence could affect the costs or availability of funding for entities within emerging markets. Historically, challenging market conditions in emerging markets have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. Due to its increasing financial reliance upon the PRC, Hong Kong's stock markets experienced a similar fluctuation during the relevant times and the Hang Seng Index had a record-breaking slump in a single day in the recent decade. As our shares are listed on the Hong Kong Stock Exchange, The Shanghai Stock Exchange and the London Stock Exchange, significant fluctuations in these financial markets could cause substantial adverse effects on our business operations and investments as a whole.

The legal protection offered by the PRC legal system may be different from the understandings of foreign investors.

We are incorporated under the laws of the PRC, and our domestic business operations are governed by PRC laws and regulations. The PRC legal system is a civil law system, which is largely based on written statutes. There are comprehensive laws and regulations governing economic affairs, including, but not limited to, the rights of shareholders, corporate organization, structure and governance, business operations, securities and taxation, as well as laws and regulations specific to the insurance industry and updates on regulatory policies in respect of insurance institutions from time to time. Judicial and administrative authorities in the PRC have a certain degree of discretionary powers over the interpretation and implementation of the laws and regulations. Thus, it may be difficult for foreign investors to gauge the enactment, interpretation and enforcement of the laws and regulations. Hence, the legal protection offered by the PRC legal system may not be the same as what the foreign investors have in their respective foreign jurisdictions.

RISKS RELATED TO THE BONDS AND THE SHARES

The Bonds will be unsecured obligations.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 3.1 (*Negative Pledge*) of the Conditions) unsecured obligations of the Issuer at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1 (*Negative Pledge*) of the Conditions, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations. The payment obligations under the Bonds may be adversely affected if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness;
or
- there is an acceleration of any of our indebtedness.

If any of the above events occurs, our assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The Bonds will be structurally subordinated to subsidiary debt.

Payments under the Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of ours and our subsidiaries, and to all of our secured creditors. A substantial part of our operations are conducted through our subsidiaries, associated companies and jointly controlled entities. Accordingly, we are and will be dependent on the operations of our subsidiaries, associated companies and jointly controlled entities to service our indebtedness, including interest and principal on the Bonds. In the event of an insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any of our subsidiaries, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to us.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

The return on the Bonds may decrease due to inflation.

Bondholders may suffer erosion on the return of their investments due to inflation. Bondholders would have an anticipated rate of return on the purchase of the Bonds based on expected inflation rates. An unexpected increase in inflation could reduce the actual returns.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. None of the Managers is obligated to make a market in the Bonds, and if the Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to, or exempt from, registration under the Securities Act.

The market value of the Bonds may fluctuate.

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganizations, takeovers or share buybacks) of our Group and/or our subsidiaries and/or associated companies of our Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, our Group and/or our subsidiaries and/or associated companies of our Group generally. Adverse economic developments could have a material and adverse effect on the results of operations and/or the financial condition of our Group and/or our subsidiaries and/or associated companies.

In addition, the market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of our Shares by shareholders or a perception in the market that such disposals could occur, may adversely affect the prevailing market price of the Shares and the Bonds.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institute any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if it is not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding could be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and/or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable law or regulations, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such steps and/or actions and/or institute such proceedings directly.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, Bondholders will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders would be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States.

The Bonds and the H Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless and until the Bonds and the Shares issuable upon conversion of the Bonds are registered, they may not be offered or sold or resold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares issuable upon conversion of the Bonds thereof will not be freely tradable absent registration or an exemption from registration.

The Bondholders may be subject to tax on their income or gain from the Bonds.

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the H Shares. See "*Taxation*" for a discussion of tax consequences in certain jurisdictions.

The Bonds are not a suitable investment for all investors.

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institution investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

For example, on October 28, 2024, the U.S. Department of Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern to implement the Executive Order 14105, which came into effect on January 2, 2025 (the “**Final Rules**”). U.S. persons (as defined under the Final Rules) are prohibited from knowingly engaging in or required to notify the U.S. Treasury (i.e., “prohibited transaction” and “notifiable transaction” as such terms are defined in the Final Rules) regarding, a broad range of investment transactions in entities in “countries of concern” (presently limited to mainland China, Hong Kong, and Macau) that are engaged in activities related to semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems (together, “**Covered Activities**”). Investments by U.S. persons that are affected by the Final Rules include, among others, acquisition of an equity interest or contingent equity interest in a “Covered Foreign Person” (as defined in the Final Rules) and conversion of a contingent equity interest into an equity interest in a Covered Foreign Person, such as an investment in convertible securities of an entity engaging in a Covered Activity and the subsequent conversion of the securities. Debt financing that affords or will afford U.S. person investors an interest in profits of a Covered Foreign Person, the right to appoint members of the board of directors (or equivalent) of a Covered Foreign Person, or other comparable financial or governance rights characteristic of an equity investment but not typical of a loan is also regulated by the Final Rules.

In addition, on February 21, 2025, U.S. President Donald J. Trump issued a memo entitled the “America First Investment Policy” (the “**America First Memo**”). The America First Memo states that Executive Order 14105 is under review by the Administration and that the review will consider new or expanded restrictions on United States outbound investment in China in sectors such as semiconductors, artificial intelligence, quantum, biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas implicated by China’s national Military-Civil Fusion strategy. The America First Memo also states that the review will consider applying restrictions on investment types including private equity, venture capital, greenfield investments, corporate expansions, and investments in publicly traded securities, from sources including pension funds, university endowments, and other limited-partner investors.

The Final Rules became effective only recently and are only accompanied by limited guidance from the U.S. Treasury. If the Issuer is found to be a Covered Foreign Person, a U.S. person investor may need to assess its obligations under the Final Rules, for example, making a post-transaction report to the U.S. Treasury or evaluating potential risks when exercising the conversion rights of the Bonds.

In addition, the recent change in U.S. presidential administration, evolving national security-related concerns, technological developments, and geopolitical events could impact implementation of, and result in enactment of additional laws and regulations, and changes to the Final Rules and/or the America First Memo and/or other regulations, which could take place during the life of the Bonds. Such changes could result in potential impacts on the Group’s operations and transactions that it enters into in the future. They could also impact the exercise of the conversion rights of the Bonds by investors, which in turn affect the liquidity and value of the Bonds. Investors should exercise caution on any potential investment restrictions or compliance obligations that may result from such changes in the future. If the Issuer becomes a Covered Foreign Person as a result of its business expansion during the life of the Bonds and no exceptions are available under the applicable laws and regulations, conversion of the Bonds by U.S. persons may be subject to the notification requirement or prohibited under the Final Rules.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders.

The Conditions and the Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the holders of the Bonds, to (i) any modification (other than in respect of certain reserved matters) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the holders of the Bonds or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee at its discretion may (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 5 (*Conversion*) of the Terms and Conditions) if any of the events in Condition 9 (*Events of Default*) of the Terms and Conditions has occurred.

If we or any of our subsidiaries are unable to comply with the restrictions and covenants in our respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of the debt to be accelerated.

If we or any of our subsidiaries are unable to comply with the restrictions and covenants in our respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under our other debt agreements. If any of these events occur, there is no assurance that we would have sufficient assets and cash flow to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot guarantee that it would be on terms that are favorable or acceptable to us.

The Issuer relies on dividends paid by its subsidiaries for cash needs, and limitations under PRC laws on the ability of our Group's PRC subsidiaries to distribute dividends to our Group could adversely affect our Group's ability to utilize such funds.

The Issuer rely on dividends paid by its subsidiaries for cash and financing requirements, including the funds necessary to perform its payment obligations under the Bonds, to service any foreign currency debt we may incur and to make any offshore acquisitions. If any of our subsidiaries incur debt on our own behalf in the future, the loan agreements may restrict our ability to pay dividends or make other distributions. Under PRC laws and regulations, our subsidiaries may pay dividends only out of our respective accumulated profits as determined in accordance with PRC accounting standards and regulations.

As a result of the foregoing, there is no assurance that we will have sufficient cash flow from dividends or advances from our subsidiaries to satisfy our obligations under the Bonds. Should the Issuer be unable to make due payments under the terms of the Bonds, the Bondholders would need to rely on the Trustee to take enforcement actions to recover their investment in the Bonds, the prospects of which are uncertain.

Investors may encounter complexities and uncertainties in effecting service of process of legal documents upon the Company, our Directors, Supervisors and members of senior management or in applying for the recognition or enforcement of judgements issued by foreign courts against the Company, our Directors, Supervisors and members of senior management in China.

We are incorporated under the laws of the PRC and most of our assets and liabilities and subsidiaries are located in China. Furthermore, most of our Directors, Supervisors and members of senior management reside in China and their assets are also mainly located in China. Therefore, investors may face complexities or uncertainties in effecting service of process of legal documents in China and applying for the recognition and enforcement of foreign judgements in China. In respect of effecting service of process of legal documents in China, although China entered into the Hague Convention on Service in 1991, there may be difficulties for foreign investors to effect service of process of legal documents upon the Company, our Directors, Supervisors and senior management members from outside of China due to the cumbersome nature of the service process between countries. In respect of the recognition and enforcement of judgements, due to the fact that China does not have treaties providing for the reciprocal recognition and enforcement of civil and commercial judgements of courts of the United Kingdom and many other countries, investors may encounter a certain degree of uncertainties in applying for the recognition or enforcement of judgements issued by foreign courts against the Company, our Directors, Supervisors and members of senior management in China, if the principle of reciprocity is not applied.

Any failure to complete the relevant filings under the Order 56 and the relevant registration with SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

Effective from February 10, 2023, the NDRC issued the Order 56, which has superseded the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》). Under the Order 56, the Issuer shall (i) obtain an NDRC Certificate, (ii) file or report or cause to be filed or reported with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the NDRC Certificate in accordance with Order 56, (iii) file or report or cause to be filed or reported with the NDRC status of utilization of foreign debt funds, the status of and the plan for repayment of principal and interest, key operating indicators, etc. within five PRC business days before the end of January and the end of July each year, (iv) file or report or cause to be filed or reported the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations and comply with other obligations under the Order 56.

The Issuer obtained an NDRC Certificate on September 1, 2025 in accordance with Order 56. Failure to comply with the NDRC post-issue and continuing obligations (such as post-issue reporting, pre-issuance approval expiration reporting, periodical reporting and major event reporting, etc.) under articles 24 and 26 of Order 56 may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicized on the "Credit China" website and the national enterprise credit information publicity system, among others.

The Issuer undertakes that it will, within the relevant prescribed timeframes after the Issue Date, file or cause to be filed with the NDRC the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with the Order 56 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the Initial NDRC Post-Issuance Filing.

However, Order 56 is new, and its implementation may be subject to changes. The administration and enforcement of Order 56 may be subject to executive and policy discretion of the NDRC.

The Circular of the State Administration of Foreign Exchange on Issuing the Administrative Measures for Foreign Debt Registration (《國家外匯管理局關於發佈〈外債登記管理辦法〉的通知》) containing the Foreign Debt Registration Measures and Operation Guidelines for Administration of Foreign Debt Registration (《外債登記管理操作指引》) was issued by SAFE on April 28, 2013, became effective on May 13, 2013 and was amended on May 4, 2015. According to the Foreign Debt Registration Measures, a debtor shall register foreign debts in accordance with laws and regulations. For the domestic debtors besides bureaus of finance and banks ("**Non-Bank Debtors**"), they shall submit filing or registration procedures of foreign debts with the local counterparts of the SAFE. According to the Operation Guidelines for Administration of Foreign Debt Registration, Non-Bank Debtors shall complete foreign debt registration procedure within 15 working days after execution of related deeds of foreign debts. If the Issuer fails to complete the registration with the local branch of SAFE, in addition to facing a sanction as set forth in the Foreign Exchange Administrative Regulations (《外匯管理條例》), the Issuer may also have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may be materially and adversely affected. In the worst case scenario, the validity of the deeds of foreign debts may be affected.

There may be filing or other requirements of the CSRC or other PRC government authorities in relation to the proposed issuance of the Bonds or further capital raise activities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and supporting guidelines (together, the “**CSRC Filing Rules**”), which came into effect on March 31, 2023. The CSRC Filing Rules will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. The CSRC Filing Rules state that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. In connection with the CSRC Filing Rules, on February 17, 2023 the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》), the (“**Notice on Overseas Listing Measures**”). According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by March 31, 2023, the date the Overseas Listing Measures became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the CSRC Filing Rules when it subsequently seeks to conduct a follow-on offering. The CSRC Filing Rules provide that an overseas offering and listing, including the follow-on offering of convertible bonds, is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the “**Forbidden Circumstances**”). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

The Issuer will comply with applicable filing requirements. However, given that the CSRC Filing Rules were recently promulgated, there remains uncertainty as to their interpretation, application and enforcement and how they will affect the Group’s operations and future financing. There is no assurance that the Issuer is able to meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. In addition, the Issuer cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on it. If it is determined that the Issuer is subject to any approval, filing, other governmental authorization or requirements from the CSRC or other PRC government authorities, it may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject the Issuer to fines, penalties or other sanctions which may have a material adverse effect on its business and financial condition.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the PRC EIT Law, the Law of the PRC on Individual Income Tax (《中華人民共和國個人所得稅法》), the “**PRC IIT Law**”) and their respective implementation rules, gains on the transfer of the Bonds may be subject to income tax under PRC tax laws if such capital gains are regarded as sourced from the PRC.

Under the PRC EIT Law and the PRC IIT Law, a non-resident enterprise or individual shall pay PRC enterprise income tax on its income sourced from inside the PRC, including the gains derived from the disposal of equity interests in a PRC enterprise. If such capital gains are regarded as sourced from the PRC, any gains realized on the transfer of the Bonds by holders who are deemed under the PRC EIT Law as non-resident enterprises or under the PRC IIT Law as non-resident individual would be subject to PRC income tax. Under the PRC EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organization is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. Under the PRC IIT Law, a “non-resident individual” means any non-resident PRC individual who is not residing in the PRC or who has resided in China for less than 183 days. If such gains are regarded to be sourced from the PRC, and thus subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholders’ investment in the Bonds may be materially and adversely affected. See “*Taxation*”.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in Hong Kong dollars. An investor who measures investment returns by reference to a currency other than Hong Kong dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the Hong Kong dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Potential dilution of the ownership interest of existing Shareholders.

The conversion of some or all of the Bonds will dilute the ownership interests of our existing shareholders of the Issuer. Any sales in the public market of the H Shares issuable upon such conversion could affect prevailing market prices for the H Shares. In addition, the existence of the Bonds may facilitate short selling of the H Shares by market participants.

We may not have the ability to redeem the Bonds.

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon a Relevant Event as described under “*Terms and Conditions of the Bonds*” or on the Put Option Date as described under “*Terms and Conditions of the Bonds*”. The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Its ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by it.

The Bonds may be early redeemed at the Issuer’s option.

On giving not less than 30 nor more than 60 days’ notice, the Issuer may redeem the Bonds in whole, but not in part at their principal amount, (i) at any time after September 18, 2027 but prior to the Maturity Date, subject to certain conditions as specified in the Terms and Conditions, or (ii) if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to the Conditions). In addition, the Bonds may be redeemed at our option in whole and not in part, on giving not less than 30 days’ nor more than 60 days’ notice, at the principal amount of the Bonds, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts as a result of certain events set out in the Conditions and such obligation cannot be avoided by taking reasonable measures available to it. As a result, the trading price of the Bonds may be affected when any redemption option of the Issuer in respect of the Bonds becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

Bondholders have limited anti-dilution protection.

The Conversion Price will be adjusted in the event that there is a consolidation, subdivision or re-classification, capitalization of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price or other adjustment including an offer or scheme which affects the Shares, but only in the circumstances and only to the extent provided in “*Terms and Conditions of the Bonds*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

Future issuances of any Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of the Issuer's equity securities after this offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Issuer may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt-to-equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares. The Issuer cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Issuer and by hedging or engaging in arbitrage trading activity involving the Bonds.

There may be less publicly available information about the Company than is available for public companies in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong, such as the Company, than is regularly made available by public companies in certain other countries. In addition, the Group's financial information in this Offering Circular has been prepared in accordance with Accounting Standard for Business Enterprises, which differs in certain respects from generally accepted accounting principles ("GAAPs") in certain jurisdictions which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and its financial information, and should consult their own professional advisers for an understanding of the differences between CASs and GAAPs in their home jurisdictions and how those differences might affect the financial information contained in this Offering Circular.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**" and together the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Short selling of the Shares by Bondholders could materially and adversely affect the market price of our Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

Bondholders may only be entitled to the Cash Settlement Amount.

During the relevant Conversion Period, the Issuer has the option to satisfy the Conversion Right in respect of a relevant conversion notice by electing to pay to the Bondholder an amount of cash in Hong Kong dollars equivalent to the relevant cash settlement amount (the “**Cash Settlement Amount**”) in order to satisfy such Conversion Right in whole or in part in lieu of delivery of Shares. In such event a Bondholder will receive fewer or no Shares (as applicable) on conversion of its Bonds.

The Cash Settlement Amount payable to Bondholders will be subject to market price volatility during the calculation period of 20 H Share Stock Exchange Business Days.

Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash equal to the Cash Settlement Amount. The Cash Settlement Amount will be calculated using the arithmetic average of the volume weighted average price of the H Shares for each day during the 20 days (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange is open for business of dealing in securities (“**20 H Share Stock Exchange Business Days**”).

During the Conversion Period, the Cash Settlement Amount will be calculated after the date of the relevant Cash Settlement Notice. As such, a Bondholder will need to wait for the calculation period to be completed before receiving any payment of the Cash Settlement Amount. The calculation of the Cash Settlement Amount will be affected by share price movements and volatility during the period of the 20 H Share Stock Exchange Business Days, which can be affected by a wide array of factors including, without limitation, global political conditions, general market conditions of the securities markets in Hong Kong, the PRC, the U.S. and elsewhere in the world or economic downturn locally or globally.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth the Issuer's consolidated borrowings and capitalization as of June 30, 2025 and (as adjusted to account for the issue of the Bonds, before deducting the commissions and estimated offering expenses in connection with the issue of the Bonds). The Company derived this table from its unaudited consolidated financial statements as of and for the six months ended June 30, 2025 contained in this Offering Circular. Investors should read this table in conjunction with the Issuer's financial statements, the related notes and other financial information contained elsewhere in this Offering Circular.

	As of June 30, 2025			
	Actual		As Adjusted	
	(RMB million)	(HKD million)	(RMB million)	(HKD million)
	(unaudited)	(unaudited) ⁽¹⁾	(unaudited)	(unaudited) ⁽¹⁾
Indebtedness				
Short-term borrowings ⁽²⁾	137	150	137	150
Long-term borrowings	157	172	157	172
Bonds payable	10,103	11,078	10,103	11,078
The Bonds to be issued ⁽³⁾	–	–	14,186	15,556
Total indebtedness	10,397	11,400	24,583	26,956
Equity				
Issued capital	9,620	10,549	9,620	10,549
Capital reserves	79,939	87,657	79,939	87,657
Other comprehensive income/(loss)	(12,390)	(13,586)	(12,390)	(13,586)
Surplus reserves	5,114	5,608	5,114	5,608
General reserves	30,008	32,905	30,008	32,905
Retained profits	169,580	185,953	169,580	185,953
Equity attributable to owners of the parent	281,871	309,086	281,871	309,086
Non-controlling interests	31,335	34,360	31,335	34,360
Total equity	313,206	343,446	313,206	343,446
Total capitalization ⁽⁴⁾	323,603	354,846	337,789	370,402

Notes:

- (1) Amounts in Renminbi have been translated at an exchange rate of HKD1.00 = RMB0.91195 (being the exchange rate published by the People's Bank of China on June 30, 2025. No representation is made that the RMB amounts should have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (2) The short-term borrowings were included in other liabilities in the financial statements as of June 30, 2025.
- (3) The aggregate principal amount of the Bonds, without taking into account and before deducting underwriting discounts, commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (4) Total capitalization equals the aggregate of the total indebtedness and total equity.

There has been no material change in the Issuer's capitalisation and indebtedness since June 30, 2025, except as otherwise disclosed in this Offering Circular.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the offering of the Bonds, after deducting the Managers' commissions and other estimated expenses payable in connection with this offering, will be approximately HK\$15,479.6 million. The Issuer intends to use the net proceeds for the following purposes:

- development of insurance business;
- implementation of strategic development initiatives in health service & elderly care, AI+, internationalization; and
- general corporate purpose, including supplementing working capital.

BUSINESS

OVERVIEW

We are a leading comprehensive insurance group in China, holding a wide range of licenses across life and health insurance, property and casualty insurance, and asset management. We are also the only Chinese insurance group listed on the Shanghai, Hong Kong, and London stock exchanges. In terms of our customer coverage, we have a vast customer base of 183 million customers as of December 31, 2024. Our nationwide distribution network comprises more than 2,100 service outlets in life and health insurance, and 3,200 service outlets in property and casualty insurance, with branches fully covering provinces, cities and districts in Mainland China, as well as Hong Kong.

Since our establishment in 1991, we have achieved a balanced development across different segments of the insurance value chain including (i) life and health insurance; (ii) property and casualty insurance; and (iii) asset management, ensuring that our offerings meet the evolving needs of our customers and support sustainable growth. In terms of life and health insurance, we are the third largest life insurance company in China in terms of primary premium income, and we offer a comprehensive product suite covering the full life cycle of customer needs, including risk protection, retirement, and legacy inheritance. Our channel diversification strategy has delivered tangible results, with significant contributions from agency and bancassurance channels. For the year ended December 31, 2024, our new business value (“NBV”) reached RMB13.3 billion, with an NBV margin of 16.8%. In terms of property and casualty insurance, our focus on high-quality development and underwriting discipline has enabled us to maintain a track record of underwriting profitability. Our combined ratio of 98.6% in 2024 is a testament of our ability to balance growth with risk control and operational efficiency. We are also the third largest property and casualty insurance company in China by primary premium income. In terms of asset management, we adhere to prudent, value-oriented, long-term, and responsible investing principles. As of December 31, 2024, our assets under management (“AUM”) reached RMB3,542.7 billion.

Driven by our commitment to excellence and innovation, we have earned global recognition for our leadership in insurance. We ranked 251st on the 2025 Fortune Global 500. Our subsidiaries have received strong international ratings: CPIC Life is rated A1 by Moody’s, while CPIC P/C is rated A1 by Moody’s and A by S&P. Moreover, CPIC Group ranked 5th in 2023 and 2024, and 11th in 2025 among the World’s 100 Most Valuable Insurance Brands, according to BrandFinance.

In terms of our financial performance, for the year ended December 31, 2024, we achieved operating income of RMB404.1 billion, with total assets reaching RMB2,834.9 billion, and an AUM of RMB3,542.7 billion, including RMB808.2 billion in third-party AUM. Our comprehensive investment yield was 6.0%; our total investment yield was 5.6%; and our net profit attributable to shareholders of the parent for 2024 was RMB44,960 million. We have also maintained a strong solvency position, robust capital base, and a stable dividend policy, reflecting our commitment to delivering sustainable value to our shareholders and all stakeholders.

COMPETITIVE STRENGTH

We believe that our previous success and the foundation for future growth are underpinned by the following competitive strengths:

We are a leading comprehensive insurance group in China with strong core business and expertise along the insurance value chain.

Founded in 1991, we are the first joint stock commercial insurer licensed to conduct comprehensive insurance business in China. For years, we have been on the Fortune Global 500 list, and we are proud to be ranked 251st on this list in 2024. Over the years, we have established a strong market position by focusing on our core insurance segments, which include life and health insurance, property and casualty insurance, and asset management. As of December 31, 2024, our embedded value stood at RMB562.1 billion, and total AUM reached RMB3,542.7 billion. Moreover, CPIC Life and CPIC P/C ranked as the third largest life and property insurers in China by primary premium income in 2024.

For life/health insurance, we have built a strong and diversified distribution network supported by a sales team focused on improving productivity. Through a diversified distribution channels, including the agency channels and bancassurance, we continue to offer a comprehensive suite of products and services that address wealth management, health protection, and retirement planning. These solutions are designed to meet the evolving needs of our clients, including health coverage, retirement solutions, and legacy and wealth transfer services. For the year ended December 31, 2024, the monthly average first-year premium per core agent reached RMB54,330, and regular premium business from new policies through the bancassurance channel reached RMB10.9 billion.

For our property and casualty insurance business, we are committed to high-quality development by enhancing risk reduction and precision management. We have achieved initial success in individual customer management, evolving from serving the lifecycle needs of vehicle owners to addressing the broader requirements of vehicle-owning families with a comprehensive suit of solutions. At the same time, we are actively expanding our non-auto insurance portfolio to develop innovative solutions that can meet diverse customer needs. Our property and casualty insurance business is committed to serving the new development pattern, promotes product innovation for technology and China's green transformation, steps up support for the rural invigoration and Belt and Road Initiatives. We develop an intelligent disaster prevention and loss reduction service system, an end-to-end smart assistance system for customer resource management, and an intelligent claims settlement solution. We also strengthen our climate related risk management capability and strives to improve the relevant risk protection. The integration of "insurance + service + technology" effectively promotes business model innovation, enhances customer experience and improves operational efficiency. Our property and casualty insurance business has maintained underwriting profitability across both auto and non-auto lines, reaching a combined ratio of 98.6% in the year ended December 31, 2024.

For our asset management business, we operate under a disciplined and dynamic asset-liability management framework that adheres to prudent, value-oriented, long-term, and responsible investing principles. Our cross-cycle investment approach, tailored to insurance fund characteristics, enables consistent performance through market fluctuations. We apply a dumbbell-shaped allocation strategy that balances long-duration fixed income with selective equity exposure, extending portfolio duration and enhancing returns while maintaining a prudent risk profile. As of December 31, 2024, AUM reached RMB3,542.7 billion, including RMB808.2 billion in third-party assets. In the year ended December 31, 2024, the comprehensive investment yield of our investment assets reached 6.0%, and our total investment yield reached 5.6%.

Oriented by our customer demand, we are committed to driving transformation and innovation to foster new momentum for high-quality development.

We are committed to innovation as a strategic priority, guided by customer needs and national development goals.

To meet evolving customer expectations, we have introduced innovative health insurance products that enhance coverage. Our fully integrated wellness ecosystem spans prevention, diagnosis, treatment, rehabilitation, and elderly care. Rehabilitation services are delivered through the industry's first professional brand, with two hospitals under construction and one operational. We also operate 10 premium elderly care communities in nine cities, and our health insurance now includes coverage for individuals with pre-existing conditions, supported by predictive underwriting models.

In response to green development and the demand for specialized products, we have developed innovative property and casualty insurance solutions. Our new energy vehicle ("NEV") insurance model, created in partnership with automakers, covering over 4.6 million vehicles and accounting for 17.0% of our auto insurance premium. Beyond auto insurance, we are expanding into emerging industries. Our catastrophe insurance product is the first in the industry to offer a full-cycle risk mitigation solution.

Supporting these innovations is our sustained investment in technology. In 2024, we invested RMB3.6 billion in technology development to drive product innovation, customer engagement, and operational transformation. We are upgrading our large model infrastructure and expanding digital intelligence tools across customer service, marketing, actuarial analysis, claims, and risk control. By embedding AI into core business scenarios and investing in scalable infrastructure, we are enhancing precision services, compliance, and risk management – positioning ourselves at the forefront of digital transformation in insurance.

We deliver long-term value through robust governance, proactive risk control, and disciplined compliance management.

We have a stable and balanced shareholding structure that comprises, state-owned enterprises, domestic and overseas institutional investors, each contributing unique strengths to our development. Such a shareholding structure fosters resource sharing, and effective checks and balances. Our board of directors mirrors this diversity, with members from legal, financial, auditing, and capital operations backgrounds. Furthermore, our Chairman, Fu Fan, received the Directors of the Year Award from the Hong Kong Institute of Directors in 2024, and we have earned the highest rating for information disclosure from the Shanghai Stock Exchange for 11 consecutive years. These achievements reflect our dedication to transparency, accountability, and excellence in corporate governance.

We operate under a robust and highly integrated risk management framework that spans governance, strategy, compliance, finance, and actuarial oversight. Risk management is embedded in our culture and operations, with front-line business units holding primary accountability. As of December 31, 2024, our comprehensive solvency margin ratios stood at 256% for the Group, 210% for CPIC Life, and 222% for CPIC P/C, all well above regulatory requirements. Our asset-liability management framework is designed to deliver stable and sustainable performance across economic cycles. We have implemented a dynamic adjustment mechanism for pricing interest rates, allowing us to swiftly respond to market changes and control funding costs. By proactively adjusting product pricing rates, we have successfully lowered liability-side costs and optimized our product mix. Our "dumbbell-shaped" asset allocation strategy balances long-duration fixed income investments with moderate exposure to equities and alternative assets, including private equity. This approach enables us to extend the duration of our fixed income portfolio while enhancing long-term returns.

We are committed to creating value for our customers, employees and shareholders as well as society.

We are dedicated to creating long-term value for our shareholders through stable financial performance and disciplined capital management. Our dividend policy is anchored in operating profit after tax attributable to shareholders of the parent, also considering positive contribution from investments. Since our listing in 2007, we have paid out approximately RMB120 billion in cash dividends.

We firmly honor our responsibilities to society, customers, and shareholders by embedding ESG principles into every aspect of our strategy and operations. We have established a sound ESG governance framework, promoting the integration of ESG into the entire process of the company's operation and management, thereby contributing to the sustainable development of the economy and society. Through considering ESG factors in underwriting, investments and operations, we aim to address sustainability challenges and seize sustainability-linked business opportunities. To this end, have achieved remarkable results in insurance sectors such as new energy industries, climate and catastrophic risks, and established a comprehensive responsible investment management system.

Our ESG-driven approach also supports financial inclusion, human capital development, and data privacy protection. By aligning our business practices with ESG values, we ensure that our growth benefits not only shareholders but also employees, customers, and society at large. We believe that enduring success is rooted in responsible actions, and we remain committed to delivering value across all dimensions – financial, social, and environmental.

STRATEGIES

Our vision is to become world-class insurance and financial services group with market leadership and global competitiveness, and we plan to achieve such vision by implementing the following strategies:

Continue to enhance core business segments to forge a consolidated foundation for high-quality development.

We will continue to reinforce our core business segments to establish a robust foundation for long-term, high-quality development. Our insurance operations will adopt a customer-centric approach, beginning with client needs and leveraging products and services as the primary engagement channels. We will cultivate a highly professional and specialised sales force, drive ongoing transformation, and pursue sustainable value growth. In particular, we will:

- ***Life and health insurance:*** Advance our multi-channel strategy, with targeted enhancements in the agent and bancassurance channels, as well as inclusive insurance, high-net-worth client services, and digital platforms. We will also address evolving customer needs across life stages through a comprehensive product framework, offering solutions in health protection, elderly care, and legacy inheritance.
- ***Property and casualty insurance:*** Maintain stable operations with a focus on profitability and value creation. We will accelerate the shift from volume-driven growth to return-focused performance by implementing rigorous quality controls, refining risk pricing and claims processing, and strengthening customer acquisition in key channels. Enhanced models for new energy vehicle coverage will further improve operational efficiency.

- **Asset management:** Continue to adhere to long-term investment principles, capitalizing on the unique advantages of insurance funds. We will strengthen asset-liability coordination, maintain prudent asset allocation, and reinforce end-to-end risk monitoring. Investment research and management capabilities will be developed to withstand economic cycles, while we explore diversified opportunities, expand our investment toolkit, and optimize fund deployment.

Capture future opportunities by advancing our strategies in relation to health service & elderly care, internationalization, and AI+.

To remain future-ready in a rapidly evolving landscape, we are advancing a comprehensive innovation strategy focused on developing new offerings and capabilities. This approach is driven by shifting customer expectations, demographic changes, global expansion opportunities, and the transformative power of technology. By aligning our efforts across health and elderly care, internationalization, and AI integration, we aim to build a resilient, customer-centric, and globally competitive insurance ecosystem and enhance our core competitive strength in the long term. In particular, we will:

- **Respond to rising demand in health and elderly care by building an integrated wellness ecosystem:** This strategy addresses the transformation of family structures and the growing needs of an ageing population in China. Our ecosystem spans prevention, diagnosis, treatment, rehabilitation, and long-term care, supported by nationwide health check programs, direct billing networks, and professional rehabilitation services. We operate premium elderly care communities and offer inclusive health insurance products, including coverage for individuals with pre-existing conditions. We are expanding pension and annuity services, developing home and community-based care models, and supporting the silver economy. By leveraging long-term capital, we are enhancing our medical service network, improving standards at CPIC Home retirement communities, and scaling pension finance solutions to ensure sustainable and accessible care.
- **Boosting global competitiveness through internationalization:** This strategy enables us to extend our core capabilities to global markets and support Chinese enterprises in their international expansion. We are strengthening overseas brokerage channels, building partnerships with leading reinsurers, and recruiting international insurance talent. Our focus includes key industries such as new energy vehicles and markets aligned with the Belt and Road Initiative. We are expanding overseas asset allocation and investment management, supported by our upgraded Type 1, Type 4, and Type 9 licenses from the Hong Kong Securities and Futures Commission. By benchmarking against global leaders, we are building a strong foundation for long-term success.
- **Deepening our “AI+” strategy to embrace emerging technologies and meet the evolving customer needs:** AI is central to our digital transformation, revitalizing traditional operations and enabling new business models. We are deploying AI tools to support insurance agents, enhance customer engagement, and optimize underwriting, claims, compliance, and investment analysis. We are also developing insurance products that address AI-related risks and exploring new business opportunities in this domain. Our strategy focuses on embedding innovative solutions across core processes, leveraging big data for better decision-making, and building robust AI platforms to strengthen risk management and regulatory compliance. These efforts position us at the forefront of technological innovation in the insurance industry.

KEY BUSINESS

We offer comprehensive risk protection solutions and investment management services, which mainly includes three segments:

- Life/health insurance;
- Property and casualty insurance; and
- Asset management.

Life/health Insurance

Our life and health insurance is guided by a “people come first” philosophy, aiming to deliver comprehensive protection and value for individuals and families at every stage of life. Through our subsidiaries – CPIC Life, CPIC Health, and CPIC Life (HK) – we offer a full spectrum of insurance and health management solutions, leveraging innovation, digital transformation, and a multi-channel strategy to meet the evolving needs of customers across mainland China and Hong Kong.

CPIC Life is dedicated to supporting customers throughout their entire life journey, with a product portfolio that spans health protection, retirement and education, and legacy inheritance. Our insurance solutions are designed to address the full range of life-cycle needs, integrating products with services to deliver holistic, tailored solutions for different life stages and customer segments. In health protection, we have enhanced critical illness coverage with innovative offerings and are actively exploring long-term care insurance to address the needs of an aging population. For retirement and education, we have diversified our pension product line, expanded individual pension offerings, and achieved strong growth in participating products, advancing supply-side reforms in pension finance. In wealth inheritance, we have upgraded our suite of whole-life insurance products to support legacy planning, intergenerational wealth transfer, and long-term financial management, while integrating elderly care services like CPIC Home and Longevity Retreat, as well as innovative pension trust solutions. In 2024, CPIC Life achieved an NBV at RMB13.3 billion at an NBV margin of 16.8%.

Our distribution strategy is anchored in the “2+N” channel diversification model, which combines the strengths of our agency force and bancassurance as the core, while expanding into new avenues such as work-site marketing and digital channels. This approach has delivered remarkable results. The agency channel remains the backbone of our business, with a monthly average of 184,000 agents in 2024, and a significant increase in productivity and income among core manpower.

CPIC Health is guided by the belief that health is the most enduring companionship, and is committed to providing customers with comprehensive health insurance and health management services. CPIC Life (HK) further extends our reach in the Greater Bay Area, offering integrated health and retirement solutions that combine Hong Kong insurance products with mainland elderly care and healthcare services, leveraging group-wide resources such as CPIC Family Doctor to deliver a seamless cross-border product-service ecosystem.

Property and Casualty Insurance

Our property and casualty insurance is focused on high-quality development and consistent underwriting profitability, delivered through CPIC P/C, CPIC Anxin Agricultural, and CPIC HK. We have maintained a strong market position by continuously optimising our product mix, enhancing technology, and strengthening client relationship management. For the year ended December 31, 2024, primary premium income of CPIC P/C amounted to RMB201.2 billion, and the underwriting combined ratio was 98.6%.

In the automobile insurance segment, in the year ended December 31, 2024, CPIC P/C provided coverage for 4.6 million new energy vehicle owners, and premiums from this segment accounted for 17% of total auto insurance premiums.

For non-auto insurance, we have prioritised optimising our product mix and leveraging technology to enhance service quality and operational efficiency. In liability insurance, we exercised stringent control over high-risk business, launching targeted campaigns to eliminate or improve projects and business lines with high claims ratios. To further strengthen our non-auto insurance capabilities, we are accelerating the development of emerging business momentum by focusing on clients in green energy, advanced manufacturing, and other strategic industries, while expanding into high-quality banking channels, cross-scenario innovation, and diversified small and micro business segments. We are also constructing a multi-scenario risk reduction system through an “insurance + technology + service” model, which enhances our integrated risk control capabilities across underwriting, inspection, and claims. Our agricultural insurance supports China’s Rural Invigoration Initiative by rolling out full-cost indemnity insurance for the three staple crops, improving coverage and protection levels, and expanding insurance solutions to meet the needs of local specialty agriculture. CPIC Anxin Agricultural has also pioneered blockchain-based traceability solutions to enhance transparency and support the branding of regional specialties, while maintaining rapid business growth and a strong commitment to rural development. Furthermore, in 2024, CPIC HK achieved RMB293 million in primary premium income, maintained a healthy underwriting combined ratio of 92.3%, and delivered a net profit of RMB55 million.

Asset Management

We adhere to prudent, value-oriented, long-term, and responsible investing in developing our asset management business. We strive to optimise returns while maintaining prudent risk controls, proactively allocate assets to benefit from emerging sectors, and conduct rigorous asset-liability management to support long-term solvency and financial health. As of December 31, 2024, our total AUM reached RMB3,542.7 billion, RMB2,734.5 billion were in-house investment assets, and RMB808.2 billion were third-party assets. The comprehensive investment yield of our investment assets reached 6.0% and our total investment yield reached 5.6% in the year ended December 31, 2024.

In managing our in-house investment assets, we have adopted a “dumbbell-shaped” allocation strategy, balancing long-term government bonds with increased exposure to equities and alternative assets such as private equity. We have maintained a disciplined and flexible approach to tactical asset allocation, guided by strategic asset allocation, to navigate equity market volatility and the secular decline of interest rates.

Our asset management business is fully licensed, enabling us to explore a wide range of innovative investment instruments and strategies. We have developed capabilities in private securities investment funds, gold investment, asset-backed securities (ABS), and real estate investment trusts (REITs), among others. This comprehensive licensing advantage allows us to diversify our portfolios, capture new opportunities, and deliver value for both our insurance and third-party clients. We have also strengthened our ESG investment management system, performance evaluation, and information systems, and have disclosed our Principles for Responsible Investment Transparency Report. Our asset management subsidiaries, including CPIC AMC, Changjiang Pension, CPIC Fund, and CPIC Capital, have continued to expand their third-party business.

As of December 31, 2024, third-party assets under our management reached RMB808.2 billion. CPIC AMC aligns its investment strategy with national priorities and the real economy, tailoring offerings to meet the varied risk-return preferences of institutional clients. Changjiang Pension is fully licensed to manage basic pension funds, enterprise annuities, occupational annuities, retirement benefits, and other pension-related assets. Its asset base is rooted in pension finance, spanning all three pillars of China's retirement system: state-led social pension schemes, enterprise annuities, and private and commercial pension schemes.

CUSTOMERS

Individual Customers

We serve a vast and growing customer base of 183 million customers (among which 181 million are individual customers) as of December 31, 2024.

We advance our customer-centric innovation strategy through a comprehensive suite of health and elderly care services, product customization, and digital transformation. The integrated service ecosystem, spanning preventive care, diagnosis, treatment, rehabilitation, and elderly nursing, had served over 10.9 million customers as of December 31, 2024. Product innovation was driven by customer segmentation, with tailored offerings such as intelligent connected vehicle insurance, long-term care solutions, and targeted health services for specific demographics. We intend to enhance customer value through cross-selling efforts. As of December 31, 2024, 41.9 million of our individual customers held two or more insurance policies with us, and, 11.3 million individual customers were holding policies across multiple subsidiaries.

We also enhance our digital CRM capabilities, leveraging AI and big data to personalize engagement across the customer lifecycle. Over 2,000 customer tags were deployed to support reactivation, retention, and cross-platform engagement, resulting in a threefold increase in data-driven interactions. We valued customer feed-backs and appointed about 1,000 Customer Service Officers who are at the same time members of company management at various levels.

Corporate Customers

We have made significant progress in developing and maintaining corporate customers by advancing our “One CPIC, One Interface” strategy. Leveraging our strengths as a composite insurer, we focused on building a strategic client ecosystem centered on key corporate and institutional accounts. As of December 31, 2024, 1,024 strategic accounts were brought under a collaborative development model, with 137 strategic agreements in effect. We also extended the presence in core economic regions, including the Yangtze River Delta, Greater Bay Area, Beijing-Tianjin-Hebei, and Chengdu-Chongqing Economic Zone, reinforcing the foundation for long-term strategic partnerships.

We focused on value-driven growth by enhancing differentiated business strategies tailored to distinct customer segments. For financial institutions, efforts centered on supporting their retail clients' wealth management needs. For enterprises, we deepen cooperation with central state owned enterprises and industry leaders to expand core business. A collaborative model for the BBE (Business-Business-Employee) segment was introduced, integrating group-level planning, subsidiary expertise, and branch-level execution. We also expanded our workplace market presence with diversified employee benefit offerings and dedicated service brands.

EMPLOYEES

As of December 31, 2024, we had 94,990 employees.

We adhere to, and comply with the relevant labor laws of the PRC, Hong Kong and other jurisdiction where we operate. Staff benefits include salaries, provident fund contributions, insurance and medication care.

We are committed to stable labor relations and continuous improvement of our remuneration, performance, and promotion systems. Our Code of Conduct prohibits discrimination and harassment. We offer long-term benefits, enforce leave policies, and prioritize workplace safety. Facilities like employee centres and Mother-and-Baby rooms support well-being, alongside regular health and wellness activities. Our talent development includes partnerships with top universities in China, such as Fudan University, and our "CPIC Learning" platform now hosts over 21,000 courses. We also launched the "Fang Hua Hui" initiative to enhance female employee engagement.

LEGAL AND REGULATORY PROCEEDINGS

From time to time, we may be subject to legal claims and regulatory actions against us in the ordinary course of our business. As of the date of this Offering Circular, we are not involved in, nor are aware of any threat of, any litigation, regulatory proceeding or arbitration, the outcome of which would, in the reasonable judgment of our management, have a material adverse effect on its business, financial condition or results of operations.

AWARDS AND RECOGNITIONS

We have acquired several recognition and awards, some of the recent ones include:

- CPIC Group ranked 11th among the World's 100 Most Valuable Insurance Brands in 2025 released by BrandFinance.
- CPIC Group was granted Best Cases of the Year at the 2024 Best Practices of the Board of Directors of Publicly Traded Companies organized by the Chinese Association of Listed Companies, and Best Cases of the Year at the 2024 Best Cases in Sustainable Development of Publicly Traded Companies organized by the same association.
- CPIC was the first insurance group in China to obtain the DCMM (Data management Capability Maturity Model) Level 5, the highest-level certification from the China Electronics Information Industry Federation.
- In 2024, CPIC P/C and CPIC Life both won top ranking among industry peers at the regulatory evaluation of consumer rights protection, and CPIC Health received high ranking on the Service Quality Index among specialised health insurers.

- CPIC P/C, CPIC Life and CPIC AMC respectively won the 2024 Insurance Company Ark Award for Value-Based Transformation, the 2024 Insurance Company Ark Award for High-Quality Development, and the 2024 Insurance Asset Management Company Ark Award for High-Quality Development in the 2024 (9th) China Insurance Ark Awards sponsored by Securities Times.
- CPIC Health's "Lan Yi Bao – Long-term Medical Insurance Package" won the "Jin Kou Bei" Medical Insurance Product of the Year Award at the 2023-2024 "Jin Kou Bei" Insurance Product Competition sponsored by China Banking and Insurance News.
- Changjiang Pension won the "China, Best Enterprise Annuity Manager", "China, Fintech Innovation in Pensions", and "China, Best Enterprise Annuity Scheme – Golden Sunshine Collective Enterprise Annuity Scheme" of the 2024 Best of the Best Awards sponsored by the Asia Asset Management magazine.

PRC LAWS AND REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (the "**PRC Constitution**") and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution, enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM FOR INSURANCE INDUSTRY

The insurance industry in the PRC is subject to various regulatory provisions and guidelines formulated by the PRC regulatory authorities, including but not limited to the NFRA, the SAMR, the State Administration of Taxation (the “SAT”) and their respective local branches. The legal provisions constituting the legal framework for supervising and regulating insurance activities in the PRC mainly include the PRC Insurance Law (《中華人民共和國保險法》) and the administrative rules, regulations and other regulatory documents formulated pursuant to the PRC Insurance Law.

REGULATORY AUTHORITY

The NFRA is established on March 16, 2023 on the foundation of the China Banking and Insurance Regulatory Commission (the “CBIRC”) according to the Party and State Institutional Reform Plan (2023) (《黨和國家機構改革方案(2023)》). The NFRA is a public institution directly under the State Council, and is now the principal regulatory authority for the insurance industry in China, responsible for the supervision and regulation of insurance institutions and practitioners operating in China.

According to the Provisions on the Functions, Structure and Staffing of the National Financial Regulatory Administration (《國家金融監管總局職能配置、內設機構和人員編制規定》) promulgated by the General Office of the CPC Central Committee for Institutional Organisational Reform on October 29, 2023, the primary regulatory functions and measures of the NFRA and its local branches over the insurance industry include:

- Implementing unified supervision and management of the insurance industry in accordance with the law, strengthening institutional supervision, behavioral supervision, functional supervision, penetrating supervision, and continuous supervision, and maintaining the legal and sound operation of the financial industry;
- Conducting systematic research on issues related to the reform and opening up and the effectiveness of supervision of the financial industry, and participating in the formulation of the financial industry reform and development strategic planning. Formulating draft laws and regulations related to the insurance industry and providing suggestions for formulation and amendment. Establishing relevant regulatory systems for insurance institutions;
- Coordinating the work of protecting the rights and interests of financial consumers. Formulating the development plan for the protection of the rights and interests of financial consumers, establishing and improving the regulatory system for the protection of the rights and interests of financial consumers;
- Implementing access management for insurance institutions in accordance with the law, and supervising their corporate governance, risk management, internal control, capital adequacy, solvency, business conduct, information disclosure, etc.;
- Conducting on-site inspections and off-site supervision of insurance institutions in accordance with the law, carrying out risk and compliance assessments, and investigating and punishing illegal and non-compliant activities;
- Uniformly compiling the regulatory data reports of insurance institutions and publish them in accordance with relevant national regulations, and performing the related work responsibilities of the comprehensive statistics of the financial industry;

- Being responsible for the technological supervision of insurance institutions, establishing a technological supervision system, formulating technological supervision policies, building a supervisory big data platform, carrying out risk monitoring, analysis, evaluation, and early warning, and making full use of technological means to strengthen supervision and prevent risks;
- Implementing penetrating supervision of insurance institutions, formulating a shareholding supervision system, reviewing and approving shareholders, actual controllers and changes in shareholding and investigating shareholders, actual controllers and their concerted actors, and ultimate beneficiaries in accordance with the law, and taking relevant measures or impose penalties for illegal and non-compliant acts;
- Establishing a financial audit system outside the fields of currency, payment, credit reporting, anti-money laundering, foreign exchange and securities and futures, investigating, collecting evidence and handling relevant subjects of illegal financial activities in accordance with the law, and transferring those suspected of crimes to judicial authorities;
- Leading in cracking down on illegal financial activities, organizing the establishment of a monitoring and early warning system for illegal financial activities;
- Supervising the information technology outsourcing cooperation between insurance institutions and intermediary institutions such as information technology service institutions.

REGULATORY FRAMEWORK

The PRC Insurance Law is the most important law in the regulatory and legal framework for the PRC insurance industry. The PRC Insurance Law was passed on June 30, 1995, implemented on October 1, 1995 and amended in 2002, 2009, 2014 and 2015, respectively.

The PRC Insurance Law covers general principles, insurance contracts, insurance companies, insurance operational rules, supervision and regulation of the insurance industry, insurance agencies and insurance brokers, legal liabilities and supplementary provisions.

In 2015, the PRC Insurance Law was amended for the fourth time. Major amendments include: (i) deleting the requirement that the establishment of an offshore representative office by an insurance company shall be subject to the approval of the insurance regulatory authority of the State Council; (ii) deleting the requirement that the individuals who are engaged in insurance sales for an insurance company shall obtain the qualification certificates issued by the insurance regulatory authority of the State Council, and instead it only stipulates that the aforesaid individuals should be of good character and have the professional competence required for insurance sales; (iii) deleting the requirement that individual insurance agents, agency practitioners of insurance agencies and brokerage practitioners of insurance brokers shall obtain the qualification certificates issued by the insurance regulatory authority of the State Council, and instead it only stipulates that the aforesaid individuals should be of good character and have professional competence required for insurance agencies and insurance brokerage businesses; (iv) deleting the requirement that the division and merger, any change of the corporate structure, establishment of branches and dissolution of insurance agencies and insurance brokerages shall be subject to the approval of the insurance regulatory authority of the State Council.

Since the promulgation of the PRC Insurance Law in 1995, the insurance supervision and regulatory authority has promulgated a series of departmental rules and regulations and other regulatory documents based on the PRC Insurance Law, which cover almost all aspects of insurance operations, thereby

establishing a preliminary regulatory framework with three parallel pillars, supervision of corporate governance, supervision of market conduct and supervision of solvency.

Supervision of corporate governance includes laws and regulations on the establishment, equity management, directors, supervisors and senior management, and related party transactions of insurance companies. The governance structure of insurance companies is constantly improved to prevent their operating risks fundamentally and enhance the efficiency of insurance supervision. Supervision of market conduct includes laws and regulations on the businesses of insurance companies, reinsurance business, personnel and use of insurance funds in the insurance industry. The insurance supervision authorities gradually establish and improve the codes of market conduct to impose penalties for non-compliance and promote legal operation and fair competition, driving the normative development of the insurance industry. Supervision of solvency includes laws and regulations on the China Risk-Oriented Solvency System (“C-ROSS”), capital supplementary bonds and subordinated debts, etc.

ESTABLISHMENT OF INSURANCE COMPANIES

Supervision on Equity and Qualifications of Shareholders

The PRC insurance laws and regulations set out different requirements on establishment and business operation qualification for different types of entities engaged in insurance business, including insurance group (holding) companies, insurance companies, insurance intermediaries and insurance asset management companies.

For the establishment of insurance companies, in addition to the PRC Insurance Law, important laws and regulations also include the Administrative Regulations for Insurance Companies (《保險公司管理規定》) implemented on October 1, 2009 and amended on October 19, 2015. The Administrative Regulations for Insurance Companies regulates the organization structuring of insurance companies, branch establishment, change in organization structure, dissolution and deregistration of organization, branch management, insurance operation and supervision and management.

Under the Administrative Regulations for Insurance Companies, establishing an insurance company requires the approval by the NFRA and satisfying the following conditions: (i) there are investors who meet the conditions stipulated by laws, administrative regulations and the NFRA, and the equity structure is reasonable; (ii) there is a draft of the articles of association that meet the provisions of the PRC Insurance Law and the PRC Company Law; (iii) investors commit to contribute capital or subscribe for shares, and the proposed registered capital shall not be less than RMB200 million, which must be paid-in monetary capital; (iv) there are clear development plans, business strategies, organisational structure frameworks, and risk control systems; (v) the proposed chairman and general manager shall meet the qualification requirements stipulated by the NFRA; (vi) there is a preparatory group leader recognized by the investors; and (vii) other conditions stipulated by the NFRA.

Pursuant to the Administrative Measures for the Equity of Insurance Companies (《保險公司股權管理辦法》), shareholders of insurance companies are classified into four categories based on the shareholding percentage and their influence on the operation management of insurance companies: Type I financial shareholders (holding less than 5% of the equity of insurance companies), Type II financial shareholders (holding 5% or more but less than 15% of the equity of insurance companies), strategic shareholders (holding 15% or more but less than one-third of the equity of insurance companies, or shareholders who may exert substantial influences over resolutions of the meetings of the shareholders of insurance companies through their voting power acquired through the capital contribution or shares they hold), and controlling shareholders (holding one-third or more of the equity of insurance companies, or shareholders

who may exert controlling influences on resolutions of the meetings of shareholders of insurance companies through their voting power acquired through the capital contribution or shares they hold). Different regulatory policies and standards have been adopted to specify the various capital investment percentage limits and quantitative restrictions.

An investor may acquire equities of an insurance company by the following means: (i) establishing an insurance company; (ii) subscribing for unlisted equities issued by an insurance company; (iii) accepting the equities of an insurance company from other shareholders by way of agreement; (iv) publicly acquiring equities of an insurance company transferred from another shareholder by means of bidding; (v) purchasing equities of a listed insurance company from the stock market; (vi) purchasing convertible bonds of an insurance company, and acquiring its equities in accordance with terms of the bonds; (vii) acquiring equities of such insurance company as the pledgee of the equities of an insurance company in accordance with relevant provisions; (viii) acquiring the equities of an insurance company through participating in the risk resolutions by the NFRA for an insurance company; (ix) acquiring the equities of an insurance company through administrative allocation; (x) other methods as permitted by the NFRA. The shareholding percentage of a single shareholder shall not exceed one-third of the registered capital of an insurance company. A single domestic limited partnership shall not hold equities exceeding 5% of the registered capital of an insurance company, and the aggregate shareholding percentage of domestic limited partnerships in the same insurance company shall not exceed 15% of the registered capital of the insurance company. Where an investor acquires convertible bonds of an insurance company and converts the bonds to shares in accordance with the contractual criteria, or acquires shares in an insurance company through realization of pledge, the approval/filing formalities with the NFRA shall be completed pursuant to the provisions of the Administrative Measures for the Equity of Insurance Companies.

The shareholding percentage of a shareholder, its related parties and persons acting in concert shall be consolidated when calculating the holding percentages. An investor and its related parties and persons acting in concert may only be the controlling shareholder of one insurance company operating in the same type of insurance business.

Those who become Type I financial shareholders (holding less than 5% of the equity of insurance companies) of insurance companies through purchasing shares of listed insurance companies are not subject to certain restrictions on the qualifications of shareholders and are exempted from submitting certain declaration materials generally required for investors of insurance companies under the Administrative Measures for the Equity of Insurance Companies.

The change of a shareholder holding 5% or more of the equity of an insurance company shall be approved by the NFRA. Except for a listed insurance company, the change of a shareholder holding less than 5% of the equity of an insurance company shall be reported to the NFRA for record-filing, and be disclosed to the public on the website of the insurance company and the websites designated by the NFRA respectively.

Where an investor purchases shares of a listed insurance company, with the shareholding percentage thereof reaching the threshold of 5%, 15% and one-third respectively of the total share capital of the insurance company, the investor shall notify the insurance company in writing within 5 business days from the trading day, and the insurance company shall apply to the NFRA for approval thereof within 10 business days of receiving the notice.

Registered Capital

Pursuant to the Administration Regulations for Insurance Companies, the registered capital of an insurance company shall be no less than RMB200 million and fully paid up in cash. Where an insurance company established with the minimum registered capital of RMB200 million applies to set up a branch for the first time in each province other than its place of domicile, not less than RMB20 million shall be added to its registered capital for each new branch. An insurance company may apply for establishment of a provincial level branch without increasing its registered capital as required if its registered capital already reaches the minimal capital amount required for setting up branches. When the registered capital of an insurance company reaches RMB500 million, the insurance company need not increase its registered capital for setting up new branches provided that it satisfies the solvency requirements.

According to the Administrative Regulations for Insurance Companies, insurance institutions shall obtain approval from the NFRA under the following circumstances: (i) change of insurance company name; (ii) change of registered capital; (iii) expansion of business scope; (iv) change of business premises; (v) division or merger of insurance companies; (vi) amendment of the insurance company's articles of association; (vii) change in the amount of contribution by a shareholder holding 5% or more of the total capital of a limited liability company, or change in ownership of 5% or more of a joint stock company; and (viii) other circumstances as specified by the NFRA.

Pursuant to the Administrative Measures for the Equity of Insurance Companies and the Guidelines for the Approval of Establishment, Merger, Division, Change and Dissolution of Insurance Group Companies and Insurance Holding Companies, published by the NFRA on June 16, 2023, an insurance group company shall obtain prior approval from the NFRA for any change to the registered capital and afterwards fulfill the reporting procedure for the corresponding amendments to the articles of associations.

The application materials required of change of registered capital include but are not limited to: (i) application letter for changing registered capital; (ii) resolution by the company's general meeting to change the registered capital; (iii) proposal and feasibility study for the change of the registered capital; (iv) report on the equity structure after the change of the registered capital; (v) materials to be submitted by investors participating in the capital increase, as applicable, (vi) explanation of the source of investment funds and a statement on the legality of the source of investment funds, etc. Also, according to the type of shareholder each investor belongs to, investors shall meet the corresponding qualifications for shareholders of an insurance group company.

Subject to other regulations or arrangements as may be accepted by the NFRA from time to time, the NFRA shall make a written decision to approve or disapprove the change of capital within 20 working days from the date of formal acceptance of the complete application materials. Upon approval, the time limit can be extended by 10 working days. If laws and regulations provide otherwise, such provisions shall be followed.

Pursuant to the Administrative Measures for the Equity of Insurance Companies, if an insurance company fails to comply with the provisions of these measures in managing its equity, the NFRA may adjust the company's corporate governance evaluation results or classification supervision evaluation category. If shareholders of an insurance company or related parties violate the provisions of these measures, the NFRA may take the following regulatory measures: (i) issue a notice of criticism and order rectification; (ii) publicly condemn and disclose the violation to society; (iii) restrict their relevant rights in the insurance company; (iv) order them to transfer or auction their equity holdings according to the law, and before the equity transfer is completed, restrict their shareholder rights. If the transfer is not completed within the specified period, the equity will be transferred to an investor who meets NFRA's requirements at the assessed price; (v) restrict their investment activities in the insurance industry and inform other financial regulatory institutions; (vi) legally restrict the insurance company's dividend distribution, debt issuance, listing, and other actions; (vii) other measures that the NFRA can lawfully take.

Qualification for Conducting Insurance Business

Pursuant to the PRC Insurance Law, the Administrative Regulations for Insurance Companies and other related regulatory documents, the insurance companies engaging in insurance business must first apply to the NFRA for commencement of business and obtain the insurance business license. To acquire the insurance business license, insurance companies must satisfy the requirements in aspects of shareholders, articles of association, registered capital, organisational structure, management system, business development plan, business premises and the qualifications of directors, supervisors and senior management.

An insurance company may apply for establishing branches to meet its business development needs. The hierarchies of an insurance company's branches include branch, central sub-branch, sub-branch, and business outlet or sales service center. An insurance company shall file with the NFRA and its local office when establishing a branch.

Business Scope

Insurance companies must conduct insurance business activities within the business scope approved by the NFRA in accordance with the law. An insurance company shall not concurrently engage in both property and casualty insurance business and life and health insurance business. However, a property and casualty insurance company may, upon approval by the NFRA, engage in short-term health insurance business and accidental injury insurance business.

Pursuant to the PRC Insurance Law, the business scope of insurance companies includes:

- life and health insurance business, including life insurance, health insurance, accidental injury insurance;
- property and casualty insurance business, including insurance against loss or damage to property, liability insurance, credit insurance and guarantee insurance; and
- other insurance business approved by the NFRA.

Insurance companies may also engage in the outward and/or inward reinsurance business with respect to the aforesaid insurance business, subject to the approval of the NFRA.

INSURANCE GROUP COMPANIES

Pursuant to the Measures for the Supervision and Administration of Insurance Group Companies (《保險集團公司監督管理辦法》), the “**Insurance Group Companies Measures**”), promulgated by the CBIRC and effective on November 24, 2021, an insurance group company refers to a company registered in accordance with the law and formed upon the approval of the NFRA with the words “insurance group” or “insurance holding” in its name, which exerts control, joint control or significant influence over the members of the insurance group.

The establishment of an insurance group company shall be subject to approval of the NFRA and shall meet the following conditions: (i) having investors that meet the qualifications for shareholders of an insurance company as prescribed by the NFRA, have appropriate equity structure and jointly control more than 50% of the equity of at least two domestic insurance companies; (ii) having members who satisfy the requirements under Article 6 of the Insurance Group Companies Measures; (iii) having a minimum

registered capital of RMB2 billion; (iv) having directors, supervisors and senior management who satisfy the eligibility requirements as prescribed by the NFRA; (v) having a sound corporate governance structure, integrated organisational structure, and effective risk management and internal control management systems; (vi) having business premises, office equipment and information systems commensurate with its operation and management; and (vii) other conditions as specified by laws, administrative regulations and the NFRA. Where it involves mitigating risks, the aforementioned conditions may be appropriately relaxed upon the approval of the NFRA.

The main business of insurance group companies is equity investment and management. Insurance group companies shall use their own funds to make significant equity investments. An insurance group company may invest in the following insurance-related enterprises: (i) insurance companies; (ii) insurance asset management institutions; (iii) specialized insurance agencies, insurance brokers and insurance loss adjusting institutions; and (iv) other insurance-related enterprises established under the approval of the NFRA.

Insurance group companies may also invest in non-insurance financial enterprises. The aggregate book value of significant equity investments in domestic non-insurance financial enterprises by an insurance group company and its subsidiaries shall not exceed 30% of the group's consolidated net assets as of the end of the previous year.

Under the Insurance Group Companies Measures, insurance group companies and their subsidiaries shall be included in the scope of consolidated supervision. The NFRA may carry out its supervision directly or indirectly on the basis of consolidated supervision and conduct comprehensive monitoring on the risks of all the members of the insurance group through insurance group companies or other regulated members in accordance with the law and take corresponding measures as necessary.

An annual information disclosure report shall be published by the insurance group company before April 30 every year. The insurance group company shall post the basic information, material matters and annual information disclosure report of the Company and the Group as a whole on the Company's website. In the event of any changes to the basic information, the insurance group company shall update the information within ten working days from the date of such change. If a significant event takes place, the insurance group company shall issue a temporary information disclosure announcement within 15 working days from the date of such significant event.

CORPORATE GOVERNANCE

Articles of Association

Insurance companies are required to formulate the basic contents of their articles of association, (including the formulation and modification procedures thereof) in accordance with the PRC Insurance Law, the PRC Company Law, the Opinions of Regulating the Articles of Association of Insurance Companies (《關於規範保險公司章程的意見》), promulgated by the Chinese Insurance Regulatory Commission (the "CIRC", now substituted by the NFRA) and effective on October 1, 2008, the Guidelines for the Articles of Association for Insurance Companies (《保險公司章程指引》), promulgated by the CIRC and effective on April 24, 2017 and amended on February 4, 2020, the Insurance Group Companies Measures and other applicable laws, regulations and regulatory documents.

Corporate Governance Structure

Pursuant to the PRC Company Law and the Administrative Measures for Independent Directors of Insurance Institutions (《保險機構獨立董事管理辦法》) amended on February 4, 2020, insurance companies are required to hold shareholders' meetings (general shareholders' meetings) and establish the board of directors, the board of supervisors and the management, and to allocate and classify the powers of the same in the articles of association and relevant internal governance documents. The board of directors of insurance companies must have at least three independent directors and the proportion of independent directors must account for not less than one third of the members of the board of directors.

Pursuant to the Corporate Governance Guidelines for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), promulgated by the CBIRC and effective on June 2, 2021, insurance companies shall, in accordance with laws and regulations, regulatory provisions and the conditions of the institution, separately or jointly, establish specialized committees, such as specialized committees of strategy, audit, nomination, remuneration, related party transaction control, risk management and protection of consumers' rights and interests. The chairman or person in charge of the audit, nomination, remuneration and related party transaction control committee shall be an independent director. In principle, the proportion of independent directors in the audit, nomination, remuneration, risk management and related party transaction control committees shall be no less than one third.

Pursuant to the Administrative Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), promulgated by the CSRC and amended on March 27, 2025, the independent directors of a listed company shall at least include one accounting professional. A listed company shall set up an audit committee in the board of directors. The members of the audit committee shall be the directors that are not one of the senior management of the listed company, and the number of independent directors shall exceed the majority, and an accounting professional among the independent directors shall act as the chairman or convener. A listed company may, in light of the needs, set up specialized committees of nomination, remuneration and appraisal, and strategy, etc. The number of independent directors in the nomination committee and the remuneration and appraisal committee shall exceed the majority, and independent directors shall act as the chairman or conveners.

In addition, according to the Corporate Governance Guidelines for Banking and Insurance Institutions, insurance companies are required to set up an (i) an independent risk management department to be responsible for integrated risk management; (ii) an independent internal audit department to be responsible for the work relating to internal audit; (iii) an internal control system to specify internal control duties, to strengthen internal control guarantees, and to continuously carry out internal control evaluation and supervision; and (iv) a sound information system that runs through all levels of bodies and covers all operations and all processes, and record operation and management information in a timely and accurate manner to ensure the completeness, continuity, accuracy and traceability of information.

Pursuant to the Insurance Group Companies Measures, an insurance group company shall, at the same time as properly operating the general meeting, board of directors, and board of supervisors of the insurance group company in accordance with the law, strengthen the decision-making support and organisational management of meetings at different levels and categories of its subsidiaries. An insurance group company should establish or designate the relevant functional departments to provide support and services for the directors and supervisors it dispatches to its subsidiaries. The directors and supervisors of the subsidiaries shall bear legal responsibility for their performance of duties on the board of directors or board of supervisors.

Qualification of Directors, Supervisors and Senior Management

Pursuant to the Administrative Provisions on the Qualification of Directors, Supervisors and Senior Management of Insurance Companies (《保險公司董事、監事和高級管理人員任職資格管理規定》), promulgated by the CBIRC and effective from July 3, 2021, the director, supervisor and senior management of an insurance institution shall, before taking the office, be confirmed by the NFRA to satisfy the office qualifications. Senior management of an insurance company refers to the following persons who have the decision-making power or have a significant impact on the business management and risk control of an insurance institution:

- the general manager, deputy general manager and general manager assistant of the headquarters;
- board secretary, chief compliance officer, chief actuary, chief financial officer and officer responsible for auditing of the headquarters;
- general manager, deputy general manager and general manager assistant of provincial branches;
- general manager of other branches and central sub-branches;
- other management with identical authority as the aforementioned senior management.

Pursuant to the Corporate Governance Guidelines for Banking and Insurance Institutions and the Administrative Measures for Independent Directors of Listed Companies, an independent director shall possess high professional qualities and good reputation, and shall meet the qualification requirements in accordance with applicable laws, regulations and other relevant conditions prescribed by the NFRA. An independent director shall ensure that he or she has sufficient time and energy to effectively perform the duties and may only concurrently serve as independent directors in no more than five enterprises or three PRC Listed Companies.

Internal Control, Compliance and Risk Management

Pursuant to the Basic Standards for Internal Control of Insurance Companies (《保險公司內部控制基本準則》), promulgated by the CIRC and effective from January 1, 2011, the internal control of an insurance company shall include sales control, operational control, basic management control and control over investments with insurance funds. An insurance company shall establish an internal control organization system. In such system, the board of directors bears the ultimate responsibility, the management takes direct leadership, the internal control functional department carries out coordination, the internal audit department carries out inspection and supervision, and the business units hold primary responsibilities, together with explicit division of responsibilities, clear reporting lines, mutual cooperation and efficient implementation.

Pursuant to the Measures for the Compliance Management of Financial Institutions (《金融機構合規管理辦法》), promulgated by the NFRA and effective from March 1, 2025, insurance companies shall establish a compliance management system and implement a framework of “tiered governance with level-specific accountability” to optimize the compliance organizational structure, reinforce compliance responsibilities, foster culture of compliance and build a comprehensive compliance management framework. The board of directors of insurance companies shall bear the ultimate responsibility for the compliance management. Insurance companies shall appoint a chief compliance officer, who shall report to the board of directors and work under the leadership of the chairman of the board of directors and the general manager. Insurance companies shall effectively implement the management accountability of compliance departments and the

oversight stewardship of internal audit functions, ensuring seamless coordination and effective articulation between these control lines. Insurance companies shall integrate compliance management across all departments and subsidiaries into a unified framework, while enhancing guidance and oversight over compliance positions in departments and compliance units of subsidiaries.

Pursuant to the Guidelines for the Risk Management of Insurance Companies (For Trial Implementation) (《保險公司風險管理指引(試行)》), promulgated by the CIRC and effective from July 1, 2007, insurance companies shall establish a risk management framework that covers all business units under the direct leadership of the management and with the support of the risk management department, wherein relevant functional departments shall coordinate closely with each other. The ultimate responsibilities of the risk management shall be assumed by the board of directors. Insurance companies shall set up a risk management department or designate a department to take charge of matters relating to risk management. Insurance companies shall identify and assess various types of significant risks in the operating process, including insurance risk, market risk, credit risk and operational risk.

Related Party Transaction

Pursuant to the PRC Insurance Law, insurance companies shall establish systems on the management and disclosure of related party transactions. The controlling shareholders, actual controllers, directors, supervisors and senior management of insurance companies shall not injure the interests of the companies through related party transactions.

Pursuant to the Administrative Measures for Related-party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), promulgated by the CBIRC and amended on May 15, 2025, insurance companies shall identify related parties and related party transactions and calculate the transaction amounts based on the principle of substance-over-form and look-through. The board of directors of an insurance company shall establish a related party transaction control committee to take charge of the management, review and risk control of related party transactions. The board of directors shall bear the ultimate responsibility of the management of related party transactions. The related party transaction control committee shall consist of three or more directors, and be chaired by an independent director. The related party transaction control committee shall focus on the compliance, fairness and necessity of related party transactions. Insurance companies shall establish management system for related party transactions, which shall include the identification, reporting, information collection and management of related parties, and the pricing, examination, recusal, reporting, disclosure, auditing and accountability of related party transactions. Insurance companies shall report and disclose related party transaction information in an authentic, accurate, complete and timely manner.

Pursuant to the Notice on Strengthening Supervision of related party transactions in the Use of Funds by Insurance Institutions (《關於加強保險機構資金運用關聯交易監管工作的通知》) issued by CBIRC on May 27, 2022, insurance institutions should comply with laws, regulations and supervisory provisions in conducting related party transactions in the use of funds, operate prudently and independently, and follow the principles of good faith, openness and fairness, look-through identification, and clear structure. Related parties of insurance institutions shall not interfere with or manipulate the use of funds, and the use of insurance funds for illegal and irregular related party transactions is strictly prohibited.

Information Disclosure

Pursuant to the Administrative Measures for the Information Disclosure of Insurance Companies (《保險公司信息披露管理辦法》), promulgated by the CBIRC and effective from July 2018, insurance companies shall disclose information in compliance with laws, regulations, and other regulatory documents, and comply with the principles of authenticity, accuracy, completeness, timeliness and effectiveness, and the information disclosed shall not contain any misrepresentation, misleading statements or have material omissions. The board secretaries of insurance companies shall be responsible for managing the information disclosure affairs of the company.

Insurance companies shall disclose the following information:

- basic information, including company overview, summary of corporate governance, and basic information of products;
- financial and accounting information, including financial statements and main audit opinions in the audit reports;
- premium reserve information, including the qualitative information and quantitative information on the assessment of the reserves;
- risk management information, including risk evaluation explanations, risk control system, strategies and the implementation;
- business information on insurance products, with different information disclosure requirements applicable to life and health insurance products and property and casualty insurance products;
- solvency information, including the core solvency margin ratio, comprehensive solvency margin ratio, actual capital, minimum required capital;
- information on significant related party transactions, including overview of the transactions and the basic information on the targets of the transaction, transaction counterparties, the main content and pricing method of the transactions, and opinions of independent directors;
- information on significant matters; and
- other information stipulated by the NFRA.

Where any of the following significant issues arises, an insurance company shall disclose the relevant information with a brief explanation:

- the controlling shareholder or the actual controller is changed;
- the chairman or the general manager is changed;
- over one third of directors of the board of directors are changed in aggregate in the current year;
- the name, registered capital, domicile or business premises of the company are changed;
- the business scope of the company is changed;

- the company merges with another one, spins off or dissolves itself, or files for bankruptcy;
- the company cancels its provincial-level branches;
- the company makes a major equity investment in another company, aiming to acquire control of it;
- the actual heavy losses of a single investment made by the company amounts to over 5% of its net asset value at the end of the last quarter; where the value of its net assets is negative, such losses shall be measured by 5% of the company's registered capital;
- a heavy indemnity of over 5% of its net assets value at the last quarter end that is actually paid for a single claim or all claims arising out of the same insurance accident; where the value of its net assets is negative, such indemnity shall be measured by 5% of company's registered capital;
- any significant litigation which has significant impacts on the company's net assets and actual business operations or results in a ruling against the company to pay compensation of over RMB50 million;
- any major arbitration which has significant impacts on the company's net assets and actual business operations or any arbitration award rendered against the company to pay compensation of over RMB50 million;
- the insurance company or its chairman or general manager is imposed a criminal punishment;
- the insurance company or the provincial-level branch thereof is imposed an administrative punishment by the NFRA or its local branch office;
- change or early dismissal of the accounting firm; and
- other matters as prescribed by the NFRA.

Where an insurance company is unable to disclose the information on time, it shall report relevant particulars to the NFRA before the expiration of the stipulated time limit for the disclosure, and publish the reasons for failure of disclosure on time as well as the estimated disclosure time on its website.

Solvency

Pursuant to the PRC Insurance Law, an insurance company shall have the minimum solvency matched up with its business scale and risk level. The solvency of an insurance company represents the ability of an insurance company to fulfill its obligation to pay indemnity. According to the Administrative Provisions on the Solvency of Insurance Companies (2021) (《保險公司償付能力管理規定(2021)》) which was promulgated by CBIRC on January 15, 2021 and implemented on March 1, 2021, an insurance company that meets all of the following three regulatory requirements shall be deemed as solvency-compliant: (1) the core solvency ratio is not less than 50%; (2) the comprehensive solvency ratio is not less than 100%; and (3) the integrated risk rating is Category B and above. An insurance company that fails to meet any of the above requirements shall be deemed to be solvency non-compliant.

Insurance companies shall establish a sound organisational structure for solvency risk management, establish a complete solvency risk management system and mechanism, assess its solvency ratio on a regular basis, calculate its core solvency ratio and comprehensive solvency ratio, submit solvency reports as required, conduct solvency stress tests in accordance with the regulations of the CBIRC, establish a solvency data management system and prepare its three-year capital plan on an annual rolling basis.

According to the Notice of the Overall Framework of China Risk-Oriented Solvency System (《中國第二代償付能力監管制度體系整體框架》), issued by the CIRC on May 3, 2013, the overall framework of the C-ROSS regime comprises three parts: institutional characteristics, supervisory pillars and supervisory foundation. The three pillars are also applicable to the supervision of insurance groups. The substance and requirements of group-level supervision involve all three pillars. Moreover, insurance groups typically have risk diversification effects and they also face special risks different from those faced by an individual insurance company. In developing specific supervisory standards for the three pillars, these special risks should be taken into account and reflected accordingly.

There are three indicators to evaluate the solvency position of an insurance company: core solvency ratio, comprehensive solvency ratio and integrated risk rating. The core solvency ratio and the comprehensive solvency ratio reflect the company's capital adequacy position for quantified risks, and the integrated risk rating reflects the company's overall solvency-related risk status.

The CIRC issued the Construction Plan for Second Phase Project of the C-ROSS (《償二代二期工程建設方案》) on September 18, 2017, officially initiating the second phase project of the C-ROSS, to further enhance and optimize the C-ROSS supervision system, and improve the scientificity, effectiveness and pertinence of the solvency supervision system. On December 30, 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》, the “**Rules II**”), which provides that the insurance industry shall implement the Rules II from the preparation of the quarterly solvency report for the first quarter of 2022. For insurance companies whose core solvency ratio or comprehensive solvency ratio has fallen significantly, or has fallen below a threshold that triggers regulatory action as a result of the Rules II, the NFRA would approve transitional policies according to the actual situation, allowing some regulatory rules to be put into practice step by step and fully implemented by 2025 at the latest. Pursuant to the Rules II, solvency supervision covers actual capital, minimum capital, life insurance contract liability valuation, minimum capital for insurance risk (non-life insurance business), minimum capital for insurance risk (life insurance business), minimum capital for insurance risk (reinsurance company), minimum capital for market risk, minimum capital for credit risk, stress testing, integrated risk rating (classified supervision), solvency aligned risk management requirements and assessment, liquidity risk, solvency information public disclosure, solvency information exchange, credit rating of insurance company, solvency report, insurance group, Lloyd's Insurance Company (China) Limited, look-through approach for market risk and credit risk, and capital planning under the regulatory framework of the C-ROSS.

The Notice on Optimizing the Solvency Supervision Standards for Insurance Companies (《國家金融監督管理總局關於優化保險公司償付能力監管標準的通知》), issued by the NFRA and effective on September 10, 2023, proposes that on the basis of keeping the comprehensive solvency adequacy ratio at 100% and the core solvency adequacy ratio at 50% as the regulatory standards unchanged, the solvency supervision standards for insurance companies will be optimized according to the actual development of the insurance industry.

Reserves

Pursuant to the Notice on Promoting Rate Liberalization Reform for Participating Life Insurance Products (《關於推進分紅型人身保險費率政策改革有關事項的通知》) issued by the CIRC on September 25, 2015 and effective from October 1, 2015, the Notice on Actuarial Provisions for Ordinary Life Insurance (《關於印發普通型人身保險精算規定的通知》) issued by the CBIRC on January 21, 2020 and effective from the date of issuance, and the Administrative Measures for the Reserves for Non-life Insurance Business of Insurance Companies (《保險公司非壽險業務準備金管理辦法》), promulgated by the CBIRC on October 14, 2021 and effective from December 1, 2021, insurance companies shall set aside unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance reserves.

Pursuant to the Administrative Measures for Reserves for Non-Life Insurance Business of Insurance Companies (《保險公司非壽險業務準備金管理辦法》), insurance companies should establish and improve the internal control system of reserve management, and clarify the division of responsibilities and work processes. In assessing various reserves, an insurance company shall, in accordance with the provisions of the NFRA and the principles and methods of non-life insurance actuarial calculation, keep objective and prudent, and withdraw and carry forward various reserves adequately and reasonably. Insurance companies shall submit reserve assessment reports, reserve retrospective analysis reports, and other reports as required by the NFRA or its local branches to the NFRA or its local branches in accordance with regulations. The NFRA or its local branches shall conduct random inspections and review of the above-mentioned reports submitted by insurance companies in accordance with the law. Where an insurance company fails to withdraw or carry forward various liability reserves in accordance with relevant provisions, a fine ranging from RMB50,000 to RMB300,000 may be imposed by the NFRA or its local branches according to relevant provisions of the PRC Insurance Law. According to the seriousness of the breach of the law, the NFRA may impose penalties such as restricting business scope, ordering to stop accepting new business or revoking business license. The directly responsible person-in-charge and other directly responsible persons shall be warned and fined between RMB10,000 and RMB100,000 by the NFRA or its local branches in accordance with the relevant provisions of the PRC Insurance Law; and if the circumstance is serious, the position holding qualification shall be revoked.

Pursuant to the Implementation Rules for the Administrative Measures for Reserve of Non-life Insurance Business of Insurance Companies (No. 1-7) (《保險公司非壽險業務準備金管理辦法實施細則(1-7號)》), effective as of March 2, 2022, retrospective analysis of reserves of non-life insurance business comprises a retrospective analysis of unearned premium reserves and a retrospective analysis of claim reserves. Claim reserves include incurred and reported reserves, incurred but not reported reserves, and claim expense reserves. An insurance company shall submit the reserve retrospective analysis report signed by the general manager and the chief actuary to the NFRA or its local branches on a regular basis. The general manager of an insurance company shall be responsible for the truthfulness of the basic information and the chief actuary shall be responsible for the methodology of the retrospective analysis, the reasonableness of the assumptions, and the accuracy of the calculation result.

Insurance Guarantee Fund

According to the provisions of the PRC Insurance Law, insurance companies shall pay the insurance guarantee fund. Insurance guarantee fund should be under centralized management, and used in a coordinated manner in the following situations: (i) when an insurance company is deregistered or declared bankrupted, provide relief to the policyholders, the insured or the beneficiaries; (ii) when an insurance company is deregistered or declared bankrupted, provide relief to the insurance companies legally accepting its life insurance contracts; (iii) other cases specified by the State Council.

According to the Administrative Measures for Insurance Guarantee Fund (《保險保障基金管理辦法》), promulgated by the CBIRC, the MOF and the PBOC and effective on December 12, 2022, insurance guarantee funds are non-governmental industry risk relief funds used to assist policyholders, policy transferee companies, or to address risks in the insurance industry, divided into property guarantee protection funds and life insurance guarantee funds. Insurance companies shall promptly and fully deposit the insurance guarantee funds into the dedicated account of the insurance guarantee fund company. The insurance business for which the insurance guarantee fund is paid shall be included in the scope of assistance provided by the insurance guarantee fund.

Security Deposit

An insurance company is required by the PRC Insurance Law to make a security deposit which amount to 20% of its total registered capital into a bank designated by the insurance regulatory authority of the State Council. Such security deposit shall not be used for any purposes other than settling the debts of such insurance company during liquidation proceedings.

Pursuant to the Administration of Security Deposits of Insurance Companies (《保險公司資本保證金管理辦法》) amended and implemented by the CIRC on April 3, 2015, insurance companies should choose two or more than two commercial banks as security deposit banks. Insurance companies can make security deposit in the form of: (1) fixed-term deposits; (2) large-amount agreement deposits; or (3) other forms approved by the insurance regulatory authority of the State Council. The amount of each security deposit shall not be less than RMB10 million (or equivalent foreign currency). If the increase in registered capital (working capital) of an insurance company is less than RMB50 million (or equivalent foreign currency), a one-off security deposit which is equal to 20% of the actual increase in capital shall be deposited. The term for deposits of the security deposits shall not be shorter than one year. During the term of deposits, insurance companies are not allowed to change the nature of the security deposits or use the security deposits for mortgage financing.

MARKET BEHAVIOR

Insurance Clauses and Premium Rate

Pursuant to the Administrative Measures for Insurance Clauses and Insurance Premium Rates of Property and Casualty Insurance Companies (《財產保險公司保險條款和保險費率管理辦法》) promulgated by the CBIRC on August 16, 2021 and implemented on October 1, 2021, property and casualty insurance company shall, before the end of March each year, make a statistical analysis of the development, revision and clearance of the insurance clauses and premium rates of the previous year, and form an annual analysis report and summary schedule of the insurance clauses and premium rates of the property and casualty insurance company. After consideration and approval by the company's product management committee, it will be reported to the NFRA and its provincial-level branch at the same time. Property and casualty insurance companies and their branches shall strictly comply with the approved or filed insurance clauses and insurance premium rates, and shall not change the insurance clauses or insurance premium rates in any way in violation of the provisions of these Measures. The compliance officer and the chief actuary of a property and casualty insurance company are responsible for the review of insurance clauses and the review of premium rates, respectively. The heads of the department responsible for the development and management of insurance clauses and premium rates of the property and casualty insurance company are directly responsible for the development and management of the company's insurance clauses and premium rates, respectively. The compliance officer is directly responsible for the review of insurance clauses, and the chief actuary is directly responsible for the review of premium rates.

According to relevant provisions of the Regulation on Compulsory Traffic Accident Liability Insurance for Motor Vehicles (《機動車交通事故責任強制保險條例》) as amended by State Council on March 2, 2019, insurance companies may engage in the business of the compulsory insurance for liability for traffic accidents of motor vehicles. The compulsory insurance for liability for traffic accidents of motor vehicles shall apply the uniform insurance clauses and basic premium rates. The insurance supervision and regulatory authority under the State Council shall examine and approve the premium rates under the principle of making no profit or loss in general for the compulsory insurance for liability for traffic accidents of motor vehicles. When signing a contract for the compulsory insurance for liability for traffic accidents of motor vehicles, insurance companies shall not force the policyholder to sign a commercial insurance contract or make a request for adding other conditions.

According to the Administrative Measures for Insurance Clauses and Premium Rates of Life and Health Insurance Companies (《人身保險公司保險條款和保險費率管理辦法》) implemented on December 30, 2011 and as amended on October 19, 2015, insurance companies are required to submit to the insurance supervision and regulatory authority under the State Council, for approval of the insurance clauses and premium rates of the following insurance products before they are adopted: (i) insurance products associated with public interests; (ii) insurance products of a compulsory nature in accordance with laws; (iii) newly developed life and health insurance products as stipulated by the insurance supervision and regulatory authority under the State Council; and (iv) other insurance products as required by the insurance supervision and regulatory authority under the State Council. Other types of insurance other than the above must be submitted to the insurance supervision and regulatory authority under the State Council for filing. If insurance companies change insurance clauses and premium rates of life and health insurance already approved or filed, or change their insurance liability, insurance categories or pricing methods, insurance clauses and premium rates should be resubmitted for approval or filing. If insurance companies decide to terminate the use of insurance clauses and premium rates of life and health insurance throughout the country, they shall submit a report to the NFRA under the State Council within ten days after the termination, explaining the reason for the termination, follow-up services and other related measures, and submit the report copy to the local branches of the NFRA of original operating locations.

Internet Insurance Business

According to the Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》), promulgated by CBIRC on December 7, 2020 and implemented on February 1, 2021, internet insurance business, refers to insurance operating activities such as conclusion of insurance contracts and provision of insurance services that are conducted by insurance institutions relying on the Internet, shall be carried out by legally established insurance institutions rather than other institutions or individuals. No insurance institution may carry out internet insurance business beyond the scope of business specified in the institution's permit (filing form). An insurance institution which conducts internet insurance business shall be subject to centralized operation and unified management by its head office, thus establishing a unified and centralized business platform, business process and management systems.

Reinsurance

Pursuant to the PRC Insurance Law, the liability borne by an insurance company for each risk unit, that is, the maximum loss caused by the occurrence of a single insurance accident, shall not exceed 10% of the combination of its actual capital and capital reserves. The portion in excess of the amount shall be reinsured.

Pursuant to the Provisions on the Administration of Reinsurance Business (《再保險業務管理規定》) promulgated by CBIRC on July 21, 2021 and implemented on December 1, 2021, except for the aviation and space insurance, nuclear insurance, oil insurance and credit insurance, any direct insurance company shall, when ceding direct insurance business for property insurance by means of the proportional reinsurance, for each risk unit, the proportion ceded to the same reinsurer shall not exceed 80% of the insured amount or liability limit specified in the direct insurance contract undertaken by the cedant. A cedant shall inform reinsurers of important information affecting the pricing and qualifications of reinsurance in writing. After the reinsurance contract comes into force, the cedant shall promptly provide the reinsurers with such information having a major effect on the solvency calculation, reserves and estimated claim amount of the reinsurer as details on significant claims and claim reserves.

INSURANCE INTERMEDIARIES

Insurance Agent

An insurance agent is an institution or individual entrusted by insurance companies to collect commissions from insurance companies and to handle insurance business within the scope authorized by insurance companies. Insurance agents include individual insurance agents, full-time insurance agencies and sideline insurance agencies. An insurance company shall not entrust institutional or individual insurance agent that has not been approved by the NFRA to handle insurance business on its behalf.

Pursuant to the PRC Insurance Law, insurance companies shall sign entrustment agreement with insurance agents, which shall set forth the rights and obligations of the parties and other matters related to the entrustment. An insurance company shall be responsible for the behaviours of its insurance agents in handling the insurance business on its behalf according to its authorization. If an insurance agent enters into a contract on behalf of an insurance company without its authorization, beyond its authorization or after the termination of the agent entrustment, while the applicant, as its contractual party, has good reasons to believe that it has the authorization from the insurance company, the agent's act shall be effective and the insurance company shall bear the responsibilities of such act. However, an insurance company may pursue the liability of the ultra vires act by the insurance agent.

Pursuant to the Provisions on Insurance Agents (《保險代理人監管規定》), promulgated by the CBIRC and effective on January 1, 2021, an insurance agent refers to an institution or individual that, pursuant to the entrustment of an insurance company, receives commissions from the insurance company and handles insurance business within the scope authorized by the insurance company, which includes professional insurance agencies, sideline insurance agencies, and individual insurance agents. Professional insurance agency companies and sideline insurance agency legal entities operating insurance agency business within the PRC must meet the conditions stipulated by the NFRA and obtain the relevant business license for operating insurance agency business. Individual insurance agents and personnel of insurance agency institutions should possess the professional capabilities required for engaging in insurance agency business.

Professional insurance agencies may engage in all or part of the following businesses: (i) acting as an agent for the sale of insurance products; (ii) acting as an agent for the collection of insurance premiums; (iii) acting as an agent for the investigation and settlement of claims for related insurance business; and (iv) other related businesses as stipulated by the insurance regulatory authority under the State Council. Sideline insurance agencies may engage in (i) acting as an agent for the sale of insurance products; (ii) acting as an agent for the collection of insurance premiums; and (iii) other related businesses as stipulated by the insurance regulatory authority under the State Council.

Insurance Broker

Pursuant to the PRC Insurance Law and the Provisions on the Supervision and Administration of Insurance Brokers (《保險經紀人監管規定》), promulgated by the CIRC and effective from May 2018, insurance brokers, including insurance brokerage companies and their branches, are institutions that provide intermediary services for an insured and an insurance company to enter into an insurance contract, based on the interests of the insured, and collect commissions according to law. Insurance brokerages shall satisfy the qualification requirements prescribed by the CBIRC, and obtain an insurance brokerage business permit.

DEPLOYMENT OF INSURANCE FUNDS

Overview

Insurance funds refer to the capital, reserves, undistributed profits, various provisions, and other funds denominated in domestic and foreign currencies of insurance groups (holding) companies and insurance companies.

Pursuant to the Administrative Measures for the Use of Insurance Funds (《保險資金運用管理辦法》), promulgated by the CIRC and effective on April 1, 2018, the deployment of insurance funds must primarily aim to serve the insurance business, adhering to principles of prudence, stability, and safety. It should comply with solvency regulatory requirements and involve asset-liability management and comprehensive risk management based on the nature of insurance funds. This approach ensures intensive, professional, standardized, and market-oriented operations.

Insurance funds are limited to the following forms of investment: (i) bank deposits; (ii) trading in bonds, stocks, securities investment fund shares, and other securities; (iii) investment in real estate; (iv) investment in equity interests; and (v) other forms of investment as stipulated by the State Council. Overseas investment with insurance funds shall comply with the relevant requirements of the NFRA, the PBOC and the SAFE.

Except where otherwise regulated by the NFRA, insurance groups (holding) companies and insurance companies engaging in the utilization of insurance funds must not conduct the following activities: (i) depositing funds with non-bank financial institutions; (ii) purchasing stocks listed under special treatment or those flagged with the risk of delisting by the exchanges; (iii) investing in equity or real estate that does not comply with national industrial policies; (iv) directly engaging in real estate development and construction; (v) using investment assets formed from insurance fund utilization to provide guarantees or issue loans to others, except for personal policy pledge loans; and (vi) other investment activities prohibited by the NFRA.

Pursuant to the Several Opinions of Accelerating the Development of the Modern Insurance Service Industry (《國務院關於加快發展現代保險服務業的若干意見》), promulgated by the State Council and effective from August 10, 2014, the State Council requires that the unique long-maturity advantages of insurance funds should be fully utilized when making investments. Efforts shall be made to innovate the investment models of insurance funds and improve the efficiency of insurance fund allocation on the precondition that the security and profitability is guaranteed.

Bank Deposits

Pursuant to PRC Insurance Law, the Administrative Measures for the Use of Insurance Funds, and the Notice on Regulating the Bank Deposit Business for Insurance Funds (《關於規範保險資金銀行存款業務的通知》) implemented on February 28, 2014 and amended on December 8, 2021, the insurance funds could be deployed for bank deposits, and an insurance company shall incorporate its bank deposits other than demand deposits as needed in maintaining its routine operations into the administration of investment accounts, strictly implement the rules for credit assessment, investment decision-making, and risk management, improve the management of operational procedures such as the opening of accounts, transfer of funds, and safekeeping of documents, and procure operations in compliance with regulations.

When an insurance company makes bank deposit, it should choose a commercial bank with insurance funds custodian qualification or other professional financial institutions to conduct a third-party custody, so as to prevent the risk of fund misappropriation. Any insurance company shall not use its bank deposit for providing pledge financing to others, guarantees, entrusted loans or seeking benefits for others. If an insurance company finances itself by pledging its bank deposits, the obtained funds should be primarily used for the needs such as temporary position adjustments and large-amount insurance claims, and the amount of financing will be covered by the financial leverage ratio supervision and management.

Equity of Listed Companies

Pursuant to the Notice on Regulating the Stock Investment Business of Insurance Institutions (《關於規範保險機構股票投資業務的通知》) implemented on March 18, 2009 and amended on December 8, 2021, an insurance company shall, in light of the characteristics of insurance funds and its solvency, uniformly allocate the domestic and overseas stock assets and reasonably determine the stock investment scale and proportion.

According to the Notice on Matters in relation to Further Enhanced Regulation of Stock Investment with Insurance Funds (《關於進一步加強保險資金股票投資監管有關事項的通知》) promulgated by the CIRC on January 24, 2017 and effective from the same date, investment in listed companies' shares by insurance institutions or insurance institutions with non-insurance parties acting in concert can be categorized into three types, namely general stock investment, substantial stock investment and acquisition of listed companies, and the insurance regulatory authority of the State Council implements differential supervision criteria in accord with actual situations. An insurance institution which engages in general stock investment shall have a comprehensive solvency ratio no less than 100% in the last quarter, while an insurance institution which engages in substantial stock investment and acquisition of listed companies shall have a comprehensive solvency ratio no less than 150% in the last quarter and shall report its investment management capability to the competent authorities and fulfill its internal control requirements in relation to deployment of insurance funds. An insurance institution can apply its insurance funds for investment in listed companies' shares and is free to choose industries for its investment but shall make rational investment choices in accord with sources, costs and durations of the funds and the investment shall be beneficial to asset-liability management and has synergy to its core business.

Equity of Unlisted Companies

Pursuant to the Interim Measures on Equity Investment with Insurance Funds (《保險資金投資股權暫行辦法》), promulgated by the CIRC on July 31, 2010 and amended on November 12, 2020, insurance company can invest in unlisted corporate shares and private equity funds. An enterprise to which direct or indirect equity investment is made with insurance funds shall satisfy the following conditions:

- (1) it was legally registered and formed and has the legal person status;

- (2) it complies with the industrial policies of the state and has the qualifications prescribed by the relevant departments of the state;
- (3) its shareholders and senior managements have a good credit and good business reputation;
- (4) its industry is at the stage of growth or maturity or is a strategic emerging industry, or it has the specific intent of going public and has relatively high value for mergers and acquisitions;
- (5) it has advantages in terms of market, technologies, resources, or competition and has room for value appreciation, expects good cash returns and has a specific dividend system;
- (6) its management team has the professional knowledge, industrial experience and management ability appropriate for performing its functions;
- (7) it is not involved in any major legal disputes, the property rights of its assets are integrated and intact, and there is no legal defect in its equities or ownership;
- (8) it has no affiliated relationship with any insurance company, investment institution or professional institution, except for the relationships permitted by regulatory provisions, and have been reported and disclosed in advance; and
- (9) it satisfied other prudent conditions as prescribed by the insurance regulatory authority of the State Council.

No insurance funds shall be invested in the equity of an enterprise which does not comply with the industrial policies of the state, has no prospect for a stable cash return or appreciation in asset value, emits high pollution or is a high energy-consuming project, fails to reach the national standards on energy conservation or environmental protection, or has relatively low added value in technology. Neither shall insurance funds be invested in venture capital, venture capital funds, establishment of or equity investment in investment institutions.

Insurance funds that invest in the equities of insurance-like enterprises are not governed by the preceding paragraphs (2), (4), (5), (8).

According to the Circular on Matters Relating to Financial Equity Investment of Insurance Funds (《關於保險資金財務性股權投資有關事項的通知》) implemented on November 12, 2020, when insurance funds are invested in the financial equity investment, insurance institutions can, under the conditions of safety, liquidity and profitability, comprehensively consider such factors as solvency, risk preference, investment budget, assets and liabilities, and independently select the industry scope of investment enterprises according to laws and regulations.

According to Notice by the National Financial Regulatory Commission of Matters Concerning Major Equity Investments in Unlisted Enterprises with Insurance Funds (《國家金融監督管理總局關於保險資金未上市企業重大股權投資有關事項的通知》) implemented on April 2, 2025, insurance companies undertaking material equity investments may invest in insurance sector enterprises, non-insurance financial institutions, insurance-related businesses including elderly care, healthcare, automotive services, technology, big data industries and modern agriculture, shared services enterprises compliant with regulatory provisions, and other entities approved by the NFRA.

Overseas Investment

Pursuant to the Interim Administrative Measures for Overseas Investment with Insurance Funds (《保險資金境外投資管理暫行辦法》), as revised on December 8, 2021, insurance companies intending to invest overseas using insurance funds must apply to the China Banking and Insurance Regulatory Commission (CBIRC) for approval. Once approved, the entrusted party managing the overseas investment must then apply to the State Administration of Foreign Exchange (SAFE) for a foreign exchange remittance quota in accordance with relevant procedures.

When conducting overseas investments, insurance funds must invest in financial markets located in countries and regions listed in the Detailed Rules for the Implementation of the Interim Administrative Measures for Overseas Investment with Insurance Funds (《保險資金境外投資管理暫行辦法實施細則》), which were amended on December 8, 2021. Permitted investment categories include: (i) money market products, (ii) fixed-income products, (iii) equity products, and (iv) real estate products.

REGULATIONS ON ASSET MANAGEMENT BUSINESS

Private Assets Management Business

A securities company engaging in private assets management business is mainly regulated by the following laws and regulations: Guidance on the Regulation of Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), effective on April 27, 2018, Notice on Further Specifying Certain Matters Concerning the Guidance on Regulating Asset Management Business of Financial Institutions (《關於進一步明確規範金融機構資產管理業務指導意見有關事項的通知》), effective on July 20, 2018, the Administrative Measures for Private Investment Assets Management Business of Securities and Futures Operators (《證券期貨經營機構私募資產管理業務管理辦法》), effective on March 1, 2023, and Regulations on the Operation and Management of Private Asset Management Plans for Securities And Futures Operators (《證券期貨經營機構私募資產管理計劃運作管理規定》), effective on March 1, 2023.

The securities and futures operation institutions (including securities companies, fund management companies, futures companies and subsidiaries legally established by the aforementioned institutions to engage in private asset management business) engaging in private investment assets management business shall satisfy the relevant conditions, including the requirements of net assets and net capital, the requirements of corporate governance structure, the conditions of internal control, senior management qualifications and staffing requirements, etc., and shall be legally authorized by the CSRC. Such asset management scheme shall have a definite and legal investment direction, clear risk return characteristics, and differentiate the asset categories the investment finally goes into, and determine the category of asset management scheme according to the relevant provisions. Where the asset management scheme invests in other asset management products, it shall clearly stipulate that the asset management products invested shall no longer invest in other asset management products other than public funds.

Insurance Asset Management

Pursuant to the Administrative Provisions on Insurance Asset Management Companies (《保險資產管理公司管理規定》), which was promulgated by CBIRC on July 28, 2022 and implemented on September 1, 2022, the insurance asset management company refers to a financial institution established in PRC upon approval by the NFRA to carry out asset management business and other businesses permitted by the financial regulatory departments of the State Council in such form as accepting entrustment by insurance group (holding) companies, insurance companies or other qualified investors and issuance of insurance asset management products, to materialize long-term preservation and appreciation of asset value.

The business scope of an insurance asset management company shall include the following businesses: (i) entrusted management of insurance funds and all kinds of assets arising therefrom; (ii) entrusted management of other funds and all kinds of assets arising therefrom; (iii) management and operation of self-owned funds in Renminbi or foreign currencies; (iv) carrying out insurance asset management product business, asset securitization business, insurance private equity fund business, etc.; (v) carrying out investment consultation, investment consultancy, and providing professional services such as operation, accounting and risk management related to asset management business; (vi) other businesses approved by the NFRA; and (vii) businesses approved by other departments of the State Council. “Other funds” referred to in aforementioned item (ii) shall include basic pension insurance funds, social security funds, enterprise annuity funds, occupational annuity funds, etc., as well as other funds of domestic and overseas qualified investors with corresponding risk identification and risk tolerance.

An insurance asset management company shall establish a corporate governance structure with a sound organization, clear division of duties, effective checks and balances and reasonable incentives and restraints, maintain independent and standardized operation, and safeguard the legitimate rights and interests of investors. An insurance asset management company shall establish an effective risk isolation mechanism with shareholders and a system for the isolation of business and client key information, prevent risk contagion, insider trading, conflict of interest and tunnelling by taking such measures as isolating funds, businesses, management, personnel, systems, business premises and information, etc., and prevent the use of undisclosed information for trading or other illegal or irregular acts.

REGULATIONS ON CYBERSECURITY AND DATA PROTECTION

Internet content in China is regulated and restricted from a state security standpoint. The SCNPC enacted the Decisions on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017, pursuant to which, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of critical information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC. Their purchase of network products and services that may affect national security shall be subject to national cybersecurity review.

On December 28, 2021, the CAC together with 12 other departments, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which took effect on February 15, 2022. The Measures for Cybersecurity Review provides that: (i) network platform operators that are engaged in data processing activities which have or may have an implication on national security shall undergo a cybersecurity review; (ii) a critical information infrastructure operator, (the “CIIO”), that purchases internet products and services which affect or may affect national security, shall be subject to the cybersecurity review; (iii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iv) network platform operators that master personal information of more than one million users and seek to list abroad (國外上市) shall apply for a cybersecurity review with the Cybersecurity Review Office; (v) the risks of core data, important data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, important data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process; and (vi) the competent authorities may initiate a cybersecurity review without application when they have reason to believe that any data processing activities affect or may affect national security.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. In addition, the Data Security Law provides that important data processors shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities.

On July 30, 2021, the State Council issued the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “CII Regulations”), which took effect on September 1, 2021. Pursuant to the CII Regulations, “critical information infrastructures” refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy sources, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may have severe impact on national security, national economy and citizen’s livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, and the SAMR promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (the “Algorithm Recommendation Provisions”) (《互聯網信息服務算法推薦管理規定》), which took effect on March 1, 2022. The Algorithm Recommendation Provisions implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, and stipulates that algorithm-based recommendation service providers should inform users of their provision of algorithm-based recommendation services in a conspicuous manner, and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm-based recommendation services in an appropriate manner, and requires such service providers to provide users with options that are not specific to their personal profiles, or convenient options to cancel algorithmic recommendation services.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》) (the “**Data Export Measures**”) which took effective on September 1, 2022. The Data Export Measures provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the important data to be transferred to an overseas recipient by data processor; (ii) where the personal information to be transferred to an overseas recipient by operators of critical information infrastructure and personal information processor that has processed personal information of more than one million people; (iii) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people are transferred overseas accumulatively from January 1 of last year; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties.

On February 22, 2023, the CAC issued the Measures for Standard Contract for Outbound Data Transfer of Personal Information (《個人信息出境標準合同辦法》), effective on June 1, 2023. The measures provide a transitional period of six months from the effective date for companies to take necessary measures to comply with the requirements. According to the measures, where a personal information processor provides personal information abroad by concluding a standard contract, the contract should be concluded in compliance with the form standard contract. The measures further provide that personal information processors may agree on other terms with overseas recipients, but they should not conflict with the standard contract. According to the measures, the personal information processor should within ten working days from the effective date of the standard contract, file with the local provincial network information department and submit the standard contract and personal information protection impact assessment report for record.

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The provisions provide several exemptions from undergoing data security assessment, obtaining personal information protection certification, or entering into standard contract for outbound transfer of personal information for businesses.

On September 24, 2024, the State Council published the Regulation on Network Data Security Management (《網絡數據安全管理條例》), the “**Data Security Regulations**”), which provides that where network data processing activities carried out by a network data processor affect or may affect national security, national security review shall be conducted in accordance with the relevant provisions issued by the state.

The Data Security Regulations also state that data processors processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC at the municipal level before January 31 of each year. In addition, the Data Security Regulations also require the processor of important data (including the network data processor processing the personal information of 10 million or more individuals) shall specify the person in charge of network data security and the management body for network data security. Further, the processor of important data shall conduct annual risk assessment of its data processing activities, and submit risk assessment reports to the appropriate department at or above the provincial level, which shall promptly notify the cyberspace administration and the public security authority at the same level.

REGULATORY PROCEDURE ON THE ISSUANCE OF FOREIGN BONDS

Pursuant to the Order 56, which was promulgated by NDRC and became effective on February 10, 2023, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to NDRC for dealing with the formalities of record-filing and registration before issuance. NDRC shall issue a Certificate of Examination and Registration within 3 months after accepting the application. The enterprises shall submit the issuance information to NDRC within 10 working days after the completion of issuance each time.

According to the SAFE Measures and its operating guidelines, effective on May 13, 2013 and amended on May 4, 2015, the Capital Account Foreign Exchange Operational Guidelines (2024) (《資本項目外匯業務指引(2024)》), issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within the prescribed time limit. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On January 12, 2017, the PBOC issued the Circular of the People's Bank of China on Implementation of the Macro-prudence Management of Cross-border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the “**Cross-Border Financing Circular**”), which came into effect on the same date, and amended on March 11, 2020. The Cross-Border Financing Circular established a mechanism aimed at regulating cross-border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and supporting guidelines (together, the “**CSRC Filing Rules**”), which came into effect on March 31, 2023. The CSRC Filing Rules will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. The CSRC Filing Rules state that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. In connection with the CSRC Filing Rules, on February 17, 2023 the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Notice on Overseas Listing Measures**”). According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by March 31, 2023, the date the Overseas Listing Measures became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the CSRC Filing Rules when it subsequently seeks to conduct a follow-on offering. The CSRC Filing Rules provide that an overseas offering and listing, including the follow-on offering of convertible bonds, is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist

market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the "**Forbidden Circumstances**"). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

TAX

Laws and Regulations Related to Enterprise Income Tax

According to the PRC EIT Law, promulgated by the People's Congress on March 16, 2007 and revised and implemented on February 24, 2017 and December 29, 2018, and the Implementation Rules for Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and taking effect on January 1, 2008, and revised and implemented on January 20, 2025, all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%.

Laws and Regulations Related to Value-added Tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued by the State Council on December 13, 1993 and taking effect on January 1, 1994 and revised respectively on November 10, 2008, February 6, 2016 and November 19, 2017 ("**Provisional Regulations on VAT**"), all the entities and persons engaged in sales of goods or provision of processing, repair and maintenance labor, sales of services, intangible assets or real estate or import of goods in China shall be subject to value-added tax. The taxable value shall be calculated based on the output tax and input tax. Unless otherwise specified by the Provisional Regulations on VAT (《增值稅暫行條例》), for the sales of goods, labor, tangible asset lease services or import of goods by the tax payer, the VAT rate shall be 17%; for the sales of transportation, postal, basic telecom, construction and real estate lease service, sales of real estate, transfer of land use right, sales and import of special goods listed in the Provisional Regulations on VAT by the tax payer, the VAT rate shall be 11%; for the sales of services and intangible assets by the tax payer, the VAT rate shall be 6%. Unless otherwise specified, the VAT rate for the export of goods by the tax payer shall be zero; and the VAT rate for the cross-border sales of services and intangible assets within the scope as specified in the regulations of the State Council by the domestic institutions and individuals shall be zero.

In addition, according to the Pilot Proposals for the Change from Business Tax to Value-Added Tax (《營業稅改徵增值稅試點方案》) jointly issued by the MOF and SAT, on and from January 1, 2012, the government will gradually commence the taxation reform and the change from business tax to value-added tax for the regions and industries with strong economic performance. Implementation Measures for Change from Business Tax to Value-Added Tax (《營業稅改徵增值稅試點實施辦法》) issued on March 23, 2016 and latest amended on April 1, 2019, prescribed that the pilot operation of change from business tax to value-added tax shall be started for all the regions and industries.

According to the Circular on Simplifying and Integrating Policies Related to Value-added Tax Rate (《關於簡併增值稅稅率有關政策的通知》) jointly issued by SAT and MOF on April 28, 2017 and taking effect on July 1, 2017, the VAT rate structure will be simplified on July 1, 2017, and the VAT rate of 13% will be canceled. The tax payer selling or importing the following goods shall be subject to value-added tax at the tax rate of 11%: agricultural products (including food), tap water, heating, liquefied petrochemical gas, natural gas, edible vegetable oil, air conditioning, hot water, gas, coal product for household use, edible salt, farm machinery, feedstuff, pesticide, agricultural film, fertilizer, marsh gas, dimethyl ether, books, newspaper, magazines, audio and video products and electronic publications.

On April 4, 2018, SAT and MOF jointly issued Circular on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) to further adjust the VAT rate, including the change of tax rate from 17% and 11% to 16% and 10% respectively for the taxable sales or import of goods by the tax payer. Subsequently, the Ministry of Finance, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The members of the Company's board of directors at the date of this Offering Circular are as follows:

Name	Title
Mr. FU Fan	Executive Director and Chairman
Mr. ZHAO Yonggang	Executive Director and President
Mr. HUANG Dinan	Non-executive Director and Vice Chairman
Mr. WANG Tayu	Non-executive Director
Mr. CHEN Ran	Non-executive Director
Mr. ZHOU Donghui	Non-executive Director
Ms. LU Qiaoling	Non-executive Director
Mr. John Robert DACEY	Non-executive Director
Ms. CHEN Xin	Independent Non-executive Director
Ms. LAM Tyng Yih, Elizabeth	Independent Non-executive Director
Ms. LO Yuen Man, Elaine	Independent Non-executive Director
Mr. CHIN Hung I David	Independent Non-executive Director
Mr. JIANG Xuping	Independent Non-executive Director

The biographies of the Company's directors, supervisors and senior management as of the date of this Offering Circular are as follows:

(A) DIRECTORS

Mr. FU Fan

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

Mr. ZHAO Yonggang

Mr. ZHAO Yonggang currently serves as executive director and president of the Company, chairman of CPIC Life. Mr. ZHAO served as director of the Strategic Transformation Office of CPIC Life, general manager of Heilongjiang Branch and Henan Branch, and human resources director of CPIC Life, vice president of the Company, and vice chairman of the board of supervisors and director of Haitong Securities Co., Ltd.. Mr. ZHAO holds a bachelor's degree.

Mr. HUANG Dinan

Mr. HUANG Dinan currently serves as vice chairman and non-executive director of the Company, and chairman of Shenergy Group Co., Ltd. Previously, Mr. HUANG was consecutively research fellow, deputy head of the No. 3 Research Team, assistant director and vice director of the Research Institute of Shanghai Turbine Plant; assistant general manager, deputy general manager and general manager of Shanghai Turbine Plant; assistant president, head of the President's Office, vice president and president of Shanghai Turbine Company Limited; vice president, president, and vice chairman of Shanghai Electric (Group) Corporation; president, vice chairman and chairman of Shanghai Electric Group Company Limited, a

company listed on SSE and SEHK (SSE stock code: 601727, SEHK stock code: 02727), president of China Society of Power Engineering, and president of Shanghai Society for Electrical Engineering. Mr. HUANG holds a master's degree and a title of Senior Engineer (professor level).

Mr. WANG Tayu

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

Mr. CHEN Ran

Mr. CHEN Ran currently serves as non-executive director of the Company, senior deputy general manager of Baowu Intelligent Equipment Co., Ltd. Mr. CHEN previously served as vice president of Hwabao Investment Co., Ltd., chairman, director, president and deputy general manager of Shanghai Ouyeel Financial Information Service Co., Ltd., director of China United SME Guarantee Corporation, executive director of Easternpay Information & Technology Co., Ltd., chairman of Shanghai Ouyeel Pawn Co., Ltd., sales representative, sales manager of the First Marketing Department of Shanghai Baosteel Trading Co. Ltd, Leadership Development Manager of Human Resources Department and senior secretary of the Administration Office of China Baowu Steel Group Corporation Limited. Mr. CHEN holds a bachelor's degree.

Mr. ZHOU Donghui

Mr. ZHOU Donghui currently serves as non-executive director of the Company, director of the Division of Internal Monopoly Management and Supervision of Shanghai Tobacco Monopoly Administration, vice chairman and director of Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd., and vice chairman and director of Shanghai Deqiang Industrial Co., Ltd.. Previously, Mr. ZHOU was deputy manager and manager of the Financial Department of Shanghai Import and Export of China Tobacco Co., Ltd., deputy director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., deputy director of the Financial Department, deputy head of the Fund Management Center, deputy director and director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., deputy general manager, executive deputy general manager and general manager of Shanghai Haiyan Investment Management Co., Ltd., and non-executive director of Haitong Securities Co., Ltd., and non-executive director of Orient Securities Company Limited listed on both SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958). Mr. ZHOU holds a bachelor's degree and the designation of Senior Accountant.

Ms. LU Qiaoling

Ms. LU Qiaoling currently serves as non-executive director of the Company, director of Hwabao Trust Co., Ltd., director of Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd., and supervisor of Xinyu Iron & Steel Group Co., Ltd.. Previously, Ms. LU was chief accountant of Hebei Petrochemical Supply and Marketing Corporation, deputy director of the Industry Guidance Department and deputy director of the Administration Office of the Audit Bureau of the Ministry of Chemical Industry, assistant inspector of the State Council's Audit Commissioner, and full-time supervisor for state-owned medium – and large-sized enterprises under the CPC Central Enterprise Working Committee, deputy director and director of the Internal Audit Department of Baosteel Group Co., Ltd., director of the Internal Audit Department of Baoshan Iron and Steel Co., Ltd., deputy general manager of Baosteel Engineering Technology Group Co., Ltd., director of Baosteel Group Finance Co., Ltd., director of Baowu Group Zhongnan Iron and Steel Co., Ltd., head of the Internal Audit Department and general manager of the Finance Department of China Baowu Steel Group Corporation Limited. Ms. LU holds a master's degree, and has the designations of senior accountant, certified public accountant, and auditor.

Mr. John Robert DACEY

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

Ms. CHEN Xin

Ms. CHEN Xin currently serves as an independent non-executive director in China Merchants Securities Co., Ltd. (SSE Stock Code: 600999, HKSE Stock Code: 06099), which is listed on the SSE and the HKSE. Ms. CHEN previously served as a member of the Executive Committee and the Head of China market of Banque Internationale à Luxembourg S.A., the head of the preparatory group of London Branch, the chief representative of London Representative Office and the General Manager of London Branch of Shanghai Pudong Development Bank Co., Ltd. (a company listed on the SSE, SSE Stock Code: 600000). Prior to the above, Ms. CHEN also served as a deputy section chief of the Reserve Management Division of the Foreign Exchange Business Department (外匯業務司儲備管理處), section chief of the Clearing Division of the Reserve Management Department (儲備管理司清算處) of SAFE (the State Administration of Foreign Exchange), dealer of the dealing room of the People's Bank of China Representative Office for Europe, section chief of the Risk Management Division (風險管理處), deputy head of the Comprehensive Division (綜合處), head of the Internal Audit Division & Human Resource Division (內部審計處兼人力資源處) of the Reserve Management Department of SAFE, the head and chief dealer of the Dealing Room of the People's Bank of China Representative Office for Europe, General Manager of China Huaou Investment Company Limited (中國華歐投資有限公司) (Ginkgo Tree Investment Co., Ltd (銀杏樹投資有限公司)), deputy head of the preparatory group and the deputy CEO of Agricultural Bank of China (UK) Ltd. Ms. CHEN holds a master's degree.

Ms. LAM Tyng Yih, Elizabeth

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

Ms. LO Yuen Man, Elaine

Ms. LO Yuen Man, Elaine, currently serves as independent non-executive director of the Company, and chief managing partner of Jingtian & Gongcheng LLP in Hong Kong. Ms. LO served as chief managing partner of Mayer Brown in Hong Kong and chairman of the board of directors in Asia region, independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited and chairman of its Audit and Risk Committee. Ms. LO has been appointed by the Chief Executive of the Hong Kong Special Administrative Region several times as a member to a number of advisory committees and statutory bodies, including the Advisory Committee on Post-Office Employment for Former Chief Executives and Politically Appointed Officials of the Hong Kong Special Administrative Region, the Executive Council of the Hong Kong Special Administrative Region, the Independent Commission on Remuneration for Members of the Legislative Council and Officials under the Political Appointment System, the Independent Commission on Remuneration for Members of the District Councils of the Hong Kong Special Administrative Region, the Standing Commission on Civil Service Salaries and Conditions of Service of the Hong Kong Special Administrative Region, the Hong Kong Women's Commission, the Working Group on Professional Services of the Hong Kong Economic Development Board. Ms. LO was awarded the Order of Merit by the Government of the Hong Kong Special Administrative Region in July 2021. Ms. LO holds a university degree in law, a Bachelor of Laws degree with Honours, and is qualified to practise as a solicitor in Hong Kong, the United Kingdom, Australia and Singapore. She is also a China-appointed notary public appointed by the Ministry of Justice of the People's Republic of China.

Mr. CHIN Hung I David

Mr. CHIN Hung I, David, currently serves as independent non-executive director of the Company. He previously held positions as head of UBS AG Investment Bank Asia Pacific and the China Country Head of UBS AG, as well as head of Investment Banking Division of UBS AG Asia. Mr. CHIN also served as a non-executive director of Postal Savings Bank of China Co., Ltd., a company listed on SSE and HKSE (SSE Stock Code: 601658, HKSE Stock Code: 01658). Prior to that, Mr. Chin served at S.G. Warburg and Price Waterhouse London office. Mr. CHIN holds the qualification of chartered accountant in the UK. Mr. CHIN graduated from the University of Cambridge with a Master of Arts degree.

Mr. JIANG Xuping

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

(B) SUPERVISORS

Ms. ZHOU Liyun

Ms. ZHOU Liyun currently serves as vice chairman of the board of supervisors, employee representative supervisor and chairman of the Labor Union of the Company. She previously held positions such as deputy director of the Shanghai Talent Service Center, general manager of the Organization and Human Resources Department of Shanghai Urban Construction Investment and Development (Group) Co., Ltd., deputy general manager of Shanghai Chengtuo Water (Group) Co., Ltd., and vice president of Shanghai Chengtuo (Group) Co., Ltd. Ms. Zhou holds a master's degree.

Mr. DONG Zhiqiang

Mr. DONG Zhiqiang is currently a shareholder representative supervisor of the Company and deputy general manager of Yunnan Hehe (Group) Co., Ltd. He currently also serves as director of Yunnan Honghe Investment Co., Ltd. His prior roles include senior assistant of the Financial Management Department of Yunnan Tobacco Industry Co., Ltd., head of the Financial Management Department of Yunnan Hehe (Group) Co., Ltd., senior staff member (level of section chief and deputy section chief respectively) of the Financial Management Department of Yunnan Tobacco Industry Co., Ltd., and chairman of the board of supervisors of Yunnan Fupai Industrial Co., Ltd. Mr. DONG holds a master's degree and the professional designation of Senior Accountant.

Mr. GU Qiang

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

(C) SENIOR MANAGEMENT

Mr. FU Fan currently serves as chairman and executive director of the Company. Mr. ZHAO Yonggang currently serves as executive director and president of the Company. Please refer to the section entitled “*Directors, Supervisors and Senior Management – (a) Directors*” for more information on their work experience and concurrent positions.

Mr. YU Bin

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

Mr. MA Xin

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

Mr. SU Gang

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

Mr. ZHANG Weidong

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

Mr. WANG Mingchao

Mr. WANG Mingchao currently serves as director of human resource and the head of the organization department of the party committee of the Company. Mr. WANG served as Head of Cadre's Section of Human Resources Department of CPIC Life, Assistant General Manager of Human Resources Department of CPIC Life, Deputy Head and Head of Party Affairs Department/Organization and Cadre Department of CPIC Life, Senior Deputy General Manager of CPIC Life Shanghai Branch, General Manager of Cooperation Business Department, General Manager of Shanghai Branch (Business Centre) and Sales Director of the Company, Head of Individual Life Insurance Cooperation Business Centre (SBU) of the Company, Board Secretary of CPIC P/C, and Director of Board Office of CPIC Group. Mr. WANG holds a master's degree and title of Senior Human Resources Professional.

Mr. ZHANG Yuanhan

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

Mr. CHEN Wei

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

Mr. SU Shaojun

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

Mr. ZHANG Yuhua

Mr. ZHANG Yuhua currently serves as market development director of the Company. Previously, he served as deputy general manager of CPIC P/C Shenzhen Branch, general manager of CPIC P/C Sichuan Branch, deputy general manager and director of CPIC P/C. Prior to that, Mr. ZHANG worked at the Administration Department of the Hong Kong and Macao Affairs Office of the State Council, CPC Heze Municipal Party Committee, and the Heze Municipal Government. He received university education and holds a master's degree.

Mr. WANG Lei

Mr. WANG Lei currently serves as chief information officer and the executive president of the digital intelligence research institute of the Company. He also serves as the vice chairman of CPIC Technology. Mr. WANG previously served as the technical director of the Hangzhou research institute at NetEase (Hangzhou) Network Co., Ltd., general manager of NetEase Bao Co., Ltd., general manager of the NetEase financial division, and general manager of the Internet Digital Financial Services Division at Vivo Mobile Communication (Hangzhou) Co., Ltd. Mr. WANG holds a postgraduate degree, a doctoral degree, and the professional title of Senior Engineer.

SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' INTERESTS

SUBSTANTIAL SHAREHOLDERS

As of June 30, 2025, as far as is known to any Directors or Supervisors of the Company, the following persons (excluding the directors, supervisors or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”) or recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholders	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%) ^{note 1}	Percentage of the total shares issued (%) ^{note 1}
上海國際集團有限公司 ^{note 2} . . .	Beneficial owner	H Shares	192,068,400 (L)	6.92 (L)	2.00 (L)
	Interest of corporation controlled by 上海國際集團有限公司	H Shares	6,428,400 (L)	0.23 (L)	0.07 (L)
JPMorgan Chase & Co. ^{note 3} . . .	Beneficial owner	H Shares	29,373,582 (L)	1.06 (L)	0.31 (L)
			26,434,203 (S)	0.95 (S)	0.27 (S)
	Investment manager	H Shares	68,245,318 (L)	2.46 (L)	0.71 (L)
	Person having a security interest in shares	H Shares	1,008,899 (L)	0.04 (L)	0.01 (L)
	Approved lending agent	H Shares	89,755,930 (L)	3.23 (L)	0.93 (L)
			89,755,930 (P)	3.23 (P)	0.93 (P)
Schroders PLC ^{note 4}	Investment manager	H Shares	166,017,534 (L)	5.98 (L)	1.73 (L)
BlackRock, Inc. ^{note 5}	Interest of	H Shares	154,714,568 (L)	5.57 (L)	1.61 (L)
	corporation controlled by BlackRock, Inc.		4,107,800 (S)	0.15 (S)	0.04 (S)

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

Notes:

- As of June 30, 2025, the Company issued a total of 9,620,341,455 shares, including 6,845,041,455 A Shares and 2,775,300,000 H Shares.
- Pursuant to Part XV of the SFO, as of June 30, 2025, 上海國際集團有限公司 is deemed or taken to be interested in a total of 198,496,800 H Shares (long position) of the Company. The details of the shareholding interests of the company directly or indirectly controlled by 上海國際集團有限公司 are set out below:

Name of controlled company	Number of shares
上海國際集團(香港)有限公司	6,428,400 (L)

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as of June 30, 2025, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 188,383,729 H Shares (long position), 26,434,203 H Shares (short position) and 89,755,930 H Shares (lending pool) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by JPMorgan Chase & Co. are set out below:

Name of controlled company	Number of shares
JPMorgan Asset Management (China) Company Limited	69,800 (L)
JPMorgan Asset Management (Taiwan) Limited	2,560,800 (L)
J.P. Morgan SE	1,640 (L)
	5,297,672 (L)
J.P. Morgan Securities LLC	4,318,773 (S)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED.	2,853,759 (L)
J.P. Morgan Investment Management Inc.	12,449,359 (L)
JPMorgan Chase Bank, National Association	93,711,330 (L)
JPMorgan Asset Management (Asia Pacific) Limited	46,354,600 (L)
	25,084,769 (L)
J.P. MORGAN SECURITIES PLC.	22,115,430 (S)
JPMorgan Asset Management Holdings Inc.	64,288,318 (L)
	69,585,990 (L)
JPMorgan Chase Holdings LLC	4,318,773 (S)
JPMorgan Asset Management (Asia) Inc.	48,915,400 (L)
	25,086,409 (L)
J.P. Morgan International Finance Limited.	22,115,430 (S)
	25,086,409 (L)
JPMorgan Chase Bank, National Association	22,115,430 (S)
	5,297,672 (L)
J.P. Morgan Broker-Dealer Holdings Inc.	4,318,773 (S)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	2,853,759 (L)
	25,084,769 (L)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	22,115,430 (S)

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

4. Pursuant to Part XV of the SFO, as of June 30, 2025, Schroders PLC is deemed or taken to be interested in a total of 166,017,534 H Shares (long position) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by Schroders PLC are set out below:

Name of controlled company	Number of shares
Schroder Administration Limited	166,017,534 (L)
Schroder International Holdings Limited.	166,017,534 (L)
Schroder Investment Management (Hong Kong) Limited	12,695,600 (L)
Schroder Investment Management (Singapore) Ltd.	61,968,800 (L)
Schroder Investment Management Limited.	59,105,800 (L)
Schroder Investment Management Limited.	32,247,334 (L)
Schroder Investment Management North America Limited	32,247,334 (L)

(L) denotes a long position

5. Pursuant to Part XV of the SFO, as of June 30, 2025, BlackRock, Inc. is deemed or taken to be interested in a total of 154,714,568 H Shares (long position) and 4,107,800 H Shares (short position) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by BlackRock, Inc. are set out below:

Name of controlled company	Number of shares
	154,714,568 (L)
BlackRock Finance, Inc.	4,107,800 (S)
Trident Merger, LLC	1,087,400 (L)
BlackRock Investment Management, LLC	646,600 (L)
BlackRock Investment Management, LLC	440,800 (L)
	153,627,168 (L)
BlackRock Holdco 2, Inc.	4,107,800 (S)
	150,965,368 (L)
BlackRock Financial Management, Inc.	2,161,600 (S)
	2,661,800 (L)
BlackRock Financial Management, Inc.	1,946,200 (S)
	90,766,605 (L)
BlackRock Holdco 4, LLC	1,645,400 (S)
	90,766,605 (L)
BlackRock Holdco 6, LLC	1,645,400 (S)
	90,766,605 (L)
BlackRock Delaware Holdings Inc.	1,645,400 (S)
	30,458,605 (L)
BlackRock Institutional Trust Company, National Association	1,645,400 (S)
BlackRock Fund Advisors	60,308,000 (L)
BlackRock Capital Holdings, Inc.	96,200 (L)
BlackRock Advisors, LLC.	96,200 (L)
	60,102,563 (L)
BlackRock International Holdings, Inc.	516,200 (S)
	58,055,563 (L)
BR Jersey International Holdings L.P.	516,200 (S)
BlackRock Lux Finco S.à r.l.	2,997,483 (L)
BlackRock Japan Holdings GK.	2,997,483 (L)
BlackRock Japan Co., Ltd.	2,997,483 (L)
	47,554,990 (L)
BlackRock Holdco 3, LLC	516,200 (S)
BlackRock Canada Holdings ULC.	2,047,000 (L)
BlackRock Asset Management Canada Limited.	2,047,000 (L)
BlackRock Australia Holdco Pty. Ltd.	1,655,000 (L)
BlackRock Investment Management (Australia) Limited	1,655,000 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	8,845,573 (L)
BlackRock HK Holdco Limited	7,607,893 (L)
BlackRock Asset Management North Asia Limited.	4,610,410 (L)
	47,554,990 (L)
BlackRock Cayman 1 LP	516,200 (S)
	47,554,990 (L)
BlackRock Cayman West Bay Finco Limited	516,200 (S)
	47,554,990 (L)
BlackRock Cayman West Bay IV Limited	516,200 (S)
	47,554,990 (L)
BlackRock Group Limited.	516,200 (S)
BlackRock Finance Europe Limited.	15,356,277 (L)
BlackRock (Netherlands) B.V.	115,600 (L)
BlackRock (Netherlands) B.V.	6,048,675 (L)
BlackRock Advisors (UK) Limited	49,000 (L)
BlackRock International Limited.	161,800 (L)
	32,036,913 (L)
BlackRock Group Limited-Luxembourg Branch	516,200 (S)
	32,036,913 (L)
BlackRock Luxembourg Holdco S.à r.l.	516,200 (S)
BlackRock Investment Management Ireland Holdings Unlimited Company	31,886,713 (L)
BlackRock Asset Management Ireland Limited	31,886,713 (L)

Name of controlled company	Number of shares
	111,800 (L)
BLACKROCK (Luxembourg) S.A.	516,200 (S)
BlackRock Investment Management (UK) Limited.	4,484,468 (L)
BlackRock Investment Management (UK) Limited.	4,658,534 (L)
BlackRock (Netherlands) B.V. – German Branch – Frankfurt BlackRock	115,600 (L)
BlackRock Asset Management Deutschland AG	115,600 (L)
BlackRock Fund Managers Limited	4,484,468 (L)
BlackRock Life Limited	161,800 (L)
BlackRock (Singapore) Limited	1,237,680 (L)
BlackRock UK Holdco Limited	38,400 (L)
BlackRock Asset Management Schweiz AG	38,400 (L)
EG Holdings Blocker, LLC	646,600 (L)
Amethyst Intermediate, LLC	646,600 (L)
Aperio Holdings, LLC	646,600 (L)
Aperio Holdings, LLC	646,600 (L)
Aperio Group, LLC.	646,600 (L)

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

Save as disclosed above, as of June 30, 2025, the directors of the Company were not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

So far as the directors of the Company are aware, as of June 30, 2025, the following directors, supervisors or senior management of the Company had an interest or short position in shares, underlying shares or debentures of the Company which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions.

Name	Position	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued	Percentage of the total shares issued
					(%)	(%)
FU Fan	Chairman and an executive director	Beneficial owner	H Shares	210,400 (L)	0.01 (L)	0.00 (L)
ZHAO Yonggang .	Executive director and president	Beneficial owner	A Shares	12,900 (L)	0.00 (L)	0.00 (L)

(L) denotes a long position

CORPORATE STRUCTURE

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

For particulars of the Company's incorporated subsidiaries as of June 30, 2025, please refer to note IV to the financial statements in this Offering Circular.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of HK\$15,556,000,000 in aggregate principal amount of zero coupon convertible bonds due 2030 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) of China Pacific Insurance (Group) Co., Ltd. 中國太平洋保險(集團)股份有限公司 (the “**Issuer**”) and the right of conversion into H Shares (as defined in Condition 5.1.5 (*Meaning of “Shares”*)) of the Issuer were authorised by resolutions of the board of directors of the Issuer passed on September 10, 2025. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated on or about September 18, 2025 (the “**Issue Date**”) and made between the Issuer and Citicorp International Limited (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. The Issuer has entered into a paying, conversion and transfer agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about September 18, 2025 with the Trustee, Citibank, N.A., London Branch as principal paying agent and principal conversion agent (collectively in such capacities, the “**Principal Agent**”, which expression shall include any additional or successor principal agent appointed from time to time in connection with the Bonds), Citibank, N.A., London Branch as registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and transfer agent (the “**Transfer Agent**”, which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds), and the other paying agents, transfer agents and conversion agents appointed under it (each a “**Paying Agent**”, a “**Transfer Agent**” or a “**Conversion Agent**” (as applicable) and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. For the avoidance of doubt, references to the “**Paying Agents**”, the “**Transfer Agents**” or, as the case may be, the “**Conversion Agents**” each include the Principal Agent. References to the “**Principal Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, the registrar and the agents for the time being for the Bonds. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the Agency Agreement (i) are available for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m. Monday to Friday except for public holidays) at the specified office of the Trustee, being at the date of the Trust Deed at 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong and (ii) may be provided by email from the Principal Agent to any Bondholder, in each case, following prior written request and proof of holding and identity to the satisfaction of the Trustee or the Principal Agent, as the case may be. The Bondholders (as defined in Condition 1.3 (*Title*)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 STATUS; FORM, DENOMINATION AND TITLE

1.1 Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 3.1 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1 (*Negative Pledge*), at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.

1.2 Form and Denomination

The Bonds are issued in registered form in the specified denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof (each, an “**Authorised Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

1.3 Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 2 (*Registration and Transfers of Bonds; Issue of Certificates*). The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered.

2 REGISTRATION AND TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

2.1 Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and Hong Kong and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

2.2 Transfers

Subject to Conditions 2.5 (*Restricted Transfer Periods*) and 2.6 (*Regulations*) and the terms of the Agency Agreement, a Bond may be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or of any of the Transfer Agents. No transfer of a Bond will be valid or effective unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

2.3 Delivery of New Certificates

2.3.1 Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Registrar and each Transfer Agent.

Except in the limited circumstances described in the Global Certificate, the Bonds will only be issued to the Bondholders in book-entry form and owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

2.3.2 Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

2.3.3 For the purposes of this Condition 2.3 (*Delivery of New Certificates*), “**business day**” shall mean a day other than a Saturday or Sunday or public holiday on which commercial banks are generally open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

2.4 Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied with the documents of title and/or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the Regulations (as defined in Condition 2.6 (*Regulations*) below) have been complied with.

2.5 Restricted Transfer Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any amount pursuant to these Conditions (including any date of redemption pursuant to Condition 7.2 (*Redemption at the Option of the Issuer*) and Condition 7.3 (*Redemption for Taxation Reasons*)); (ii) after a Conversion Notice (as defined in Condition 5.2.1 (*Conversion Notice*)) has been delivered with respect to such Bond; (iii) after a Put Option Notice (as defined in Condition 7.4 (*Redemption at the Option of the Bondholders*)) has been deposited in respect of such Bond; or (iv) after a Relevant Event Put Exercise Notice (as defined in Condition 7.5 (*Redemption for Relevant Events*)) has been deposited in respect of such Bond, each such period being a “**Restricted Transfer Period**”.

2.6 Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds, the initial form of which is scheduled to the Agency Agreement (the “**Regulations**”). The Regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available (free of charge to the Bondholder and at the Issuer’s expense) by the Registrar to any Bondholder following written request and satisfactory proof of holding and identity and is available for inspection following written request and proof of holding and identity satisfactory to the Registrar at all reasonable times during usual business hours at the specified office of the Registrar.

3 COVENANTS

3.1 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that no Principal Subsidiary, other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary (as defined below), will create, or have outstanding, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than a security interest arising by operation of law) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital), present or future, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

3.2 Undertakings Relating to Foreign Debt Registration

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds (the “**Foreign Debt Registration**”) pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 as amended from time to time (the “**Foreign Debt Registration Measures**”) and if applicable, the Circular of the People’s Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the “**Cross-Border Financing Circular**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to the Foreign Debt Registration Measures, the Cross-Border Financing Circular and any implementing measures promulgated thereunder from time to time.

3.3 Notification to NDRC

The Issuer undertakes that it will within the relevant prescribed timeframes after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (“**Order 56**”) issued by the NDRC and effective from 10 February 2023 and any implementation rules, reports, certificates, approvals or

guidelines as issued by the NDRC from time to time, including but not limited to, the Initial NDRC Post-Issuance Filing (as defined below).

3.4 CSRC Post-Issuance Filings

The Issuer undertakes to file or cause to be filed with the CSRC (as defined below) within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds in accordance with the CSRC Filing Rules (as defined below) (the “**CSRC Post-Issuance Filings**”, which term for the avoidance of doubt, includes the Initial CSRC Post-Issuance Filing (as defined below)) and comply with the continuing obligations under the CSRC Filing Rules and any implementation rules as issued by the CSRC from time to time.

3.5 Notification of Submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing and the completion of the Foreign Debt Registration

The Issuer shall:

3.5.1 file or cause to be filed (i) the Initial NDRC Post-Issuance Filing with the NDRC or its competent local counterpart of the information and documents relating to the issue of the Bonds that are required to be filed in accordance with Order 56 within ten Registration Business Days after the Issue Date (the “**Initial NDRC Post-Issuance Filing**”) and (ii) the CSRC Filing Report and other requisite information and documents in respect of the Bonds that are required to be filed with the CSRC within three Registration Business Days after the Issue Date in accordance with the CSRC Filing Rules (the “**Initial CSRC Post-Issuance Filing**”); and

3.5.2 on or before the Registration Deadline and within ten Registration Business Days after the latest of (i) the submission of the Initial NDRC Post-Issuance Reporting, (ii) the submission of the Initial CSRC Post-Issuance Filing, and (iii) receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE), provide the Trustee with (A) a certificate (substantially in the form scheduled to the Trust Deed) in English signed by an Authorised Signatory (as defined in the Trust Deed) confirming the submission of the Initial NDRC Post-Issuance Reporting and the Initial CSRC Post-Issuance Filing, the completion of the Foreign Debt Registration; and (B) copies of the relevant documents evidencing the submission of the Initial NDRC Post-Issuance Reporting and the Initial CSRC Post-Issuance Filing and the completion of Foreign Debt Registration, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Issuer (the items specified in (A) and (B) together, the “**Registration Documents**”). In addition, the Issuer shall, within ten Registration Business Days after the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16 (*Notices*)) confirming the submission of the Initial NDRC Post-Issuance Reporting and the Initial CSRC Post-Issuance Filing and the completion of the Foreign Debt Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or assist with or ensure the Initial NDRC Post-Issuance Filing or the Initial CSRC Post-Issuance Filing is submitted or the Foreign Debt Registration is submitted or completed within the timeframe specified in Condition 3.2 (*Undertakings Relating to Foreign Debt Registration*), Condition 3.3 (*Notification to NDRC*) and Condition 3.4 (*CSRC Post-Issuance Filings*), respectively, or to verify the accuracy, content, completeness, validity and/or genuineness of any documents in relation to or in connection with the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing and/or the Foreign Debt Registration and/or the Registration Documents or to translate or procure the translation into English of the documents in relation to or in connection with

the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing or the Foreign Debt Registration or to give notice to the Bondholders confirming the completion of the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing and the Foreign Debt Registration, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

3.6 Definitions

For the purposes of these Conditions:

“**CSRC**” means the China Securities Regulatory Commission;

“**CSRC Filing Rules**” means the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC on 17 February 2023 and became effective on 31 March 2023, as amended, supplemented or otherwise modified from time to time;

“**CSRC Filing Report**” means the filing report of the Issuer in relation to the issuance of the Bonds which will be submitted to the CSRC within three Registration Business Days after the Issue Date pursuant to Articles 13 and 16 of the CSRC Filing Rules;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Listed Subsidiary**” means, at any time, any Subsidiary of the Issuer the ordinary voting shares of which are at such time listed on The Stock Exchange of Hong Kong Limited or any recognised stock exchange;

“**NDRC**” means the National Development and Reform Commission of the PRC;

“**person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“**PRC**” means the People’s Republic of China, which shall for the purpose of these Conditions only, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Relevant Indebtedness**” means any present or future indebtedness having a maturity of not less than one year incurred outside the PRC in the form of, or represented by, bonds, debentures, notes, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other investment securities which represent indebtedness and are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market, but shall not include any future or present indebtedness denominated in RMB and offered or sold in the PRC or any financing of the acquisition of assets if by the terms of such financing it is expressly provided that the holders of the resulting indebtedness shall look to the assets financed and the revenues to be generated by the operation of, or loss of or damage to, such assets as the sole source of repayment for the moneys advanced and payment of interest thereon. For the avoidance of doubt, Relevant Indebtedness shall not include indebtedness under any transferable bank loan facilities or agreements, bilateral loans or syndicated bank loans obtained by the Issuer or its Principal Subsidiaries, or drawing down of any credit lines or facilities of the Issuer or any of its Principal Subsidiaries;

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

“**Registration Deadline**” means the day falling 90 Registration Business Days after the Issue Date;

“**SAFE**” means the State Administration of Foreign Exchange of the PRC or its local branch; and

“**Subsidiary**” or “**subsidiary**” means in relation to any person, (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the registered share capital or issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws of Hong Kong or the PRC, or in accordance with generally accepted accounting principles applicable in the PRC from time to time, should have its accounts consolidated with those of that person.

4 INTEREST

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused. In such event, such unpaid amount shall bear interest at the rate of two per cent. per annum (both before and after judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (B) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated in respect of any Bond (i) it shall be calculated per HK\$1,000,000 in principal amount of the Bonds (the “**Calculation Amount**”), and (ii) the amount of interest payable per Calculation Amount for any period shall be equal to the product of (A) the rate of interest specified above, (B) the Calculation Amount, and (C) the relevant day-count fraction being a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

5 CONVERSION

5.1 Conversion Right

5.1.1 Conversion Right and Conversion Period: Subject to the right of the Issuer to exercise a Cash Settlement Option as provided in Condition 5.2.4 (*Cash Settlement*) and as otherwise hereinafter provided, Bondholders have the right to convert their Bonds into H Shares credited as fully paid at any time during the Conversion Period referred to below.

Subject to and upon compliance with these Conditions, the right of a Bondholder to convert any Bond into H Shares is called the “**Conversion Right**”. The number of H Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price (as defined in Condition 5.1.3 (*Conversion Price*)) in effect on the Conversion Date (as defined in Condition 5.2.1 (*Conversion Notice*)). A Conversion Right may only be exercised in respect of an Authorised Denomination for one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of H Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

Subject to and upon compliance with these Conditions (including without limitation Condition 5.1.4 (*Revival and/or survival after Default*)), the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after the 41st day after the Issue Date up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling seven working days prior to the Maturity Date (as defined in Condition 7.1 (*Maturity*)) (both days inclusive) or if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven working days (at the place aforesaid) prior to the date fixed for redemption thereof; provided that no Conversion Right may be exercised in respect of a Bond where the holder shall have exercised its right to require the Issuer to redeem or repurchase such Bond pursuant to Condition 7.4 (*Redemption at the Option of the Bondholders*) or Condition 7.5 (*Redemption for Relevant Events*) or during a Restricted Conversion Period (both dates inclusive) (as defined below); provided further that the Conversion Right is exercised subject to any applicable fiscal or other laws or regulations or as hereafter provided in these Conditions (the “**Conversion Period**”).

In accordance with the below paragraphs, exercise of Conversion Rights is restricted in relation to any Bond during the period (i) commencing on the date falling 20 days prior to a shareholders’ annual general meeting and ending on the date of that annual general meeting; (ii) commencing on the date falling 15 days prior to a shareholders’ extraordinary general meeting and ending on the date of that extraordinary general meeting; or (iii) commencing on the date falling five working days prior to the record date set by the Issuer for the purpose of distribution of any dividend and ending on such record date; or (iv) commencing on such date and for such period as determined by applicable law from time to time that the Issuer is required to close its register (a “**Restricted Conversion Period**”). The Issuer will give notice of any such Restricted Conversion Period to the Bondholders, the Trustee and Agents not less than two working days prior to the commencement of any such Restricted Conversion Period.

If the Conversion Date in respect of a Bond would otherwise fall during a Restricted Conversion Period, such Conversion Date shall be postponed to the first H Share Stock Exchange Business Day (as defined in Condition 5.8 (*Definitions*)) following the expiry of such Restricted Conversion Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

For the purpose of this Condition 5.1.1 (*Conversion Right and Conversion Period*), “**working day**” means a day other than a Saturday, Sunday or a public holiday on which commercial banks and foreign exchange markets are generally open for business in the city which the specified office of each of the Principal Agent and the Registrar is located, respectively.

5.1.2 Fractions of H Shares: Fractions of H Shares will not be issued on conversion and no cash payments or other adjustments will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that H Shares to be issued on conversion are to be registered in the same name, the number of such H Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of H Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of H Shares by operation of law or otherwise occurring after September 10, 2025 which reduces the number of H Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in HK dollars

(by means of a HK dollar cheque drawn on a bank that processes payments in HK dollars and mailed directly to the address of the Bondholder or by transfer to a HK dollar account maintained by the payee, in either case in accordance with instructions given by the relevant Bondholder in the Conversion Notice) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 5.1.1 (*Conversion Right and Conversion Period*), as corresponds to any fraction of an H Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00.

5.1.3 Conversion Price: The price at which H Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$39.04 per H Share but will be subject to adjustment in the manner provided in Condition 5.3 (*Adjustments to Conversion Price*).

5.1.4 Revival and/or survival after Default: Notwithstanding the provisions of Condition 5.1.1 (*Conversion Right and Conversion Period*), if (i) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (ii) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events referred to in Condition 9 (*Events of Default*) or (iii) any Bond is not redeemed on the Maturity Date in accordance with Condition 7.1 (*Maturity*), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 16 (*Notices*) and, notwithstanding the provisions of Condition 5.1.1 (*Conversion Right and Conversion Period*), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

5.1.5 Meaning of “Shares”: As used in these Conditions, the expression (i) “**H Shares**” means ordinary foreign shares with a par value of RMB1.00 each issued by the Issuer which are listed on the Hong Kong Stock Exchange; (ii) “**A Shares**” means ordinary domestic shares of RMB1.00 each issued by the Issuer which are traded in Renminbi on the Shanghai Stock Exchange; and (iii) “**Ordinary Shares**” means the H Shares, the A Shares and any fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorised after the date of the issue of the Bonds which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

5.2 Conversion Procedure

5.2.1 Conversion Notice:

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Certificate to the specified office of any Conversion Agent during its usual business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday on which commercial banks are generally open for business in the city of the specified office of the Conversion Agent) accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current and being substantially in the form scheduled to the Agency Agreement) obtainable from any Conversion Agent, together with (i) the relevant

Certificate; and (ii) certification by the Bondholder, in the form obtainable from any Conversion Agent, as may be required under the laws of the PRC, Hong Kong or any jurisdiction in which the specified office of such Conversion Agent is located. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after 3.00 p.m. on any business day or on a day which is not a business day, in each case in the place of the specified office of the Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next business day following such day. If such delivery is made during a Restricted Conversion Period, such delivery shall be deemed for all purposes of these Conditions to have been made on the H Share Stock Exchange Business Day following (in the place of the specified office of the Conversion Agent) the last day of such Restricted Conversion Period unless such date shall fall outside the Conversion Period.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be deemed to be the H Share Stock Exchange Business Day immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any such certificate and/or any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right.

5.2.2 Stamp Duty etc.: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities or party any taxes and duties, including capital, stamp, issue, excise, transfer, registration and other similar taxes and duties and transfer costs ("**Duties**") in any applicable jurisdiction arising on conversion (other than any Duties payable in the PRC or Hong Kong or, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of H Shares and listing of the H Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be) on conversion, such Duties being the "**Issuer Duties**") (such Duties and Issuer Duties are collectively known as "**Taxes**"). The Issuer will pay all other expenses arising from the issue of H Shares on conversion of the Bonds and all charges (together, the "**Conversion Expenses**") of the Agents and the share transfer agent for the H Shares. The Bondholder (and, if different, the person to whom the H Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities or party in settlement of Duties (other than the Issuer Duties) payable pursuant to this Condition 5.2.2 (*Stamp Duty etc.*) have been paid.

If the Issuer fails to pay any Issuer Duties or Conversion Expenses, the relevant holder shall be entitled to tender and pay the same and the Issuer, as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, Duties (other than Issuer Duties) imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor the Agents shall be responsible for determining whether such Taxes or Conversion Expenses are payable or the amount thereof and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay any such amount.

5.2.3 Registration:

- (i) As soon as practicable, and in any event not later than seven H Share Stock Exchange Business Days (excluding any H Share Stock Exchange Business Days that fall within a Restricted Conversion Period) after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and certification and amounts payable by the relevant Bondholder deposited or paid as required by Conditions 5.2.1 (*Conversion Notice*) and 5.2.2 (*Stamp Duty etc.*), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of H Shares in the Issuer's H share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("CCASS"), take all action reasonably necessary to enable the H Shares to be delivered through CCASS for so long as the H Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) notified to Bondholders in accordance with Condition 16 (*Notices*) or, if so requested in the relevant Conversion Notice, cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.
- (ii) The delivery of the H Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated in Condition 5.2.3(i) will be deemed to satisfy the Issuer's obligation to pay any amounts under such converted Bonds. The person or persons designated in the Conversion Notice will become the holder of record of the number of H Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members for H shares (the "**Registration Date**"). The H Shares issued upon exercise of the Conversion Rights will be fully paid up and will in all respects rank *pari passu* with, and within the same class as, the H Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law. Save as set out in these Conditions, a holder of H Shares issued on exercise of the Conversion Rights shall not be entitled to any rights, distributions or other payments the record date or due date for the establishment of entitlement for which precedes the relevant Registration Date.
- (iii) If (A) the Registration Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 5.3 (*Adjustments to Conversion Price*), and (B) the Conversion Date in relation to such exercise shall be before the date on which such adjustment to the Conversion Price becomes effective under the relevant Condition

(any such adjustment, a “**Retroactive Adjustment**”), upon the relevant adjustment to the Conversion Price becoming effective under the relevant Condition, the Issuer shall procure the issue to the converting Bondholder (in accordance with the instructions contained in the Conversion Notice (subject to any applicable laws or regulations)), such additional number of H Shares (“**Additional H Shares**”) as, together with the H Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of H Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price under the relevant Condition had been made and become effective on or immediately prior to the relevant Conversion Date and in such event and in respect of such Additional H Shares, references in this Condition 5.2.3(iii) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period). If the Issuer has elected to pay the converting Bondholder cash in lieu of H Shares pursuant to the Cash Settlement Option (as defined in Condition 5.2.4 (*Cash Settlement*)), the number of Additional H Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer shall satisfy its obligations under Condition 5.2.4 (*Cash Settlement*) by paying, as soon as practicable and in any event not later than ten H Share Stock Exchange Business Days after the date of relevant adjustment of the Conversion Price under the relevant Condition becoming effective, to the converting Bondholder an aggregate amount in HK dollars equivalent to the product of the Closing Price of any H Share and any such Additional H Shares on the date the Issuer would be required to deliver such H Shares if the Cash Settlement Option had not been exercised.

5.2.4 Cash Settlement:

Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of H Shares deliverable upon conversion of the Bond is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option, in its sole discretion, to pay to the relevant Bondholder an amount of cash equivalent to the Cash Settlement Amount (as defined below) in order to satisfy such Conversion Right in whole or in part (and if in part, the other part shall be satisfied by the delivery of H Shares) (the “**Cash Settlement Option**”). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the “**Cash Settlement Notice**”) to the relevant Bondholder, the Trustee and the Agents as soon as practicable but no later than the fifth H Share Stock Exchange Business Day following the date of the Conversion Notice (the date of such Cash Settlement Notice being the “**Cash Settlement Notice Date**”). The Cash Settlement Notice must specify the number of H Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition 5.2.4 (*Cash Settlement*). The Issuer shall pay the Cash Settlement Amount no later than five H Share Stock Exchange Business Days after the 20 H Share Stock Exchange Business Day period used to determine the Cash Settlement Amount. The Cash Settlement Amount shall be paid directly by the Issuer by means of a HK dollar cheque drawn on, or by transfer to a HK dollar account maintained by the payee with, a bank that processes payments in HK dollars in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and H Shares available to such converting Bondholders but the Issuer will not have any obligation to make the same proportion of cash and H Shares available with respect to any conversions by holders occurring on different Conversion Dates.

For the purposes of these Conditions:

“**Cash Settlement Amount**” means an amount in HK dollars equal to the product of:

- (i) the number of H Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bonds to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option; and
- (ii) the arithmetic average of the Volume Weighted Average Price (as defined below) of the H Shares for each day during the 20 H Share Stock Exchange Business Days immediately after the Cash Settlement Notice Date. The Issuer shall provide notice of the calculation of the Cash Settlement Amount to the Bondholders, the Trustee and the Agents no later than the second H Share Stock Exchange Business Day after the 20 H Share Stock Exchange Business Day period used to determine the Cash Settlement Amount following the Cash Settlement Notice Date.

If the Issuer is at any time otherwise (for any reason whatsoever) unable to issue sufficient H Shares in satisfaction of the Conversion Right of any converting Bondholder, the Issuer undertakes to exercise the Cash Settlement Option in full, or to the extent required, to satisfy the Conversion Right of such Bondholder.

5.3 Adjustments to Conversion Price

Upon the occurrence of any of the following events described below, the Conversion Price will be adjusted as follows:

5.3.1 Consolidation, Subdivision or Re-classification: If and whenever there shall be an alteration to the nominal value of the H Shares as a result of consolidation, subdivision or re-classification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one H Share immediately after such alteration; and

B is the nominal amount of one H Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

5.3.2 Capitalisation of Profits or Reserves:

- (i) If and whenever the Issuer shall issue Ordinary Shares of any class credited as fully paid to the holders of such Ordinary Shares (“**Ordinary Shareholders**”) by way of capitalisation of profits or reserves, including Ordinary Shares of such class paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; provided that if there are different effective dates for different classes of Ordinary Shares, the effective date of the H Shares shall prevail.

- (ii) In the case of an issue of H Shares by way of a Scrip Dividend where the aggregate value of such H Shares by way of a Scrip Dividend as determined by reference to the Current Market Price on the date of announcement of the terms of such Scrip Dividend multiplied by the number of such H Shares issued exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof (in respect of the H Shares) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Scrip Dividend by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued H Shares immediately before such issue;

B is the aggregate nominal amount of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend in respect of the H Shares and (ii) the denominator is such aggregate Current Market Price of the Scrip Dividend issued in lieu of the whole, or the relevant part, of the Relevant Cash Dividend in respect of the H Shares; and

C is the aggregate nominal amount of such H Shares issued by way of such Scrip Dividend,

or by making such other adjustment as an Independent Financial Advisor shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such H Shares or if a record date is fixed therefor, immediately after such record date.

5.3.3 Capital Distributions: If and whenever the Issuer shall pay or make any Capital Distribution to the holders of H Shares (except to the extent that the Conversion Price falls to be adjusted under Condition 5.3.2 (*Capitalisation of Profits or Reserves*) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per H Share on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value of the portion of Capital Distribution attributable to one H Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or, if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “**Fair Market Value**” (as defined in Condition 5.8 (*Definitions*))) be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 5.3.3 (*Capital Distributions*), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (i) any consolidation or subdivision of the H Shares, (ii) issues of H Shares by way of capitalisation of profits or reserves, or any like or similar event, (iii) the modification of any rights to dividends of H Shares or (iv) any change in the fiscal year of the Issuer.

5.3.4 Rights Issues of Shares or Options over Shares: If and whenever the Issuer shall issue Ordinary Shares of one or more classes to all or substantially all Ordinary Shareholders of such classes by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such classes by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares of such classes, in each case at a consideration less than 95 per cent. of the Current Market Price per H Share on the date of the first public announcement of the terms of the issues or grants, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issues or grants by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such announcement;
- B₁ is the number of Ordinary Shares of one class which the aggregate consideration (if any) receivable for the Ordinary Shares of such class issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares of such class comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share of the class;
- B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration (if any) receivable for the Ordinary Shares of such class issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares of such class comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share of the class;
- C₁ is the aggregate number of Ordinary Shares of one class issued or, as the case may be, comprised in the issue or grant; and
- C₂ where applicable, is the aggregate number of Ordinary Shares of a second class issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be; provided that if there are different effective dates for different classes of Ordinary Shares, the effective date of H Shares shall prevail.

5.3.5 Rights Issues of Other Securities: In respect of each class of Ordinary Shares, if and whenever the Issuer shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares) to all or substantially all Ordinary Shareholders of such class by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the aggregate Ordinary Shares of all classes in issue multiplied by their respective Current Market Price per Ordinary Share on the date on which the terms of such issue or grant are publicly announced; and
- B is the Fair Market Value of the aggregate securities, rights, options or warrants (as the case may be) attributable to the Ordinary Shares.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be, provided that if there are different effective dates for different classes of Ordinary Shares, the effective date of the H Shares shall prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “**Fair Market Value**” (as defined in Condition 5.8 (*Definitions*))) be determined as at the date on which the terms of such issue or grant is first publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Ordinary Shares in relation to such issue or grant is capable of being determined as provided herein.

5.3.6 Issues at Less than Current Market Price: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 5.3.4 (*Rights Issues of Shares or Options over Shares*) above) any Ordinary Shares (other than H Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Ordinary Shares) or issue or grant (otherwise than as mentioned in Condition 5.3.4 (*Rights Issues of Shares or Options over Shares*) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares of one or more classes, in each case at a consideration which is less than 95 per cent. of the Current Market Price per H Share on the date of announcement of the terms of such issues, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issues by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before the issue of such additional Ordinary Shares of such class or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares of such class;

- B₁ is the number of Ordinary Shares of one class which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares of such class would purchase at the Current Market Price per Ordinary Share of such class;
- B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares of such class would purchase at the Current Market Price per Ordinary Share of such class;
- C₁ is the aggregate number of Ordinary Shares of one class issued, or as the case may be, the maximum number of Ordinary Shares of such class to be issued on the exercise of such options, warrants or other rights at the initial exercise price or rate; and
- C₂ where applicable, is the aggregate number of Ordinary Shares of a second class issued, or as the case may be, the maximum number of Ordinary Shares of such class to be issued on the exercise of such options, warrants or other rights at the initial exercise price or rate.

References to additional Ordinary Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Ordinary Shares, mean such Ordinary Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price or rate on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the issue or grant of such options, warrants or other rights; provided that if there are different effective dates for different classes of Ordinary Shares, the effective date of the H Shares shall prevail.

5.3.7 Other Issues at less than Current Market Price: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 5.3.7 (*Other Issues at less than Current Market Price*), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Condition 5.3.4 (*Rights Issues of Shares or Options over Shares*), Condition 5.3.5 (*Rights Issues of Other Securities*) or Condition 5.3.6 (*Issues at Less than Current Market Price*)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds, which shall be deemed to exclude any further bonds issued pursuant to Condition 15 (*Further Issues*)) which by their terms of issues carry rights of conversion into, or exchange or subscription for, Ordinary Shares of one or more classes to be issued by the Issuer upon conversion, exchange or subscription, in each case at a consideration which is less than 95 per cent. of the Current Market Price per H Share on the date of announcement of the terms of issues of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issues by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such issue;
- B₁ is the number of Ordinary Shares of one class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share of such class;

B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share of such class;

C₁ is the maximum number of Ordinary Shares of one class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate; and

C₂ where applicable, is the maximum number of Ordinary Shares of a second class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

5.3.8 Modification of Rights of Conversion etc.: If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in Condition 5.3.7 (*Other Issues at less than Current Market Price*) (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share of one or more classes (for the number of Ordinary Shares of such classes available on conversion, exchange, subscription, purchase or acquisition following the modification) is reduced and, in each case, is less than 95 per cent. of the Current Market Price per H Share on the date of announcement of the proposals for such modifications, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modifications by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

A is the aggregate number of Ordinary Shares of all classes in issue immediately before such modification;

B₁ is the number of Ordinary Shares of one class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at the Current Market Price per Ordinary Share of such class or, if lower, the existing conversion, exchange subscription, purchase or acquisition price of such securities;

B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at the Current Market Price per Ordinary Share of such class or, if lower, the existing conversion, exchange subscription, purchase or acquisition price of such securities;

C₁ is the maximum number of Ordinary Shares of one class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 (*Modification of Rights of Conversion etc.*) or Condition 5.3.7 (*Other Issues at less than Current Market Price*); and

C₂ where applicable, is the maximum number of Ordinary Shares of a second class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 (*Modification of Rights of Conversion etc.*) or Condition 5.3.7 (*Other Issues at less than Current Market Price*).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

5.3.9 Other Offers to Holders of H Shares: In respect of H Shares, if and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the holders of H Shares generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 5.3.4 (*Rights Issues of Shares or Options over Shares*), Condition 5.3.5 (*Rights Issues of Other Securities*), Condition 5.3.6 (*Issues at Less than Current Market Price*) or Condition 5.3.7 (*Other Issues at less than Current Market Price*)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per H Share on the date on which the terms of such issue, sale or distribution of securities are first publicly announced; and

B is the Fair Market Value of the portion of the rights attributable to one H Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities or, if a record date is fixed therefor, immediately after such record date or if later, the first date upon which the Fair Market Value of the relevant securities is capable of being determined as provided herein. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “**Fair Market Value**” (as defined in Condition 5.8 (*Definitions*))) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Ordinary Shares is capable of being determined as provided herein.

5.3.10 Other Events: If the Issuer determines, in its sole discretion, that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 5.3 (*Adjustments to Conversion Price*), the Issuer shall, at its own expense, consult an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination, *provided that* where the events or circumstances giving rise to any adjustment pursuant to this Condition 5.3 (*Adjustments to Conversion Price*) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.3 (*Adjustments to Conversion Price*) as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Ordinary Share value of any such adjustment shall not exceed the per Ordinary Share value of the dilution in the Ordinary Shareholders' interest in the Issuer's equity caused by such events or circumstances.

5.3.11 Further Classes of Ordinary Shares: In the event that the Issuer has more than two classes of Ordinary Shares outstanding at any time, the formulae set out in this Condition 5.3 (*Adjustments to Conversion Price*) shall be restated to take into account such further classes of Ordinary Shares so that " $B_1 + B_2$ " and " $C_1 + C_2$ " shall become " $B_1 + B_2 + B_3$ " and " $C_1 + C_2 + C_3$ " and " B_3 " and " C_3 " shall have the same meaning as " B_1 " and " C_1 ", respectively, but by reference to a third class of Ordinary Shares and so on.

5.4 Undertakings

5.4.1 The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will use all commercially reasonable endeavours (a) to maintain a listing for the H Shares on the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the H Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange and (c) if the Issuer, having used such endeavours, is unable to obtain or maintain such listing, to instead use all commercially reasonable endeavours to obtain and maintain a listing for all the issued H Shares on such Alternative Stock Exchange as the Issuer may from time to time determine, and will forthwith give notice to the Bondholders in accordance with Condition 16 (*Notices*) of the listing or delisting of the H Shares (as a class) by any of such stock exchange;
- (ii) it will pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, H Shares arising on conversion of the Bonds (save for the Duties to be borne by any Bondholder as described in Condition 5.2.2 (*Stamp Duty etc.*));
- (iii) it will not make any reduction of its registered share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as permitted by law (including but not limited to repurchase or cancellation of its shares (i) pursuant to any share incentive or share option schemes of

the Issuer; (ii) as a result of its shareholders' dissent to the Issuer's merger or segregation in a shareholders' meeting and request the Issuer to repurchase its shares; (iii) for the protection of the interests of the Issuer's shareholders; and (iv) as permitted by laws and regulations and the Issuer's articles of association) provided that all or any part of the corporate action(s) comprising the reduction results in an adjustment to the Conversion Price then in effect or would otherwise be taken into account for the purposes of determining whether such an adjustment should be made pursuant to Condition 5; and

- (iv) it will use all commercially reasonable endeavours to maintain the listing of the Bonds on the Hong Kong Stock Exchange. If the Issuer, having used such endeavours, is unable to maintain such listing or the maintenance of such listing is unduly onerous, the Issuer undertakes to use all commercially reasonable endeavours promptly to obtain and thereafter maintain a listing for the Bonds on such other stock exchange, as is commonly used for the quotation or listing of debt securities as it may reasonably determine, and the Issuer will forthwith give notice to the Bondholders in accordance with Condition 16 of such change in listing.

5.4.2 In the Trust Deed, the Issuer has undertaken with the Trustee, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders:

- (i) it will issue H Shares to Bondholders on exercise of Conversion Rights and ensure that it has the ability to issue free from pre-emptive or other similar rights such number of H Shares on exercise of any Conversion Right as would enable the Conversion Rights and all other rights of subscription and exchange for and conversion into H Shares to be satisfied in full and will ensure that all H Shares delivered upon conversion of the Bonds will be duly and validly issued as fully-paid and not subject to call for further funds, in each case, unless the Issuer has elected to exercise the Cash Settlement Option in respect of any conversion of the Bonds; and
- (ii) it will not make any offer, issue or distribution or take any action the effect of which would be to reduce the Conversion Price below the par value of the H Shares of the Issuer provided always that the Issuer shall not be prohibited from purchasing its H Shares to the extent permitted by law.

5.4.3 The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

5.5 Notice of Change in Conversion Price

The Issuer shall give notice to the Trustee and each Conversion Agent in writing and to the Bondholders in accordance with Condition 16 (*Notices*) of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.6 Adjustment upon Change of Control

If a Change of Control (as defined in Condition 7.5.5(ii)) shall have occurred, the Issuer shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with Condition 16 (*Notices*) and to the Trustee and the Agents in writing within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within the period of 30 days following the later of (i) the occurrence of the relevant Change of Control and (ii) the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

Where:

NCP = the Conversion Price after such adjustment;

OCP = the Conversion Price before such adjustment. For the avoidance of doubt, OCP for the purposes of this Condition 5.6 (*Adjustment upon Change of Control*) shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion pursuant to this Condition 5.6 (*Adjustment upon Change of Control*);

Conversion Premium (“CP”) = 25.00 per cent. expressed as a fraction;

c = the number of days from and including the first day of the Change of Control Conversion Period to but excluding the Maturity Date; and

t = the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 5.6 (*Adjustment upon Change of Control*) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period or a Restricted Conversion Period, as the case may be, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period or the Restricted Conversion Period, as the case may be.

On the H Share Stock Exchange Business Day immediately following the last day of the Change of Control Conversion Period, the Conversion Price shall be re-adjusted to the Conversion Price in force immediately before the adjustment to the Conversion Price during the Change of Control Conversion Period.

5.7 Provisions Relating to Changes in Conversion Price

- 5.7.1 *Minor Adjustments:*** On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*) and to the Trustee and the Agents in writing, in each case promptly after the determination thereof.
- 5.7.2 *Decision of an Independent Financial Advisor:*** If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 5.3 (*Adjustments to Conversion Price*) or Condition 5.6 (*Adjustment upon Change of Control*) should be made, and following consultation between the Issuer and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per H Share value of any such adjustment shall not exceed the per H Share value of the dilution in the shareholders' interest in the Issuer's equity caused by such events or circumstances.
- 5.7.3 *Minimum Conversion Price:*** Notwithstanding the provisions of this Condition 5 (*Conversion*), the Issuer undertakes that: (i) the Conversion Price shall not in any event be reduced to below the nominal or par value of the H Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable H Shares; and (ii) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.
- 5.7.4 *Reference to "fixed":*** Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- 5.7.5 *Multiple Events:*** Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.
- 5.7.6 *Upward/Downward Adjustment:*** No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the H Shares as referred to in Condition 5.3.1 (*Consolidation, Subdivision or Re-classification*). The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee in writing and to the Bondholders in accordance with Condition 16 (*Notices*), reduce the Conversion Price, subject to Condition 5.7.3 (*Minimum Conversion Price*).

5.7.7 *Trustee Not Obligated to Monitor or Make Calculations:* Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation or determination (or verification thereof) in connection with the Conversion Price and/or any adjustments to it, or any determinations, advice or opinions made or given in connection therewith and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Financial Advisor in making any calculation or determination or any erroneous calculation or determination in connection with the Conversion Price.

5.7.8 *Employee Share Option Schemes:* No adjustment will be made to the Conversion Price when Ordinary Shares or other securities (including rights or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any employee share scheme or plan (and which employee share scheme or plan is in compliance with, if applicable, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange or, if applicable, the Stock Listing Rules of the Shanghai Stock Exchange or, if relevant, the listing rules of the Alternative Stock Exchange (“**Share Scheme Options**”)) unless any issue or grant of Share Scheme Options (which, but for this provision, would have required adjustment pursuant to Condition 5 (*Conversion*)) would result in the total number of Ordinary Shares which may be issued upon exercise of all Share Scheme Options granted during the 12-month period up to and including the date of such issue or grant representing, in aggregate, more than 3.0 per cent. of the average of the issued and outstanding Ordinary Shares during such 12-month period. For the avoidance of doubt, any Ordinary Shares issued in excess thereof, and only such Ordinary Shares issued in excess thereof, shall be subject to adjustment to the Conversion Price and taken into account in determining such adjustment as set out in Condition 5.3 (*Adjustments to Conversion Price*).

5.7.9 *Consideration Receivable:* For the purpose of any calculation of the consideration receivable or price pursuant to Condition 5.3.4 (*Rights Issues of Shares or Options over Shares*), Condition 5.3.6 (*Issues at Less than Current Market Price*), Condition 5.3.7 (*Other Issues at less than Current Market Price*) and Condition 5.3.8 (*Modification of Rights of Conversion etc.*), the following provisions shall apply:

- (i) the aggregate consideration receivable or price for Ordinary Shares of a class issued for cash shall be the amount of such cash;
- (ii) (a) the aggregate consideration receivable for Ordinary Shares of a class to be issued on the conversion, exercise or exchange of any options, warrants or other rights or securities (or following any modification thereof) shall be deemed to be the consideration received or receivable by the Issuer for any such options, warrants or other rights or securities (or following any modification thereof); (b) the aggregate consideration receivable for Ordinary Shares of a class to be issued on the exercise of rights of subscription attached to any such securities (or following any modification thereof) shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Issuer for such securities (or following any modification thereof) which is attributed by the Issuer to such rights of subscription or, if no part of such consideration is so attributed, to the Fair Market Value of such rights of subscription as at the date of the announcement of the terms of issue or modification of such securities, plus in the case of each of (a) and (b) above, the additional minimum consideration (if any) to be received by the Issuer on

the conversion, exercise or exchange of such options, warrants or other rights or securities (or following any modification thereof), or on the exercise of such rights of subscription; and (c) the consideration per Ordinary Share of a class receivable by the Issuer on the conversion, exercise or exchange of, or on the exercise of such rights of subscription attached to, such options, warrants or other rights or securities (or following any modification thereof) shall be the aggregate consideration referred to in (a) or (b) above (as the case may be) divided by the number of Ordinary Shares of such class to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (iii) if the consideration or price determined pursuant to (i) or (ii) above of this Condition 5.7.9 (*Consideration Receivable*) (or any component thereof) shall be expressed in a currency other than HK dollars, it shall be converted into HK dollars at the Prevailing Rate on the relevant date;
- (iv) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares of a class or securities or options, warrants or rights, or otherwise in connection therewith;
- (v) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity;
- (vi) if as part of the same transaction, Ordinary Shares of a class shall be issued or issuable for a consideration receivable in more than one or in different currencies then the consideration receivable per Share shall be determined by dividing the aggregate consideration (determined as aforesaid and converted if and to the extent not in HK dollars, into HK dollars at the Prevailing Rate as aforesaid) by the aggregate number of Ordinary Shares so issued; and
- (vii) none of the Trustee or the Agents shall be under any duty to determine, calculate or verify any entitlement of any Bondholder to any amount payable upon or following the exercise of any Conversion Right and none of them will be responsible or liable to any Bondholder or any other person for any loss arising from any failure to do so.

5.8 Definitions

For the purposes of these Conditions:

“Alternative Stock Exchange” means, at any time, in the case of the H Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which such H Shares are then listed or quoted or dealt in;

“Closing Price” means, in respect of an Ordinary Share of a class for any Trading Day, the closing market price quoted by the principal stock exchange or securities market on which the Ordinary Shares of such class are then listed, admitted to trading or quoted or dealt in and, in the case of the A Shares, shall (unless otherwise determined at the relevant time) mean the Shanghai Stock Exchange and, in the case of the H Shares, shall (unless otherwise determined at the relevant time) mean the Hong Kong Stock Exchange;

“Current Market Price” means, in respect of an Ordinary Share of a class on a particular date, the average of the daily Closing Price on each of the 20 consecutive Trading Days ending on and including the Trading Day immediately preceding such date and (if necessary) translated into HK dollars at the Prevailing Rate as at such particular date; provided that:

- (A) for the purposes of determining the Current Market Price pursuant to Conditions 5.3.4 (*Rights Issues of Shares or Options over Shares*) or 5.3.6 (*Issues at Less than Current Market Price*) in circumstances where the relevant event relates to an issue of Ordinary Shares, if at any time during the said 20 Trading Day-period (which may be on each of such 20 Trading Days) the Ordinary Shares of such class shall have been quoted ex-dividend (or ex- any other entitlement) and/or during some other part of that period (which may be on each of such 20 Trading Days) the Ordinary Shares of such class shall have been quoted cum-dividend (or cum- any other entitlement) then:
 - (i) if the Ordinary Shares of such class to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Shares of such class; or
 - (ii) if the Ordinary Shares of such class to be issued or transferred and delivered rank for the dividend or entitlement in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Ordinary Shares of such class,
- (B) for the purpose of determining the Current Market Price of any Ordinary Shares of any class which are to be issued or may be issued pursuant to a Scrip Dividend pursuant to Condition 5.3.2(ii), if on any day during the said 20 Trading Day-period the Volume Weighted Average Price of the Ordinary Shares of such class shall have been based (A) on a price cum the Relevant Cash Dividend (and/or any other dividend or other entitlement which the Ordinary Shares of such class that may be issued pursuant to terms of such Scrip Dividend do not rank for), the Volume Weighted Average Price of an Ordinary Share of such class on any such day shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of the Relevant Cash Dividend (and/or such other dividend or other entitlement) (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Ordinary Share of such class entitled to the Relevant Cash Dividend (and/or such other dividend or other entitlement) or (B) on a price ex- the Relevant Cash Dividend, the Volume Weighted Average Price of an Ordinary Share of such class on any such day shall for the purposes of this definition be deemed to be the amount thereof (x) multiplied by the sum of one and the number of Ordinary Shares of such class which are to be issued or may be issued pursuant to such Scrip Dividend per Ordinary Share of such class entitled to the Relevant Cash Dividend and (y) reduced by the Fair Market Value of the Relevant Cash Dividend (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Ordinary Share of such class entitled to the Relevant Cash Dividend; and
- (C) for any other purpose, if any day during the said 20 Trading Day-period was the ex-date in relation to any dividend (or any other entitlement) the Volume Weighted Average Prices that shall have been based on a price cum- such dividend (or cum- such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend (or other entitlement) per Ordinary Share of such class as at the date of first public announcement of the terms of such dividend (or other entitlement);

“Capital Distribution” means, on a per Ordinary Share basis,

- (i) any distribution of assets *in specie* by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets *in specie* includes, without limitation, an issue of Ordinary Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Ordinary Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 5.3.2(i) and a Scrip Dividend adjusted for under Condition 5.3.2(ii)); and
- (ii) any cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described), translated into HK dollars at the Prevailing Rate as at the effective date of the relevant adjustment to the Conversion Price,

provided that a purchase or redemption of Ordinary Shares by or on behalf of the Issuer (or a purchase of Ordinary Shares by or on behalf of a Subsidiary of the Issuer) shall not constitute a Capital Distribution, unless the weighted average price (before expenses) on any one day in respect of such purchases exceeds the Current Market Price of the Ordinary Shares by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b) of this definition, the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Capital Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Ordinary Shares purchased or redeemed exceeds the product of 105 per cent. of such Current Market Price and the number of Ordinary Shares so purchased or redeemed;

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Ordinary Share of the relevant class shall be the amount of such cash Capital Distribution per Ordinary Share of such class determined as at the date of announcement of such cash Capital Distribution and (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights or securities during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars (a) in the case of any cash Capital Distribution, at the average benchmark exchange rate between Renminbi and HK dollars expressed to be used in respect of such cash Capital Distribution and (b) in any other case at the Prevailing Rate on such date. In addition, in the case of provisos (i) and (ii) above of this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited or any successor thereto;

“H Share Stock Exchange Business Day” means any day (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be) is open for the business of dealing in securities;

“Independent Financial Advisor” means an independent investment bank or licensed financial advisor or institution of international repute (acting as an expert) selected and appointed at its own cost by the Issuer and notified in writing to the Trustee. The Trustee shall not be responsible for or under any obligation to appoint an Independent Financial Advisor and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it;

“Prevailing Rate” means, in respect of any currency on any day, the spot exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined, provided that in the case of any cash Capital Distribution in respect of the H Shares, the “Prevailing Rate” shall be deemed to be the average benchmark exchange rate between Renminbi and HK dollars, calculated in the manner as announced by the Issuer on the Hong Kong Stock Exchange from time to time;

“Relevant Cash Dividend” means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend;

“Relevant Page” means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

“Scrip Dividend” means Ordinary Shares of any class issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Ordinary Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 5.3.3 (*Capital Distributions*) in respect of the amount by which the Current Market Price of the Ordinary Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 5.3.2 (*Capitalisation of Profits or Reserves*));

“Shanghai Stock Exchange” means The Shanghai Stock Exchange;

“Trading Day” means in respect of an Ordinary Share of a class, a day when the principal stock exchange of such Ordinary Share is open for dealing business and, in the case of the A Shares, shall (unless otherwise determined at the relevant time) mean the Shanghai Stock Exchange and, in the case of the H Shares, shall (unless otherwise determined at the relevant time) mean the Hong Kong Stock Exchange; provided that for the purposes of any calculation where a Closing Price is required, if no Closing Price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; and

“Volume Weighted Average Price” means, in relation to an H Share for any H Share Stock Exchange Business Day, the order book volume-weighted average price of an H Share for such H Share Stock Exchange Business Day appearing on or derived from Bloomberg screen page “2601 HK Equity VAP” (or its successor page) or, if not available on any of such screens, from such other source as shall be determined in good faith and in a commercially reasonable manner, using a volume-weighted average method, to be appropriate by an Independent Financial Advisor, provided that for any H Share Stock Exchange Business Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an H Share in respect of such H Share Stock Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding H Share Stock Exchange Business Day on which the same can be so determined.

References to any issue or offer or grant to Ordinary Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Ordinary Shareholders, other than Ordinary Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

6 PAYMENTS

6.1 Principal

Payment of principal, premium and interest (if any) will be made by transfer to the registered account of the Bondholder except in the case of any amount payable by the Issuer pursuant to Condition 5 (*Conversion*), where any amounts payable to a Bondholder will be made by HK dollar cheque drawn on a bank that processes payments in HK dollars and mailed directly to the address of the Bondholder or by transfer to a HK dollar account maintained by the payee, in either case in accordance with instructions given by the relevant Bondholder in the Conversion Notice. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream (each, a “**relevant clearing system**”), each payment in respect of the Global Certificate will be made to the person shown as the holder thereof in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

6.2 Registered Accounts

For the purposes of this Condition 6 (*Payments*), a Bondholder’s registered account means the HK dollar account maintained by or on behalf of it with a bank that processes payments in HK dollars, details of which appear on the Register at the close of business on the second Payment Business Day (as defined in Condition 6.6 (*Payment Business Day*)) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

6.3 Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

6.5 Delay in Payment

Bondholders will not be entitled to any interest (if any) or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the Bondholder is late in surrendering its Certificate (if required to do so).

6.6 Payment Business Day

In this Condition 6 (*Payments*), “**Payment Business Day**” means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

6.7 Rounding

When making payments to Bondholders, fraction of one cent will be rounded to the nearest cent (half a cent being rounded upwards).

6.8 Appointment of Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that the Issuer shall at all times maintain (i) a Principal Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Conversion Agent and (v) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*).

7 REDEMPTION, PURCHASE AND CANCELLATION

7.1 Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on September 18, 2030 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 7.2 (*Redemption at the Option of the Issuer*) or Condition 7.3 (*Redemption for Taxation Reasons*) below (but without prejudice to Condition 9 (*Events of Default*)).

7.2 Redemption at the Option of the Issuer

7.2.1 The Issuer may, having given not less than 30 nor more than 60 days’ notice (an “**Optional Redemption Notice**”) to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem all but not some only of the Bonds at their principal amount:

- (i) at any time after September 18, 2027 but prior to the Maturity Date, provided that no such redemption may be made unless the Closing Price of an H Share for any 15 H Share Stock Exchange Business Days within a period of 30 consecutive H Share Stock Exchange Business Days, the last of such H Share Stock Exchange Business Day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 15 H Share Stock Exchange Business Days, at least 130 per cent. of the Conversion Price then in effect. If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H Share Stock Exchange Business Day period, appropriate adjustments for the relevant days approved by an Independent Financial Advisor shall be made for the purpose of calculating the Closing Price of the H Shares for such days;
- (ii) if at any time the aggregate principal amount of the Bonds outstanding, is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 (*Further Issues*)).

Upon the expiry of the Optional Redemption Notice, the Issuer will be bound to redeem the relevant Bonds at their principal amount.

7.2.2 Redemption under this Condition 7.2 (*Redemption at the Option of the Issuer*) may not occur within seven days of the end of a Restricted Transfer Period but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.

7.2.3 The Trustee and the Agents shall have no obligation to confirm whether the circumstances giving rise to a right for the Issuer to redeem under this Condition 7.2 (*Redemption at the Option of the Issuer*) have in any case arisen and shall not be liable to the Bondholders or any parties for not doing so.

7.3 Redemption for Taxation Reasons

7.3.1 At any time the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Agent and the Bondholders (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (the “**Tax Redemption Date**”) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof

or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after September 10, 2025, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 7.3.1, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer, each of whom are also Authorised Signatories of the Issuer, stating that the obligation referred to in (i) above of this Condition 7.3.1 cannot be avoided by the Issuer having taken reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and stating, in form and substance satisfactory to the Trustee, that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders.

7.3.2 On the Tax Redemption Date, the Issuer shall redeem the Bonds at their principal amount, provided that redemption under this Condition 7.3 (*Redemption for Taxation Reasons*) may not occur within seven days of the end of a Restricted Transfer Period, but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.

7.3.3 If the Issuer gives a notice of redemption pursuant to this Condition 7.3 (*Redemption for Taxation Reasons*), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 8 (*Taxation*) shall not apply in respect of any payment of principal or interest (if any) to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 8 (*Taxation*) and payment of all amounts shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the government of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax. For the avoidance of doubt, any Additional Tax Amounts which had been payable in respect of the Bonds as a result of the laws or regulations of the government of the PRC or Hong Kong or, in each case, any authority thereof or therein having power to tax prior to September 10, 2025, will continue to be payable to such Bondholders. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during usual business hours (being between 9.00 a.m. and 3.00 p.m. Monday to Friday except for public holidays) a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date. Such notice of election, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

7.4 Redemption at the Option of the Bondholders

The holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on September 18, 2028 (the "**Put Option Date**") at their principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during usual business hours (being between 9.00 a.m. and 3.00 p.m. Monday to Friday except for public holidays) a duly completed and signed notice (the "**Put Option Notice**"), substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

7.5 Redemption for Relevant Events

7.5.1 Following the occurrence of a Relevant Event (as defined in Condition 7.5.5(vii)), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date (as defined below) at their principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during usual business hours (being between 9.00 a.m. and 3.00 p.m. Monday to Friday except for public holidays) a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16 (*Notices*). The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 7.5.1.

7.5.2 A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds which form the subject of the Relevant Event Put Exercise Notices delivered as aforesaid (subject to delivery of the relevant Certificates) on the Relevant Event Put Date.

7.5.3 None of the Trustee or the Agents shall be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and none of them shall be liable to Bondholders or any other person for not doing so.

7.5.4 Not later than 14 days after becoming aware of a Relevant Event, the Issuer shall procure that notice regarding the Relevant Event shall be delivered to Bondholders (in accordance with Condition 16 (*Notices*)) and to the Trustee and the Principal Agent in writing stating:

- (i) the Relevant Event Put Date;
- (ii) the date of such Relevant Event and, briefly, the events causing such Relevant Event;
- (iii) the date by which the Relevant Event Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise their rights under this Condition 7.5 (*Redemption for Relevant Events*) or their Conversion Right; and
- (viii) that a Relevant Event Put Exercise Notice, once validly given, may not be withdrawn without the Issuer's consent.

7.5.5 For the purposes of this Condition 7.5 (*Redemption for Relevant Events*):

- (i) “**control**” means, in respect of a person (where applicable):
 - (a) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such person; or
 - (b) the right to appoint and/or remove all or the majority of the members of such person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or
 - (c) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person,and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing;
- (ii) a “**Change of Control**” occurs when:
 - (a) the Government Shareholders collectively cease to own at least 20 per cent. of the issued share capital of the Issuer;
 - (b) other than any Government Shareholder, any person or persons, acting together acquires control of the Issuer; or
 - (c) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons acting together, other than any Government Shareholder.
- (iii) a “**Delisting**” occurs when the H Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be);
- (iv) “**Government Shareholders**” means any entity(ies) controlled (directly or indirectly) by the PRC central government, any PRC provincial-level governments or any PRC local governments immediately under the PRC Provincial-level governments;
- (v) an “**H Share Suspension in Trading**” means the suspension in trading of the H Shares for a period of 30 consecutive H Share Stock Exchange Business Days;
- (vi) a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);
- (vii) a “**Relevant Event**” means the occurrence of either (a) a Change of Control; (b) a Delisting or (c) an H Share Suspension in Trading; and
- (viii) “**voting rights**” means the right generally to vote at general meetings of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

7.6 Purchases

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise. The Bonds so acquired, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle them to convert the Bonds in accordance with these Conditions nor shall such Bonds be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders and exercising any voting rights with respect to such Bonds and Conditions 9 (*Events of Default*) and 13 (*Enforcement*).

7.7 Cancellation

All Bonds which are repurchased, redeemed or converted or purchased by or on behalf of the Issuer will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold. For the avoidance of doubt, all or any Bonds which are purchased by or on behalf of the Issuer's Subsidiaries may be resold in any manner and at any price in compliance with relevant laws and regulations (including any applicable rules of the relevant stock exchange).

7.8 Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 7 (*Redemption, Purchase and Cancellation*) will be irrevocable and will be given in accordance with Condition 16 (*Notices*) specifying: (i) the Conversion Price as at the date of the relevant notice; (ii) the last day on which Conversion Rights may be exercised; (iii) the principal and/or premium (if any); (iv) the date fixed for redemption; (v) the manner in which redemption will be effected; and (vi) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to these Conditions), the first in time shall prevail.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable on redemption of the Bonds pursuant to this Condition 7 (*Redemption, Purchase and Cancellation*) or have any duty to verify the accuracy, content, completeness, validity and/or genuineness of any certificates, confirmations or documents in relation to or in connection to any such redemption or the exercise of any right of redemption or to require redemption and none of them shall be liable to the Bondholders or any other person for not doing so.

8 TAXATION

- 8.1** All payments made by or on behalf of the Issuer in respect of the Bonds will be made free from any set-off, counterclaim, restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Hong Kong or, in each case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on September 10, 2025 (the "**Applicable Rate**"), the Issuer will increase

the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, or any Hong Kong deduction or withholding is required, in such event the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

8.1.1 to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC or Hong Kong, as the case may be, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or

8.1.2 where the withholding or deduction could be avoided by the holder or beneficial owner making a declaration of non-residence or other similar claim for exemption to the appropriate authority or any other person which such holder is legally capable and competent of making but fails to do so; or

8.1.3 (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

8.2 “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

8.3 References in these Conditions to principal, premium and interest (if any) shall be deemed also to refer to any additional amounts or premiums which may be payable under these Conditions or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

8.4 Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest (if any) or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in any such case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 5 (*Conversion*)) if any of the following events (each an “**Event of Default**”) has occurred:

- 9.1 *Non-Payment*: the Issuer fails to pay the principal or premium (if any) on any of the Bonds when due and such failure continues for a period of seven H Share Stock Exchange Business Days; or
- 9.2 *Default on Conversion*: failure by the Issuer to deliver the H Shares, unless such failure is due to a technical or administrative error and is remedied by the Issuer within seven H Share Stock Exchange Business Days or pay the Cash Settlement Amount in HK dollars in respect of such H Shares as and when such H Shares are required to be delivered or such Cash Settlement Amount in HK dollars is required to be paid, as the case may be, following conversion of a Bond; or
- 9.3 *Breach of Other Obligations*: the Issuer does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or
- 9.4 *Insolvency*: the Issuer or any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a substantial part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Principal Subsidiary; or
- 9.5 *Cross-Acceleration*: (i) any present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period and in each case, such default continues for more than 15 days after the expiration of any grace period or extension of time for payment applicable thereto; provided that any such Event of Default shall be deemed cured and not continuing upon payment of such indebtedness, rescission of such declaration of acceleration, or waiver or with consent of the applicable lender, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any present or future indebtedness in respect of moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9.5 (*Cross-Acceleration*) have occurred equals or exceeds U.S.\$70 million or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such indebtedness become due and payable or is not paid or any such amount become due and payable or is not paid under any such guarantee or indemnity); or

- 9.6 *Enforcement Proceedings:*** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or
- 9.7 *Winding-up:*** an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any Principal Subsidiary (other than, in the case of a Principal Subsidiary, for the purposes of or pursuant to a reconstruction, amalgamation, reorganisation, merger or consolidation whilst solvent), or the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations (other than, in the case of a Principal Subsidiary, for the purposes of or pursuant to a reconstruction, amalgamation, reorganisation, merger or consolidation whilst solvent or as a result of disposal on arm's length terms or as approved by an Extraordinary Resolution of the Bondholders); or
- 9.8 *Security Enforced:*** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries on any material part of their respective property, assets or revenues becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 60 days; or
- 9.9 *Illegality:*** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- 9.10 *Authorisation and Consents:*** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of the PRC or Hong Kong is not taken, fulfilled or done; or
- 9.11 *Nationalisation:*** any step is lawfully taken by any competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or any Principal Subsidiary; or
- 9.12 *Analogous Event:*** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9.6 (*Enforcement Proceedings*) to 9.8 (*Security Enforced*) (both inclusive) or Condition 9.11 (*Nationalisation*).

The Trustee and the Agents shall not be bound to take any steps to ascertain whether any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or fulfilment of any other conditions and/or the making of any determination would constitute an Event of Default has happened and none of them shall be responsible or liable to Bondholders or any other person for not doing so.

- 9.13** For purposes of this Condition 9 (*Events of Default*), “**Principal Subsidiary**” means any Subsidiary of the Issuer:
- (i) whose total revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement is at least five per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Issuer and its consolidated Subsidiaries; or

- (ii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet are at least five per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests;

provided that, in relation to paragraphs (i) and (ii) above of this definition:

- (a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
 - (b) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;
 - (c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer; and
 - (d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or
- (iii) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Principal Subsidiary, provided that on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of (i) or (ii) above;

A certificate in English signed by an Authorised Signatory of the Issuer stating that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties, and the Trustee shall be entitled to rely conclusively upon such certificate without further investigation or query and without liability to the Bondholders or any other person.

10 PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds will become prescribed and void unless made within 10 years (in the case of principal) and five years (in the case of default interest, if any) from the Relevant Date in respect thereof.

11 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

11.1 Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and if it is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjournment of such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium, or any other amount payable in respect of the Bonds or to change the method of calculation of interest (if any), (iii) to change the currency of payment of the Bonds, (iv) to modify or cancel the Conversion Rights (except by unilateral and unconditional reduction in the Conversion Price) or the put options specified in Condition 7 (*Redemption, Purchase and Cancellation*) or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution including this proviso, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding and/or an Electronic Consent (as defined in the Trust Deed) shall be as valid and effective as a duly passed Extraordinary Resolution.

11.2 Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in the Trust Deed) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modification, waiver or authorisation will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

11.3 Interests of Bondholders

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those in relation to any proposed modification, authorisation or, waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 8 (*Taxation*) and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

12 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and such indemnity and/or security as the Issuer and/or such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 ENFORCEMENT

At any time when the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such steps and/or actions and/or institute any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation from taking steps and/or actions and/or instituting proceedings to enforce payment unless indemnified and/or secured and/or prefunded of its satisfaction and entitling the Trustee to be paid or reimbursed for any fees, costs, expenses, indemnity payments and for liabilities incurred by it, in priority to the claims of the Bondholders. The Trustee and its affiliates are entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders or any other person on any report, confirmation or certificate from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, advice or opinion, in which case such report, confirmation, certificate, advice or opinion shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions or clarifications of any directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction or clarifications of any directions as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Relevant Event, Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions and none of them shall be responsible or liable to the Issuer, the Bondholders or any other person for not doing so. Each of the Trustee and the Agents shall be entitled to assume that no Relevant Event, Event of Default or Potential Event of Default has occurred until it has received written notice to the contrary from the Issuer.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in these Conditions in relation to the Initial NDRC Post-Issuance Filing, the CSRC Post-Issuance Filings and the Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds shall be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

As long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or an alternative clearing system, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and such delivery shall be deemed to have been given on the date of delivery to such clearing system.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this is without prejudice to the rights of Bondholders as contemplated in Condition 13 (*Enforcement*).

18 GOVERNING LAW AND JURISDICTION

18.1 Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Agency Agreement and/or the Trust Deed (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

18.3 Waiver of Immunity

The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

DIVIDENDS

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

For profit distribution we consider factors such as business development of the Company and shareholders' expected returns. Cash dividend is determined mainly based on growth of operating profit after tax attributable to shareholders of the parent, while also considering positive contribution from investments.

Dividends or other distributions of the Company shall be declared and calculated in Renminbi.

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

The board of directors has recommended the payment of a final dividend of RMB1.08 (2023: RMB1.02) per share (including tax) in respect of the year ended December 31, 2024. The dividend has been approved by the Shareholders at the 2024 annual general meeting of the Company.

The table below sets forth certain information on dividends paid by the Company on its shares in respect of the years indicated:

	Cash dividend per share (including tax) (1)	Cash dividend (including tax) (2)	Net profit attributable to the dividend distribution year^{note} (3)	Payout ratio (%) (4) = (2)/(3)
	(RMB)	(RMB million)	(RMB million)	
2024	1.08	10,390	44,960	23.1
2023	1.02	9,813	27,257	36.0

Note: Attributable to shareholders of the parent.

DESCRIPTION OF THE SHARES

The following information is a summary of certain provisions of the Articles of Association currently effective and certain other information concerning the Company. This summary does not purport to be complete and is qualified in its entirety by reference to the Articles of Association and the Company Law. Any provision of the Articles of Association may be varied by special resolution passed at a general meeting of shareholders of the Issuer as approved by the relevant competent authority according to the applicable laws and rules. Certain amendments on the Articles of Association of the Company have been approved by the shareholders of the Company on August 29, 2025 and the effectiveness of which are still subject to the approval of NFRA. For more details of such amendments please visit the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.cpic.com.cn> (the other contents of these websites do not form part of this Offering Circular).

GENERAL

The Company was established on May 13, 1991 with a registered capital of RMB1,000 million under the name China Pacific Insurance Co., Ltd., being the first joint stock commercial insurance company authorized to conduct composite insurance operations on a nationwide basis in the PRC. On October 24, 2001, the Company was re-registered as a joint stock limited company in the PRC and renamed to China Pacific Insurance (Group) Co., Ltd. as required by the PRC Insurance Law and the Company Law. The A Shares of the Company were listed on the Shanghai Stock Exchange on December 25, 2007 and the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 23, 2009. The GDRs issued by the Company were listed on the London Stock Exchange on June 22, 2020.

SHARE CAPITAL

As of the date of this Offering Circular, the total share capital of the Company was RMB9,620,341,455 shares with a par value of RMB1.00 each, which can be categorized as follows:

Description of shares	Number of shares	Approximate percentage of the total share capital
Domestic shares (A Shares)	6,845,041,455	71.15%
Overseas listed foreign shares (H Shares)	2,775,300,000	28.85%
Total	9,620,341,455	100%

RANKING

Both holders of H Shares and A Shares of the Company are regarded as holders of ordinary shares under the Articles of Association and shall enjoy and bear the same rights and obligations.

ISSUE OF SHARES

The Company may, based on its operational and development requirements, increase its capital in accordance with the relevant provisions of the Articles of Association. The Company may increase its capital by the following methods: (i) offering of shares to unspecified investors; (ii) offering of shares to specified investors; (iii) distribute bonus shares to existing Shareholders; (iv) convert capital reserved into share capital; and (v) any other means permitted by laws, administrative regulations and regulators.

The increase of capital of the Company by way of issuing new shares shall be carried out in accordance with the procedures provided for in relevant laws and administrative regulations and after having been approved in accordance with the Articles of Association.

DIVIDENDS

According to the Articles of Association of the Company, the accumulated profit to be distributed in cash during the most recent three years shall not be less than 30% of its average annual distributable profits of the most recent three years, except in the following special circumstances: (i) the solvency level of the Company has fallen below the level required by the NFRA; (ii) the operations and financial position of the Company are materially affected by force majeure, such as a war or natural disaster; (iii) the operations and financial position of the Company are materially affected by a relatively significant change in the external environment in which the Company operates; (iv) a relatively significant adverse change has occurred in the Company's own operations; and (v) other circumstances in which dividend distributions are inappropriate, as specified in relevant laws, regulations or normative documents.

The annual dividends shall be passed by shareholders in general meeting, and the amount of dividends to be distributed shall be proposed by the board of directors of the Company.

Dividends may be distributed in the form of cash or Shares.

The Company shall appoint recipient agents on behalf of the shareholders of overseas listed foreign shares. Recipient agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Company in respect of the overseas listed foreign shares. The receiving agent appointed by the Company shall comply with the laws and the requirements of the stock exchange where the shares of the Company are listed. The receiving agent appointed by the Company on behalf of holders of H Shares shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

Dividends or other distributions of the Company shall be declared and calculated in Renminbi. Where the Company makes payment to holders of foreign investment shares in foreign currency, the foreign currency shall be arranged in accordance with the relevant state foreign exchange regulations. When distributing dividends, the Company shall withhold on behalf of the shareholders the tax payable on dividend income in accordance with PRC tax law.

SHAREHOLDERS' MEETINGS

Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be convened once every year and shall be held within six months after the end of the preceding financial year.

Upon the occurrence of any of the following events, the board of directors shall convene an extraordinary general meeting within two months thereof:

- (i) the number of Directors falls below the number stipulated by the Company Law or two-thirds of the number as required under the Articles of Association;
- (ii) the unrecovered loss of the Company reaches one-third of the Company's total paid-in share capital;
- (iii) any Shareholder who individually or in aggregate holds at least 10% of the total number of shares of the Company so requests;
- (iv) when the Board deems necessary;
- (v) when the audit and related party transaction control committee of the Board proposes to convene an extraordinary general meeting;

- (vi) when more than half and no less than two of the independent Directors propose to convene an extraordinary general meeting;
- (vii) any other circumstances as provided for by the laws, administrative regulations, department rules, regulators, stock exchanges and the Articles of Association.

When the Company convenes an annual general meeting, a written notice to notify all registered shareholders must be given no later than 20 days before the meeting; when the Company convenes an extraordinary general meeting, a written notice to notify all registered shareholders must be given no later than 15 days before the meeting. Such notice shall contain the matters to be considered at the meeting as well as the date and venue of the meeting.

When the general meeting is held, the board of directors, the audit and related party transaction control committee of the Board and the shareholders individually or collectively holding more than 1% of the Company's shares shall have the right to put forward a proposal in writing to the Company, and the Company shall incorporate those matters in the proposal which fall within the scope of the duties of the general meeting into the agenda of such meeting.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate will contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions.

The Bonds will be evidenced by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream.

PROMISE TO PAY

Under the Global Certificate, the Issuer promises to pay such principal, interest (if any) and such other sums and additional amounts (if any) as may be payable under the Terms and Conditions on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except for December 25 and January 1.

CALCULATION OF INTEREST

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from and including the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

EXCHANGE OF BONDS EVIDENCED BY GLOBAL CERTIFICATE

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Agent and the Registrar (an “**Alternative Clearing System**”) through which the Bonds are cleared is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates, printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in the Trust Deed, to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each HK\$1,000,000 in principal amount of the Bonds.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream or any Alternative Clearing System, notices to be given to Bondholders may be given by their being delivered to Euroclear and Clearstream or, as the case may be, any Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds rather than by publication as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to Euroclear and Clearstream or, as the case may be, any Alternative Clearing System.

ISSUER'S REDEMPTION

Any option of the Issuer provided for in the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders and to Euroclear and Clearstream (or, as the case may be, any Alternative Clearing System) (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the Terms and Conditions.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption options in Conditions 7.4 (*Redemption at the Option of the Bondholders*) and 7.5 (*Redemption for Relevant Events*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to any Paying Agent of the principal amount of Bonds in respect of which the relevant option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in the Terms and Conditions.

Notice of exercise received within the time limits specified in the Terms and Conditions by the relevant Paying Agent from or on behalf of a holder of a book-entry interest in the relevant Bonds will be accepted by the Issuer as having been given by the holder as to the principal amount of Bonds in respect of which it is given (but without double counting), and whether or not the Global Certificate is presented for endorsement therewith. Following the exercise of any such option, the Issuer shall procure that the principal amount of the Bonds recorded in the records of Euroclear or Clearstream (or, as the case may be, any Alternative Clearing System) and represented by this Global Certificate shall be reduced accordingly.

CONVERSION

Subject to the requirements of Euroclear and Clearstream (or, as the case may be, any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or, as the case may be, any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

On cancellation of any Bond represented by the Global Certificate that is required by the Terms and Conditions to be cancelled (other than upon its redemption), the Issuer acknowledges that details of such cancellation shall be entered in the records of the relevant Clearing Systems in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System, as the case may be) and, upon any such entry being made, the principal amount of the Bonds recorded in the records of the relevant Clearing Systems and represented by the Global Certificate shall be reduced by the aggregate principal amount of the Bonds so cancelled.

TRUSTEE'S POWERS

In considering the interests of the Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system or clearing systems, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

TAXATION

The following summary of certain PRC, Hong Kong and European Union tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or the Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Persons considering the purchase of the Bonds should consult their own tax advisors concerning the possible tax consequences of the purchase, ownership and disposition of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of Mainland China for PRC tax purposes (the “non-PRC Holders”). In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Taxation of the Bonds

EIT Tax

The Issuer is considered a PRC tax resident enterprise for the purpose of the PRC EIT Law and is subject to enterprise income tax at a rate of 25 per cent. on its income sourced from both within and outside the PRC. On that basis, Holders will be subject to withholding tax, income tax and other taxes or duties imposed by relevant government authorities in the PRC in respect of the holding of the Bonds or any repayment of principal, and premium (if any) and interest (if any) made thereon, as further described below.

Pursuant to the PRC EIT Law and the PRC IIT Law as amended, and their implementation rules, any non-PRC resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment inside the PRC or any non-PRC resident individual who is not residing in the PRC or who has resided in the PRC for less than 183 days with a tax year, must pay income tax on the PRC-sourced income, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established or tax resided and the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, the Issuer must withhold income tax from the payments of redemption premium (if any) and interest (if any) on the Bonds to any non-PRC resident enterprise Holder at the rate of 10% and any non-PRC resident individual Holder at the rate of 20%.

Under the PRC EIT Law and its implementation rules, any gains realized on the transfer of the Bonds by non-PRC resident enterprise Holders may be subject to PRC enterprise income tax if such gains are regarded as PRC-sourced income. If the gains derived from the disposal of the Bonds issued by a PRC enterprise and held by non-PRC resident enterprise Holders are regarded as PRC-sourced income, such

gain will be subject to PRC enterprise income tax. However, it is not clear under the PRC laws whether the gains realized on the transfer of the Bonds are PRC-sourced for PRC tax purposes. Therefore, there is uncertainty as to whether gains realized on the transfer of the Bonds by non-PRC individual Holders will be subject to PRC individual income tax.

In addition, under the PRC IIT Law, individuals who do not have a domicile in the PRC and have not resided in the PRC, or individuals who do not have a domicile in the PRC but have resided in the PRC for less than 183 days cumulatively within a tax year, shall be deemed as non-resident individuals. Income derived by non-resident individuals from China shall be subject to individual income tax pursuant to the provisions of the PRC IIT Law. There is uncertainty as to whether gains realized on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax.

Any PRC tax on interest, redemption premium or transfers of Bonds will apply at a rate of 10 per cent. in the case of non-PRC enterprises without an establishment within the PRC or whose income has no actual connection to its establishment inside the PRC and 20 per cent. in the case of non-PRC individuals unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

The conversion of the Bonds without converting due interests into shares by non-PRC Holders is not subject to PRC income tax.

VAT

On March 23, 2016, the Ministry of Finance and the SAT issued Circular on the Comprehensively Launching of the Pilot Scheme for the Conversion of Business Tax into Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知) (“**Circular 36**”) which confirms that business tax will be completely replaced by VAT from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within the PRC and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholding in accordance with applicable law, shall withhold VAT from the payment of interest income to Bondholders who are located outside of the PRC.

However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realized upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

Taxation of the H Shares

Taxation of Dividends on H Shares

According to the Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of H Shares (Guoshuihan [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)) issued by the SAT, which became effective on November 6, 2008, PRC issuers should withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise shareholders of H Shares. Non-resident enterprise investors in H-shares can file an application with the PRC tax authorities to apply any tax treatments in accordance with applicable tax agreements (or arrangements). Such investors will be required to provide materials proving that they are the beneficial owners that meet the requirements of any such tax treatments.

According to the PRC IIT Law as amended, and its implementation rules, dividends paid by PRC companies to individual shareholders are generally subject to a PRC withholding tax levied at a flat rate of 20%. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (國家稅務總局關於國稅發 [1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued by the SAT, if a domestic non-foreign-invested enterprise issues its shares in Hong Kong, its non PRC resident individual shareholders may be entitled to preferential tax treatments in accordance with the applicable tax treaties and arrangements. Generally, the distribution of dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to a withholding individual income tax of 10% and there is no need to apply to the PRC tax authorities to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply to the PRC tax authorities for a refund of the excess amount withheld. In accordance with the PRC laws, if an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%. The Issuer will withhold tax from any dividend payment at the applicable tax rate (which may be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the Issuer).

Taxation of Capital Gains related to transfer of H Shares

According to the PRC EIT Law and its implementation rules, a non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment inside the PRC is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including the gains derived from the disposal of equity interests in a PRC enterprise. Such tax may be reduced or eliminated under applicable tax treaties.

According to the PRC IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the PRC IIT Law, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by

individuals from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167號)) and Supplementary Notice of the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2010] No. 70) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知(財稅[2010]70號)), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax. The aforementioned provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of H Shares.

Tax Arrangements and Treaties

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) with respect to taxes on income, the PRC tax authorities may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident beneficially owns at least 25% equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Stamp duty

Except for the PRC stamp duty on booking capital account (記載資金的賬簿) which must be paid by the Issuer as a result of the issuance of H Shares on the conversion of the Bonds, no PRC stamp duty will be chargeable upon the issue or transfer of the Bonds or H Shares (if the register of the Holders is maintained outside the PRC and the issue or transfer of the Bonds or H Shares are made outside of the PRC).

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, with effect from January 1, 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the “**FSIE Amendments**”), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, nor will Hong Kong stamp duty be chargeable on the transfer or conversion of a Bond (for so long as the register of holders of the Bonds is maintained outside Hong Kong).

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated September 10, 2025 (the “**Subscription Agreement**”) pursuant to which, and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Bonds set forth opposite their names below.

	Principal amount of the Bonds to be subscribed
	(HK\$)
J.P. Morgan Securities (Asia Pacific) Limited	4,977,920,000
UBS AG Hong Kong Branch	2,488,960,000
Huatai Financial Holdings (Hong Kong) Limited	4,977,920,000
Merrill Lynch (Asia Pacific) Limited	1,555,600,000
Morgan Stanley Asia Limited	1,555,600,000
Total	15,556,000,000

The Issuer has agreed in the Subscription Agreement that neither the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may be reasonably expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date hereof and the date which is 60 days after the Closing Date (both dates inclusive); except for (i) the Bonds and the New Shares issued on conversion of the Bonds, or (ii) any Shares or other securities (including rights or options) which are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of employees (including directors) of the Issuer or any of its subsidiaries pursuant to any employee share scheme or plan existing as at the date of the Subscription Agreement. For the purposes of this paragraph, “**Shares**” means (i) ordinary shares with a nominal value of RMB1.00 issued by the Issuer to investors which are traded in Hong Kong dollars on the Hong Kong Stock Exchange; (ii) ordinary shares with a par value of RMB1.00 each issued by the Issuer and which are traded in Renminbi on the Shanghai Stock Exchange; and (iii) any other fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorised after the date hereof which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

The Subscription Agreement provides that the Issuer will indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: Asian_ECM_Syndicate@jpmorgan.com; ol-asia-syndicate-core@ubs.com; Project.J2025@htsc.com; dg.ecm_apac_syndicate@bofa.com;bofa_ecm_syndicate_pb_orders@bofa.com and omnibus_equity@morganstanley.com.

To the extent information being disclosed by CMI's and investors is personal and/or confidential in nature, CMI's (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that it and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMI's that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMI's (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMI's (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds and the Shares to be issued upon conversion of the Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or Shares to be issued upon conversion of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (“**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws or other relevant regulations of the PRC.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 316535615 and the International Securities Identification Number for the Bonds is XS3165356158.
2. **Legal Entity Identifier:** The Issuer's Legal Entity Identifier is 529900BA5ILEL308WX03.
3. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds issued to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on September 19, 2025.
4. **Listing of the H Shares:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares arising on conversion of the Bonds. It is expected that dealing in, and listing of, such H Shares on the Hong Kong Stock Exchange will commence when they are issued.
5. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was approved by the resolutions of the board of directors of the Issuer on September 10, 2025 and authorized by the Shareholders at the annual general meeting of the Issuer on June 11, 2025. The H Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate to the Directors of the Issuer at its annual general meeting held on June 11, 2025.
6. **No Material Adverse Change:** There has been no adverse change, nor any development reasonably likely to involve an adverse change, in the financial or trading position, condition (financial or otherwise), general affairs or prospects of the Issuer or the Group since June 30, 2025.
7. **Litigation:** Neither the Issuer nor any member of the Group is involved in any litigation or arbitration proceedings which are material in the context of the issue of the Bonds nor, so far as the Issuer is aware, is any such litigation or arbitration pending or threatened.
8. **Available Documents:** Copies of the Trust Deed, the Agency Agreement and the Articles of Association of the Issuer will be available for inspection from the Issue Date at the Issuer's principal place of business in Hong Kong at Suite 4301, 43/F., Central Plaza, 18 Harbor Road, Wanchai, Hong Kong during normal business hours. Copies of the Trust Deed and of the Agency Agreement (i) are available for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m. Monday to Friday except for public holidays) at the specified office of the Trustee, being at the date of the Trust Deed at 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong and (ii) may be provided by email from the Principal Agent to any Bondholder, in each case, following prior written request and proof of holding and identity to the satisfaction of the Trustee or the Principal Agent, as the case may be.
9. **Consolidated Financial Statements:** The Issuer's audited consolidated financial statements as of and for the years ended December 31, 2023 and 2024, which are included in this Offering Circular, have been audited by Ernst & Young Hua Ming LLP, the independent auditor of the Issuer. The Issuer's unaudited consolidated financial statements as of and for the six months ended June 30, 2025, which are included in this Offering Circular, have been reviewed by Ernst & Young Hua Ming LLP, the independent auditor of the Issuer.
10. **Auditor's Consent:** The independent auditor of the Issuer has agreed to the reproduction in this Offering Circular of, and all references to, (i) their name, (ii) their audit reports on the financial statements of the Issuer as of and for the years ended December 31, 2023 and 2024 and (iii) their review report on the financial statements of the Issuer as of and for the six months ended June 30, 2025.

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Note:

- (1) The independent auditor's reports on the Company's financial statements as of and for the years ended December 31, 2023 and 2024 set out herein are reproduced from the Company's annual reports as of and for the years ended December 31, 2023 and 2024. Page references contained in such independent auditor's reports refer to pages set out in such annual reports. The review report on the Company's financial statements as of and for the six months ended June 30, 2025 set out herein is reproduced from the Company's interim result as of and for the six months ended June 30, 2025. Page references contained in such review report refer to pages set out in such interim result.

Review Report

Ernst & Young Hua Ming (2025) Zhuan Zi No.70015004_B12
China Pacific Insurance (Group) Co., Ltd.

To the Shareholders of China Pacific Insurance (Group) Co., Ltd.,
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have reviewed the accompanying interim financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the interim consolidated and company balance sheets as at 30 June 2025, the interim consolidated and company income statements, the interim consolidated and company statements of changes in equity and the interim consolidated and company cash flow statements for the six-month period then ended, and the notes to the interim financial statements. Management of CPIC is responsible for the preparation of these interim financial statements in accordance with the requirements of Accounting Standard for Business Enterprises No.32 *Interim Financial Reporting* ("CAS 32"). Our responsibility is to issue a review report on these interim financial statements based on our review.

We conducted our review in accordance with Review Standard for Chinese Certified Public Accountants No.2101 *Review of Financial Statements*. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with CAS 32.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant:

Guo Hangxiang

Chinese Certified Public Accountant:

Mo Aiqi

Beijing,
The People's Republic of China

28 August 2025

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

INTERIM CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note V	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Cash at bank and on hand	1	46,404	29,357
Derivative financial assets		11	26
Securities purchased under agreements to resell	2	21,349	10,905
Term deposits	3	178,219	173,818
Financial investments:		2,630,303	2,482,029
Financial assets at fair value through profit or loss	4	674,401	667,199
Financial assets at amortised cost	5	55,357	64,844
Debt investments at fair value through other comprehensive income	6	1,746,373	1,607,972
Equity investments at fair value through other comprehensive income	7	154,172	142,014
Insurance contract assets	15	-	22
Reinsurance contract assets	16	44,068	46,081
Long-term equity investments	8	13,148	22,520
Restricted statutory deposits	9	6,898	6,851
Investment properties		28,396	8,951
Fixed assets		22,715	20,255
Construction in progress		3,357	2,489
Right-of-use assets		1,837	2,921
Intangible assets		6,993	7,347
Goodwill		1,357	1,357
Deferred income tax assets	10	6,919	3,464
Other assets	11	18,126	16,514
TOTAL ASSETS		3,030,100	2,834,907

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

AS AT 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note V	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Derivative financial liabilities		60	96
Securities sold under agreements to repurchase	12	180,205	181,695
Premium received in advance		6,192	18,044
Employee benefits payable		7,810	10,169
Taxes payable	13	4,283	2,480
Bonds payable	14	10,103	10,286
Insurance contract liabilities	15	2,428,583	2,229,514
Commission and brokerage payable		6,674	5,942
Insurance premium reserves		652	129
Lease liabilities		1,638	2,722
Deferred income tax liabilities	10	2,707	7,362
Long-term borrowings		157	-
Other liabilities		67,830	47,987
Total liabilities		2,716,894	2,516,426
Issued capital	17	9,620	9,620
Capital reserves	18	79,939	79,948
Other comprehensive income/(loss)	34	(12,390)	14,917
Surplus reserves	19	5,114	5,114
General reserves	20	30,008	29,928
Retained profits	21	169,580	151,890
Equity attributable to shareholders of the parent		281,871	291,417
Non-controlling interests		31,335	27,064
Total equity		313,206	318,481
TOTAL LIABILITIES AND EQUITY		3,030,100	2,834,907

The financial statements are signed by the persons below:

<u>FU Fan</u>	<u>SU Gang</u>	<u>XU Zhen</u>
Legal representative	Principal in charge of accounting	Head of accounting department

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

	Note V	For the six months ended 30 June 2025 (Unaudited)	For the six months ended 30 June 2024 (Unaudited)
Operating income		200,496	194,634
Insurance revenue	22	141,824	137,019
Interest income	23	29,061	27,769
Investment income	24	21,671	6,893
Including: Share of losses of associates and joint ventures		(145)	(124)
Gains on derecognition of financial assets measured at amortised cost		-	4
Other income		106	86
Gains arising from changes in fair value	25	5,856	20,945
Exchange (losses)/gains		(13)	32
Other operating income	26	1,918	1,889
Gains on disposal of assets		73	1
Operating expenses		(168,224)	(165,187)
Insurance service expenses	27	(120,169)	(116,298)
Allocation of reinsurance premiums		(7,290)	(7,962)
Less: Recoveries of insurance service expenses from reinsurers		6,245	7,602
Insurance finance expenses for insurance contracts issued		(40,698)	(44,030)
Less: Reinsurance finance income for reinsurance contracts held		715	1,036
Changes in insurance premium reserves		(523)	(449)
Interest expenses	28	(2,217)	(1,192)
Commission and brokerage expenses		(3)	(15)
Taxes and surcharges	29	(216)	(178)
Operating and administrative expenses	30	(3,462)	(3,065)
Impairment losses on financial assets	31	(14)	52
Other operating expenses	32	(592)	(688)
Operating profit		32,272	29,447
Add: Non-operating income		36	24
Less: Non-operating expenses		(49)	(76)
Profit before tax		32,259	29,395
Less: Income tax	33	(3,453)	(3,537)
Net profit		<u>28,806</u>	<u>25,858</u>
Classified by continuity of operations:			
Net profit from continuing operations		28,806	25,858
Net profit from discontinued operations		-	-
Classified by ownership of the equity:			
Attributable to shareholders of the parent		27,885	25,132
Non-controlling interests		921	726

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

INTERIM CONSOLIDATED INCOME STATEMENT (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

	Note V	For the six months ended 30 June 2025 (Unaudited)	For the six months ended 30 June 2024 (Unaudited)
Other comprehensive income/(loss)	34		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income		1,478	5,083
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss		1,889	5,831
		<u>(411)</u>	<u>(748)</u>
Other comprehensive income/(loss) that will be reclassified to profit or loss:			
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method		(28,978)	(2,628)
Changes in the fair value of debt instruments at fair value through other comprehensive income		-	4
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income		5,388	50,673
Exchange differences on translation of foreign operations		102	(98)
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss		(17)	7
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss		(34,484)	(53,195)
		<u>33</u>	<u>(19)</u>
Other comprehensive income/(loss)		<u>(27,500)</u>	<u>2,455</u>
Total comprehensive income		<u><u>1,306</u></u>	<u><u>28,313</u></u>
Attributable to shareholders of the parent		853	27,541
Attributable to non-controlling interests		453	772
Earnings per share	35		
Basic earnings per share (RMB per share)		<u>2.90</u>	<u>2.61</u>
Diluted earnings per share (RMB per share)		<u>2.90</u>	<u>2.61</u>

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

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

	For the six months ended 30 June 2025 (Unaudited)						
	Attributable to shareholders of the parent						
	Issued capital	Capital reserves	Other comprehensive income/(loss)	Surplus reserves	General reserves	Retained profits	Non-controlling interests
							Total equity
Balance at the beginning of the period	9,620	79,948	14,917	5,114	29,928	151,890	27,064
Movements in the current period	-	(9)	(27,307)	-	80	17,690	4,271
Net profit	-	-	-	-	-	27,885	921
Other comprehensive income/(loss) (Note V 34)	-	-	(27,032)	-	-	-	(468)
Total comprehensive income	-	-	(27,032)	-	-	27,885	453
Acquisition of subsidiaries	-	-	-	-	-	-	4,670
Other equity changes caused by equity method accounting	-	(9)	-	-	-	-	-
Profit distribution	-	-	-	-	80	(10,470)	(852)
Appropriations to general reserves	-	-	-	-	80	(80)	-
Profit distribution to shareholders	-	-	-	-	-	(10,390)	(347)
Profit distribution to other equity instrument holders	-	-	-	-	-	-	(505)
Transfer of other comprehensive income/(loss) to retained profits	-	-	(275)	-	-	275	-
Balance at the end of the period	9,620	79,939	(12,390)	5,114	30,008	169,580	31,335
							313,206

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CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2024 (Unaudited)						
	Attributable to shareholders of the parent						Total equity
	Issued capital	Capital reserves	Other comprehensive income/(loss)	Surplus reserves	General reserves	Retained profits	
Balance at the beginning of the period	9,620	79,950	7,992	5,114	25,462	121,448	267,704
Movements in the current period	-	(4)	2,490	-	74	15,164	25,952
Net profit	-	-	-	-	-	25,132	25,858
Other comprehensive income/(loss) (Note V 34)	-	-	2,409	-	-	-	2,455
Total comprehensive income	-	-	2,409	-	-	25,132	28,313
Other equity changes caused by equity method accounting	-	(2)	-	-	-	-	(2)
Capital invested and reduced by holders	-	(2)	-	-	-	-	(2)
Capital invested by other equity instrument holders	-	(2)	-	-	-	-	(2)
Profit distribution	-	-	-	-	74	(9,887)	8,002
Appropriations to general reserves	-	-	-	-	74	(74)	(10,359)
Profit distribution to shareholders	-	-	-	-	-	(9,813)	-
Profit distribution to other equity instrument holders	-	-	-	-	-	-	(231)
Transfer of other comprehensive income/(loss) to retained profits	-	-	81	-	-	(81)	(315)
Balance at the end of the period	9,620	79,946	10,482	5,114	25,536	136,612	293,656

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

	Note V	For the six months ended 30 June 2025 (Unaudited)	For the six months ended 30 June 2024 (Unaudited)
Cash flows from operating activities			
Cash received from premium of insurance contracts issued		277,867	253,730
Net cash received from reinsurance contracts held		2,142	-
Net decrease in policy loans		2,201	1,498
Refund of taxes and surcharges		228	57
Cash received relating to other operating activities		2,712	2,887
Sub-total of cash inflows		285,150	258,172
Cash paid for claims under insurance contracts issued		(93,624)	(92,514)
Net cash paid under reinsurance contracts issued		(985)	(740)
Net cash paid under reinsurance contracts held		-	(586)
Cash paid for commission and brokerage expenses		(16,647)	(17,669)
Cash paid to and on behalf of employees		(14,600)	(14,930)
Payments of taxes and surcharges		(5,076)	(5,667)
Cash paid relating to other operating activities		(33,715)	(36,141)
Sub-total of cash outflows		(164,647)	(168,247)
Net cash flows from operating activities		120,503	89,925
Cash flows from investing activities			
Cash received from disposal of investments		369,732	372,772
Cash received from returns on investments and interest income		34,954	35,093
Net cash received from disposal of subsidiaries and other business entities		133	48
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		52	14
Cash received relating to other investing activities		112	-
Sub-total of cash inflows		404,983	407,927
Cash paid to acquire investments		(496,360)	(448,159)
Net cash paid to acquire subsidiaries and other business entities		(278)	(161)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,061)	(1,380)
Cash paid relating to other investing activities		(1,673)	(13)
Sub-total of cash outflows		(500,372)	(449,713)
Net cash flows used in investing activities		(95,389)	(41,786)

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

	Note V	For the six months ended 30 June 2025 (Unaudited)	For the six months ended 30 June 2024 (Unaudited)
Cash flows from financing activities			
Cash received from capital contributions		-	8,000
Cash received relating to other financing activities		8,700	3,667
Sub-total of cash inflows		8,700	11,667
Cash repayments of borrowings		(1,070)	(8,218)
Cash payments for distribution of dividends, profits or interest expenses		(2,522)	(1,416)
Decrease in securities sold under agreements to repurchase, net		(1,437)	(19,201)
Cash paid relating to other financing activities		(1,223)	(803)
Sub-total of cash outflows		(6,252)	(29,638)
Net cash flows from/(used in) financing activities		2,448	(17,971)
Effects of exchange rate changes on cash and cash equivalents		(43)	39
Net increase in cash and cash equivalents		27,519	30,207
Add: Cash and cash equivalents at the beginning of the period		39,673	33,740
Cash and cash equivalents at the end of the period	36	67,192	63,947

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

INTERIM COMPANY BALANCE SHEET

AS AT 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	30 June 2025	31 December 2024
	(Unaudited)	(Audited)
Cash at bank and on hand	5,516	5,163
Securities purchased under agreements to resell	600	-
Term deposits	8,370	6,997
Financial investments:	56,056	57,394
Financial assets at fair value through profit or loss	22,517	22,725
Financial assets at amortised cost	6,595	8,301
Debt investments at fair value through other comprehensive income	22,261	21,729
Equity investments at fair value through other comprehensive income	4,683	4,639
Long-term equity investments	69,972	70,213
Investment properties	1,999	2,131
Fixed assets	1,843	1,840
Construction in progress	3	3
Right-of-use assets	259	288
Intangible assets	238	267
Other assets	10,952	561
Total assets	155,808	144,857
LIABILITIES AND EQUITY		
Securities sold under agreements to repurchase	950	910
Employee benefits payable	155	244
Taxes payable	95	13
Lease liabilities	296	329
Deferred income tax liabilities	466	475
Other liabilities	11,077	780
Total liabilities	13,039	2,751
Issued capital	9,620	9,620
Capital reserves	79,312	79,312
Other comprehensive income/(loss)	1,231	1,260
Surplus reserves	4,810	4,810
Retained profits	47,796	47,104
Total equity	142,769	142,106
TOTAL LIABILITIES AND EQUITY	155,808	144,857

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**INTERIM COMPANY INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
	(Unaudited)	(Unaudited)
Operating income	12,049	11,070
Interest income	736	895
Investment income	11,010	9,482
Including: Share of gains/(losses) of associates and joint ventures	1	(7)
Other income	2	6
Gains arising from changes in fair value	30	334
Exchange (losses)/gains	(36)	27
Other operating income	307	326
Operating expenses	(835)	(885)
Interest expenses	(18)	(19)
Taxes and surcharges	(35)	(39)
Operating and administrative expenses	(697)	(718)
Impairment losses on financial assets	26	10
Other operating expenses	(111)	(119)
Operating profit	11,214	10,185
Add: Non-operating income	3	6
Less: Non-operating expenses	(5)	(16)
Profit before tax	11,212	10,175
Less: Income tax	(127)	(148)
Net profit	11,085	10,027
Classified by continuity of operations:		
Net profit from continuing operations	11,085	10,027
Net profit from discontinued operations	-	-
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:	41	275
Changes in the fair value of equity investments at fair value through other comprehensive income	41	275
Other comprehensive income/(loss) that will be reclassified to profit or loss:	(73)	346
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	-	1
Changes in the fair value of debt instruments at fair value through other comprehensive income	(73)	348
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	-	(3)
Other comprehensive income/(loss)	(32)	621
Total comprehensive income	11,053	10,648

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**INTERIM COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2025 (Unaudited)					
	Issued capital	Capital reserves	Other comprehensive income/(loss)	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the period	9,620	79,312	1,260	4,810	47,104	142,106
Movements in the current period	-	-	(29)	-	692	663
Net profit	-	-	-	-	11,085	11,085
Other comprehensive income/(loss)	-	-	(32)	-	-	(32)
Total comprehensive income	-	-	(32)	-	11,085	11,053
Profit distribution	-	-	-	-	(10,390)	(10,390)
Profit distribution to shareholders	-	-	-	-	(10,390)	(10,390)
Transfer of other comprehensive income/(loss) to retained profits	-	-	3	-	(3)	-
Balance at the end of the period	9,620	79,312	1,231	4,810	47,796	142,769

	For the six months ended 30 June 2024 (Unaudited)					
	Issued capital	Capital reserves	Other comprehensive income/(loss)	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the period	9,620	79,312	423	4,810	46,114	140,279
Movements in the current period	-	-	619	-	216	835
Net profit	-	-	-	-	10,027	10,027
Other comprehensive income/(loss)	-	-	621	-	-	621
Total comprehensive income	-	-	621	-	10,027	10,648
Profit distribution	-	-	-	-	(9,813)	(9,813)
Profit distribution to shareholders	-	-	-	-	(9,813)	(9,813)
Transfer of other comprehensive income/(loss) to retained profits	-	-	(2)	-	2	-
Balance at the end of the period	9,620	79,312	1,042	4,810	46,330	141,114

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**INTERIM COMPANY CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Refund of taxes and surcharges	195	-
Cash received relating to other operating activities	242	335
Sub-total of cash inflows	437	335
Cash paid to and on behalf of employees	(390)	(406)
Payments of taxes and surcharges	(135)	(164)
Cash paid relating to other operating activities	(283)	(418)
Sub-total of cash outflows	(808)	(988)
Net cash flows used in operating activities	(371)	(653)
Cash flows from investing activities		
Cash received from disposal of investments	8,920	11,984
Cash received from returns on investments and interest income	1,051	1,261
Net cash received from disposal of subsidiaries and other business entities	391	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1	-
Sub-total of cash inflows	10,363	13,245
Cash paid to acquire investments	(8,943)	(8,528)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(85)	(67)
Sub-total of cash outflows	(9,028)	(8,595)
Net cash flows from investing activities	1,335	4,650
Cash flows from financing activities		
Increase in securities sold under agreements to repurchase, net	40	-
Sub-total of cash inflows	40	-
Cash payments for distribution of dividends, profits or interest expenses	(13)	(14)
Decrease in securities sold under agreements to repurchase, net	-	(2,025)
Cash paid relating to other financing activities	(19)	(33)
Sub-total of cash outflows	(32)	(2,072)
Net cash flows from/(used in) financing activities	8	(2,072)
Effects of exchange rate changes on cash and cash equivalents	(19)	27
Net increase in cash and cash equivalents	953	1,952
Add: Cash and cash equivalents at the beginning of the period	5,163	6,286
Cash and cash equivalents at the end of the period	6,116	8,238

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

I. GENERAL INFORMATION

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

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

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

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

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

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

Major subsidiaries included in the consolidation scope in the current period are detailed in Note IV.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standards, the specific accounting standards promulgated and revised subsequently, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as “CASs”) promulgated by the Ministry of Finance of the People's Republic of China. These interim financial statements are presented and disclosed in accordance with the requirements of CAS No. 32 - Interim Financial Reporting promulgated by the Ministry of Finance of the People's Republic of China, Standard on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 3 - Content and Format of Interim Reports (revised in 2025) promulgated by the China Securities Regulatory Commission (“CSRC”) and Appendix XVI of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Therefore, they do not include all information and disclosures in the annual financial statements.

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

They have been prepared under the historical cost convention, other than financial instruments that have been measured at fair value, insurance contracts and reinsurance contracts held that have been measured primarily based on actuarial methods. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

The accounting policies applied in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2024. These financial statements should be read in conjunction with the Group's financial statements for 2024.

III. TAXES

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

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2025 (All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows:

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2025 (All amounts in RMB million unless otherwise stated)

IV. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Note
							Direct	Indirect	
Shanghai Xin Hui Property Development Co., Ltd. * ("Xin Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	USD 15,600 thousand	USD 15,600 thousand	-	98.29	100.00
Shanghai He Hui Property Development Co., Ltd. * ("He Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	USD 46,330 thousand	USD 46,330 thousand	-	98.29	100.00
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited liability company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited liability company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited liability company	Senior living property investment and management, etc.	Shanghai	Shanghai	5,000,000	5,000,000	-	98.29	100.00
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	The PRC	3,600,000	3,600,000	85.05	14.69	100.00
Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	1,080,000	1,080,000	-	66.76	67.78
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited liability company	Medical consulting services, etc.	Shanghai	Shanghai	1,000,000	1,000,000	-	98.29	100.00
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited liability company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited liability company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited liability company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,083,475	1,035,000	-	98.29	100.00 (2)
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	1,056,000	-	98.29	100.00 (3)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts in RMB million unless otherwise stated)

IV. SCOPE OF CONSOLIDATION (continued)

- Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited liability company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	900,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited liability company	Seniors care and health consultation, etc.	Chengdu	Chengdu	60,000	43,000	-	98.29	100.00	
CPIC Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company")	Limited liability company	Senior living property investment and construction, etc.	Nanjing	Nanjing	702,000	508,556	-	98.29	100.00	(4)
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	Limited liability company	"Migrant-style" senior living, etc.	Dali	Dali	608,000	608,000	-	74.70	76.00	
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai Putuo) Project Company")	Limited liability company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	250,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Limited liability company	Seniors care and health consultation, etc.	Hangzhou	Hangzhou	60,000	42,200	-	98.29	100.00	
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Senior living property investment and construction, etc.	Wuhan	Wuhan	980,000	980,000	-	98.29	100.00	
CPIC Capital Company Limited. ("CPIC Capital")	Limited liability company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	
Shanghai Chongming Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Chongming)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	1,253,000	1,070,000	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts in RMB million unless otherwise stated)

IV. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company		Note
							Direct	Indirect	
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Shanghai	Shanghai	30,000	23,000	-	98.29	100.00
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited liability company	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited liability company	Life and health insurance	Hong Kong	Hong Kong	HKD 1,000,000 thousand	HKD 1,000,000 thousand	-	98.29	100.00
CPIC Senior Living Development (Qingdao) Co., Ltd. ("Qingdao Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	193,000	-	98.29	100.00
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd. ("Pacific Care Home at Xiamen")	Limited liability company	Seniors care and health consultation, etc.	Xiamen	Xiamen	40,000	30,000	-	98.29	100.00
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Zhengzhou	Zhengzhou	650,000	650,000	-	98.29	100.00
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Beijing	Beijing	800,000	800,000	-	98.29	100.00
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	Technical services, cloud computing services, big data services	Shanghai	Shanghai	700,000	700,000	100.00	-	100.00
Xinbaoyu (Guangzhou) Co., Ltd. ("Xinbaoyu")	Limited liability company	Business service, property management, and lease of non-residential real estate	Guangzhou	Guangzhou	3,650,000	3,649,990	-	98.46	100.00
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Technical services, technical consulting services	Wuhan	Wuhan	100,000	100,000	-	100.00	100.00

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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(All amounts in RMB million unless otherwise stated)

IV. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Pacific Health Management (Sanya) Co., Ltd. ("Sanya Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Sanya	Sanya	490,000	490,000	-	98.29	100.00	
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd. ("Pacific Care Home at Nanjing")	Limited liability company	Elderly services, health consulting services, etc.	Nanjing	Nanjing	30,000	7,000	-	98.29	100.00	
Shanghai (Jing'an) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Jing'an)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	426,367	426,367	-	98.29	100.00	
Pacific Care Home (Wuhan) Senior Living Service Co., Ltd. ("Pacific Care Home at Wuhan")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Wuhan	Wuhan	30,000	16,500	-	98.29	100.00	(5)
Xiamen Yuanshen Rehabilitation Hospital Co., Ltd. ("Xiamen Rehabilitation Hospital")	Limited liability company	Medical service, hospital management, etc.	Xiamen	Xiamen	160,000	160,000	-	98.29	100.00	
Pacific Care Home (Suzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Suzhou")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Suzhou	Suzhou	30,000	6,000	-	98.29	100.00	
Pacific Care Home (Beijing) Senior Living Service Co., Ltd. ("Pacific Care Home at Beijing")	Limited liability company	Seniors and disability care	Beijing	Beijing	30,000	3,000	-	98.29	100.00	(6)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts in RMB million unless otherwise stated)

IV. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company		Note
							Direct	Indirect	
Pacific Care Home (Zhengzhou) Senior Living Service Co., Ltd ("Pacific Care Home at Zhengzhou")	Limited liability company	Seniors and disability care	Zhengzhou	Zhengzhou	45,000	5,000	-	98.29	100.00 (7)
CPIIC Senior Living Development (Guangzhou) Co., Ltd. ("Guangzhou Project Company")	Limited liability company	Elderly services, lease of non-residential real estate, etc.	Guangzhou	Guangzhou	830,000	443,000	-	98.29	100.00 (8)
CPIIC Senior Living Development (Suzhou) Co., Ltd. ("Suzhou Project Company")	Limited liability company	Elderly services, lease of real estate, etc.	Suzhou	Suzhou	300,000	250,000	-	98.29	100.00 (9)
Jinan Yuanshen Rehabilitation Hospital Co., Ltd. ("Jinan Rehabilitation Hospital")	Limited liability company	Medical service, hospital management, etc.	Jinan	Jinan	260,000	86,000	-	98.29	100.00 (10)
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	Limited liability company	Real estate development and operation, property management, etc.	Shanghai	Shanghai	14,050,000	14,050,000	-	68.80	70.00 (11)
Pacific NanShanlu (Shanghai) Senior Care Service Co., Ltd. ("Pacific Nanshanlu")	Limited liability company	Seniors care, nursing service, etc.	Shanghai	Shanghai	5,600	5,600	-	98.29	100.00 (12)
Pacific Care Home (Sanya) Senior Living Service Co., Ltd ("Pacific Care Home at Sanya")	Limited liability company	Elderly services, lease of real estate, etc.	Sanya	Sanya	30,000	2,000	-	98.29	100.00 (13)
CPIIC Zhiyuan (Shanghai) Private Equity Fund Management Co., Ltd ("CPIIC Zhiyuan")	Limited liability company	Private securities investment fund management service	Shanghai	Shanghai	10,000	10,000	-	99.67	100.00 (14)

* Subsidiaries of City Island

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows: (continued)

(1) CPIC H.K

In December 2023, the Company signed a share transfer agreement with CPIC Property, agreeing to transfer all the share of CPIC H.K held by the Company to CPIC Property for a consideration of HKD 430 million. As of 30 June 2025, the share transfer has completed all trading procedures, and CPIC Property holds 100% of the equity of CPIC H.K.

(2) Chengdu Project Company

Chengdu Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of approximately RMB 1,083 million. As of 30 June 2025, the paid-up investment amount of CPIC Life had increased to RMB 1,035 million.

(3) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 1,200 million. As of 30 June 2025, the paid-up investment amount of CPIC Life had increased to RMB 1,056 million.

(4) Nanjing Project Company

Nanjing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 702 million. As of 30 June 2025, the paid-up investment amount of CPIC Life had increased to approximately RMB 509 million.

(5) Pacific Care Home at Wuhan

Pacific Care Home at Wuhan, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 30 June 2025, the paid-up investment amount of CPIC Senior Living Investment had increased to approximately RMB 17 million.

(6) Pacific Care Home at Beijing

Pacific Care Home at Beijing, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 30 June 2025, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 3 million.

(7) Pacific Care Home at Zhengzhou

Pacific Care Home at Zhengzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 45 million. As of 30 June 2025, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 5 million.

(8) Guangzhou Project Company

Guangzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 830 million. As of 30 June 2025, the paid-up investment amount of CPIC Life had increased to RMB 443 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2025 are as follows (continued):

(9) Suzhou Project Company

Suzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 300 million. As of 30 June 2025, the paid-up investment amount of CPIC Life had increased to RMB 250 million.

(10) Jinan Rehabilitation Hospital

Jinan Rehabilitation Hospital, a wholly-owned subsidiary funded by Pacific Medical & Healthcare, with registered capital of RMB 260 million. As of 30 June 2025, the paid-up investment amount of Pacific Medical & Healthcare had increased to RMB 86 million.

(11) Ruiyongjing Real Estate

CPIC Life and two third-party companies jointly invested in the establishment of Ruiyongjing Real Estate, with a registered capital of RMB 14,050 million. Among them, the shareholding ratio of CPIC Life is 70.00%. As of 30 June 2025, CPIC Life has paid up the investment amount of RMB 9,835 million. CPIC Life obtained the control of Ruiyongjing Real Estate in the current period and included it in the scope of consolidation. For details, please refer to Note IV. 2.

(12) Pacific Nanshanju

CPIC Senior Living Investment and Orpea (Shanghai) Investment Co., Ltd. found the Pacific NanShanJu (Shanghai) Senior Care Service Co., Ltd. (originally named as Pacific Orpea (Shanghai) Senior Care Management Co., Ltd.) in together, holding the percentage of equity with 56.00% and 44.00% respectively, registered capital is RMB 10 million. In January 2025, Orpea (Shanghai) Investment Co., Ltd. withdrew its investment and exited. After the equity change, CPIC Senior Living Investment holds 100.00% of the shares. As of 30 June 2025, CPIC Senior Living Investment has paid up all the investment.

(13) Pacific Care Home at Sanya

Pacific Care Home at Sanya, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91460000MAEB4AFU2U in January 2025, with registered capital of RMB 30 million. As of 30 June 2025, CPIC Senior Living has paid up the investment amount of RMB 2 million.

(14) CPIC Zhiyuan

CPIC Zhiyuan, a wholly-owned subsidiary funded by CPIC Asset Management, obtained the business license for the legal entity with unified social credit code 91310000MAEL1A7M9J in May 2025, with registered capital of RMB 10 million. As of 30 June 2025, CPIC Asset Management has paid up all the investment amount.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION (continued)

2. Business combination not under common control

The main business combination not under common control occurred in the current period is as follows,

	Equity transaction date	Equity purchase cost	Percentage of equity purchased (%)	Purchase method	Acquisition date	Acquisition date basis	Acquiree's operating income from acquisition date to the end of the period	Acquiree's net profit from acquisition date to the end of the period	Acquiree's net cashflow from acquisition date to the end of the period
Ruiyongjing Real Estate	24 July 2018	9,835	70.00	Cash contribution	30 June 2025	Actual transfer date of control	-	-	-

(1) Acquisition cost and goodwill:

	Fair value	Carrying amount
Fair value of equity interest held before acquisition date	10,897	9,294
Total acquisition cost	10,897	9,294
Less: Fair value of net assets acquired	10,897	
Goodwill/acquisition cost less than fair value of net assets acquired	-	

(2) The fair value and carrying amount of the identifiable assets and liabilities of the acquiree as at the acquisition date are as below:

	Fair value	Carrying amount
Cash at bank and on hand	112	112
Investment properties and long-term deferred and prepaid expenses	22,501	19,448
Other assets	235	235
Long-term borrowings	(5,627)	(5,627)
Deferred tax liabilities	(763)	-
Other liabilities	(891)	(891)
Net assets	15,567	13,277
Less: Non-controlling interests	4,670	3,983
Net assets acquired	10,897	9,294

When determining the fair value of the assets and liabilities of Ruiyongjing Real Estate on acquisition date, the buildings under investment properties are evaluated using the cost method and the income method. In addition to the above-mentioned separately assessed assets, the fair value of the remaining identifiable assets and liabilities of Ruiyongjing Real Estate is close to its carrying amount.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION (continued)

2. Business combination not under common control (continued)

- (3) Profit or loss resulting from remeasurement of equity interest held before acquisition date at fair value:

		Initial transaction date	Percentage of equity interest held(%)	Purchase cost	Purchase method
Ruiyongjing Real Estate		24 July 2018	70.00	9,835	Cash
	Carrying amount as at the acquisition date	Fair value as at the acquisition date	Profit or loss resulting from remeasurement	Method and key assumptions of the fair value remeasurement	The amount of other comprehensive income/(loss) transferred to investment income
Ruiyongjing Real Estate	9,294	10,897	1,603	Net asset adjustment method	-

- (4) Net cash paid to acquire subsidiaries and other business entities:

	For the six months ended 30 June 2025
Cash and cash equivalents held by subsidiaries and other operating entities as at the acquisition date	112
Less: Cash and cash equivalents paid to acquire subsidiaries and other business entities	-
Cash received relating to other investing activities	112

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION (continued)

3. As at 30 June 2025, material consolidated structured entities of the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
China Pacific Changhang Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("China Pacific Changhang")	99.98	10,424,462	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the Asset Management Association of China ("AMAC")) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).
CPI/C Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	8,062,610	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPI/C Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	87.47	7,635,690	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025
 (All amounts expressed in RMB million unless otherwise specified)

IV. SCOPE OF CONSOLIDATION (continued)

3. As at 30 June 2025, material consolidated structured entities of the Group are as follows (continued):

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
CPIC Health Industry Investment Fund (Shanghai) Partnership (Limited Partnership) ("CPIC Health Fund")	90.90	6,624,080	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the Asset Management Association of China ("AMAC")).
Pacific-Ningbo Rail Transit Infrastructure Debt Investment Plan	100.00	5,000,000	Investing in the second phase of Ningbo Rail Transit Line 3 project operated by Ningbo Rail Transit Group Co., Ltd. in the form of debt.
CPIC Asset Management, CPIC Funds and CPIC Capital, etc. are the asset managers of these consolidated structured entities included in the scope of the Group.			

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Cash at bank and on hand

		30 June 2025		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	37,754	1.00000	37,754
	USD	873	7.15860	6,247
	HKD	1,062	0.91195	969
	Others			21
	Subtotal			44,991
Other cash balances	RMB	1,413	1.00000	1,413
	Subtotal			1,413
Total				46,404

		31 December 2024		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	22,045	1.00000	22,045
	USD	810	7.18840	5,820
	HKD	295	0.92604	274
	Others			2
	Subtotal			28,141
Other cash balances	RMB	1,214	1.00000	1,214
	USD	-	7.18840	2
	Subtotal			1,216
Total				29,357

As at 30 June 2025, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 2,045 million (31 December 2024: amounted equivalent to RMB 1,357 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025
 (All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

1. Cash at bank and on hand (continued)

As at 30 June 2025, RMB 229 million were time deposits with original maturity of no more than three months (31 December 2024: RMB 221 million).

As at 30 June 2025, RMB 547 million in the Group's cash at bank and on hand balance were restricted for special-purpose use (31 December 2024: RMB 579 million).

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

2. Securities purchased under agreements to resell

	30 June 2025	31 December 2024
Securities - bonds		
Inter-bank market	17,960	10,380
Stock exchange	3,389	525
Subtotal	21,349	10,905
Less: Impairment provisions	-	-
Total	21,349	10,905

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025
 (All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

3. Term deposits

Term to maturity	30 June 2025	31 December 2024
At amortised cost		
Within 3 months (inclusive)	204	3,452
3 months to 1 year (inclusive)	3,313	5,386
1 to 2 years (inclusive)	13,367	7,934
2 to 3 years (inclusive)	4,314	9,744
3 to 4 years (inclusive)	12,322	2,523
4 to 5 years (inclusive)	8,861	11,910
Less: Impairment provisions	(21)	(24)
Fair value through other comprehensive income		
Within 3 months (inclusive)	-	8,852
3 months to 1 year (inclusive)	16,062	7,716
1 to 2 years (inclusive)	33,193	29,026
2 to 3 years (inclusive)	26,796	27,980
3 to 4 years (inclusive)	39,282	20,781
4 to 5 years (inclusive)	20,526	38,538
Including:		
Amortised cost	133,435	129,338
Accumulated changes in fair value	2,424	3,555
Total	178,219	173,818

As at 30 June 2025, the impairment provision recognised for term deposits at fair value through other comprehensive income was RMB 82 million (31 December 2024: RMB 58 million).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025
 (All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Financial assets at fair value through profit or loss

	30 June 2025	31 December 2024
Listed	226,149	216,255
Unlisted	448,252	450,944
Total	674,401	667,199
Bonds	276,167	274,335
Government bonds	7,563	6,907
Finance bonds	242,388	241,069
Enterprise bonds	26,216	26,359
Stocks	187,406	179,013
Funds	69,839	70,472
Unlisted equity shares investments	70,257	66,707
Debt investment plans	42,362	42,150
Investment in asset management products	19,583	28,238
Others	8,787	6,284
Total	674,401	667,199

5. Financial assets at amortised cost

	30 June 2025	31 December 2024
Listed	3,230	3,236
Unlisted	53,595	63,205
Subtotal	56,825	66,441
Less: Impairment provisions	(1,468)	(1,597)
Net value	55,357	64,844
Bonds	19,723	21,852
Government bonds	16,848	16,435
Enterprise bonds	2,875	5,417
Debt investment plans	32,051	35,482
Investment trust	1,119	5,065
Others	3,932	4,042
Subtotal	56,825	66,441
Less: Impairment provisions	(1,468)	(1,597)
Net value	55,357	64,844

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

6. Debt investments at fair value through other comprehensive income

	30 June 2025	31 December 2024
Listed	74,084	67,909
Unlisted	1,672,289	1,540,063
Total	1,746,373	1,607,972
Bonds	1,530,160	1,345,995
Government bonds	1,309,303	1,139,037
Finance bonds	77,957	68,666
Enterprise bonds	142,900	138,292
Debt investment plans	161,643	163,085
Investment trust	13,943	50,715
Preferred shares	33,336	34,478
Others	7,291	13,699
Total	1,746,373	1,607,972
Including:		
Amortised cost	1,496,449	1,366,390
Accumulated changes in fair value	249,924	241,582

As at 30 June 2025, the impairment provision for the Group's debt investment at fair value through other comprehensive income was RMB 4,332 million (31 December 2024: RMB 4,220 million).

7. Equity investments at fair value through other comprehensive income

	30 June 2025	31 December 2024
Stocks	95,719	76,052
Preferred shares	12,604	12,642
Perpetual bonds	12,554	18,878
Others	33,295	34,442
Total	154,172	142,014
Including:		
Cost	142,159	131,934
Accumulated changes in fair value	12,013	10,080

The equity investments at fair value through other comprehensive income, designated by the Group, are non-trading equity investments with the primary objective of being held for a long time or obtaining dividends during the holding period.

For the six months ended 30 June 2025, the Group disposed equity investments at fair value through other comprehensive income of RMB 9.926 billion (For the six months ended 30 June 2024: RMB 2.158 billion) because of the optimisation of asset allocation and asset and liability management. The amount transferred from other comprehensive income/(loss) to retained profits was RMB 425 million (For the six months ended 30 June 2024: RMB -68 million) due to the disposals, etc.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

8. Long-term equity investments

	30 June 2025	31 December 2024
Joint ventures		
Ruiyongjing Real Estate	-	9,543
Pacific Euler Hermes Insurance Sales Co., Ltd. (“Euler Hermes”)	30	28
Others	14	18
Subtotal	44	9,589
Associates		
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. (“Taijiashan”)	3,003	3,016
Yangtze River Delta Synergy Industry Investment Fund	2,160	2,353
Shanghai Hi-Tech Park United Development Co., Ltd.	1,869	1,818
Shanghai Sci-Tech Innovation Centre Capital II LLP.	1,606	1,454
Shanghai Biomedical Industry Equity Investment Fund LLP.	954	952
Shanghai Lingang GLP International Logistics Development Co., Ltd.	924	987
Others	2,588	2,351
Subtotal	13,104	12,931
Total	13,148	22,520

9. Restricted statutory deposits

	30 June 2025	31 December 2024
CPIC Property	3,989	3,989
CPIC Life	1,726	1,726
CPIC Health	720	720
PAAIC	260	260
Subtotal	6,695	6,695
Add: Interest receivables	204	158
Less: Impairment provisions	(1)	(2)
Total	6,898	6,851

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, CPIC Health and PAAIC should place 20% of their issued capital as restricted statutory deposits, respectively.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Deferred income tax assets and liabilities

	30 June 2025		31 December 2024	
	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Deferred income tax assets				
Insurance contract liabilities /assets	58,081	232,318	50,712	202,848
Changes in fair value of financial instruments	171	685	169	676
Commission and brokerage expenses	833	3,334	853	3,412
Provision for asset impairment	599	2,394	624	2,496
Deductible losses	16,145	64,580	10,469	41,876
Lease liabilities	410	1,638	681	2,722
Others	2,231	8,927	2,578	10,312
Total	78,470	313,876	66,086	264,342
Deferred income tax liabilities				
Changes in fair value of financial instruments	(72,104)	(288,415)	(68,364)	(273,456)
Adjustment in fair value arising from acquisition of subsidiaries	(1,485)	(5,940)	(737)	(2,948)
Right-of-use assets	(459)	(1,837)	(730)	(2,921)
Others	(210)	(838)	(153)	(612)
Total	(74,258)	(297,030)	(69,984)	(279,937)

Deferred income tax assets and liabilities of the Group set out as the net amount after offsetting:

	30 June 2025		31 December 2024	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	(71,551)	6,919	(62,622)	3,464
Deferred income tax liabilities	71,551	(2,707)	62,622	(7,362)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Deferred income tax assets and liabilities (continued)

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract liabilities /assets	Changes in fair value of financial instruments	Commission and brokerage expenses	Provision for asset impairment	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
Balance of								
31 December 2023	22,300	(21,942)	790	611	3,198	(797)	1,797	5,957
Recognised in profit or loss	(6,183)	(9,275)	63	86	7,271	60	580	(7,398)
Recognised in equity	34,716	(37,019)	-	(73)	-	-	(1)	(2,377)
Other changes of the year	(121)	41	-	-	-	-	-	(80)
Balance of								
31 December 2024	50,712	(68,195)	853	624	10,469	(737)	2,376	(3,898)
Acquisition of subsidiaries	-	-	-	-	-	(763)	-	(763)
Recognised in profit or loss	(4,092)	(1,455)	(20)	9	5,676	15	(404)	(271)
Recognised in equity	11,511	(2,425)	-	(34)	-	-	-	9,052
Other changes	(50)	142	-	-	-	-	-	92
Balance of								
30 June 2025	58,081	(71,933)	833	599	16,145	(1,485)	1,972	4,212

As at 30 June 2025, the deductible temporary differences and deductible losses not recognised as deferred income tax assets by the Group amounted to RMB 35.2 billion (31 December 2024: RMB 31.1 billion).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Other assets

		30 June 2025	31 December 2024
Other receivables	(1)	11,946	12,694
Improvements of right-of-use assets		870	1,017
Others		5,310	2,803
Total		18,126	16,514

(1) Other receivables

	30 June 2025	31 December 2024
Due from external undertakings	4,571	3,344
Due from related parties*	1,772	1,772
Receivable from securities sold but not settled	1,250	4,323
Due from agents	857	314
Deposits	147	267
Co-insurance premium receivables	57	63
Prepaid tax	6	155
Others	3,616	2,787
Subtotal	12,276	13,025
Less: Provision for bad debts	(330)	(331)
Net value	11,946	12,694

* As at 30 June 2025, the payments made by the Group on behalf of Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") for the purchase of land and related taxes and expenses amounted to approximately RMB 1,772 million (31 December 2024: RMB 1,772 million), which accounting for 14% (31 December 2024: 14%) of the total other receivables.

The category of provision for bad debts of other receivables is analysed as below:

	30 June 2025			
	Ending balance	% of total balance	Provision for bad debts	Provision percentage
Considered on the grouping basis	12,276	100%	(330)	3%
	31 December 2024			
	Ending balance	% of total balance	Provision for bad debts	Provision percentage
Considered on the grouping basis	13,025	100%	(331)	3%

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Other assets (continued)

(1) Other receivables (continued)

The aging of other receivables and related provisions for bad debts are analysed as follows:

Aging	30 June 2025			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	6,535	53%	(20)	6,515
3 months to 1 year (inclusive)	2,547	21%	(27)	2,520
1 to 3 years (inclusive)	1,075	9%	(75)	1,000
Over 3 years	2,119	17%	(208)	1,911
Total	12,276	100%	(330)	11,946

Aging	31 December 2024			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,381	64%	(17)	8,364
3 months to 1 year (inclusive)	1,828	14%	(22)	1,806
1 to 3 years (inclusive)	649	5%	(91)	558
Over 3 years	2,167	17%	(201)	1,966
Total	13,025	100%	(331)	12,694

The top five other receivables of the Group are as follows:

	30 June 2025	31 December 2024
Total amount of the top five other receivables	2,842	2,499
Total provision for bad debts	(8)	(13)
% of total other receivables	23%	19%

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Securities sold under agreements to repurchase

	30 June 2025	31 December 2024
Securities - bonds		
Inter-bank market	157,147	158,860
Stock exchange	23,058	22,835
Total	<u>180,205</u>	<u>181,695</u>

As at 30 June 2025, the Group's bonds with par value of approximately RMB 168,351 million (31 December 2024: approximately RMB 169,426 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 30 June 2025, the Group's bonds with par value of approximately RMB 23,051 million (31 December 2024: approximately RMB 22,826 million) were pledged for the stock exchange securities sold under agreements to repurchase.

Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

13. Taxes payable

	30 June 2025	31 December 2024
Corporate income tax	2,585	663
Unpaid VAT	586	562
Withholding individual income tax	162	155
Others	950	1,100
Total	<u>4,283</u>	<u>2,480</u>

14. Bonds payable

On 9 March 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 7 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interest at an initial coupon rate of 3.72% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.72% from the sixth interest-bearing year to the maturity of the debt.

On 3 April 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 3 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interest at an initial coupon rate of 3.55% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.55% from the sixth interest-bearing year to the maturity of the debt.

Issuer	31 December 2024	Issuance	Amortisation of bond premium or discount	Interest accrued in the period	Interest payment/ Reimbursement in the period	30 June 2025
CPIC Property	<u>10,286</u>	<u>-</u>	<u>-</u>	<u>184</u>	<u>(367)</u>	<u>10,103</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Insurance contract liabilities/(assets)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows:

	30 June 2025	31 December 2024
Insurance contract liabilities		
Liabilities for remaining coverage	2,317,611	2,124,017
Including: Excluding loss component	2,303,577	2,109,847
Loss component	14,034	14,170
Liabilities for incurred claims	<u>110,972</u>	<u>105,497</u>
Total insurance contract liabilities	<u>2,428,583</u>	<u>2,229,514</u>
Insurance contract assets		
Liabilities for remaining coverage	-	(1)
Including: Excluding loss component	-	(1)
Loss component	-	-
Liabilities for incurred claims	<u>-</u>	<u>(21)</u>
Total insurance contract assets	<u>-</u>	<u>(22)</u>
Net liabilities of insurance contracts	<u>2,428,583</u>	<u>2,229,492</u>

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	30 June 2025	31 December 2024
Insurance contract liabilities		
Present value of future cash flows	1,912,366	1,725,632
Risk adjustment for non-financial risk	23,251	21,551
Contractual service margin	<u>350,218</u>	<u>345,366</u>
Net liabilities of insurance contracts	<u>2,285,835</u>	<u>2,092,549</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Insurance contract liabilities/(assets) (continued)

The impact on the balance sheet of insurance contracts not measured under the premium allocation approach that were initially recognised in the period is as follows:

	For the six months ended 30 June 2025		
	Group of onerous contracts initially recognised in the period	Others	Total
Insurance acquisition cash flows	1,529	8,977	10,506
Others	39,426	79,572	118,998
Present value of future cash outflows	40,955	88,549	129,504
Present value of future cash inflows	(40,262)	(101,186)	(141,448)
Risk adjustment for non-financial risk	341	874	1,215
Contractual service margin	-	11,763	11,763
Impact of insurance contracts initially recognised in the current period	1,034	-	1,034
For the six months ended 30 June 2024			
	Group of onerous contracts initially recognised in the period		
	Others	Total	
Insurance acquisition cash flows	2,767	11,589	14,356
Others	24,075	73,736	97,811
Present value of future cash outflows	26,842	85,325	112,167
Present value of future cash inflows	(26,504)	(96,202)	(122,706)
Risk adjustment for non-financial risk	255	1,332	1,587
Contractual service margin	-	9,545	9,545
Impact of insurance contracts initially recognised in the current period	593	-	593

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

16. Reinsurance contract assets/(liabilities)

The analysis of reinsurance contract assets for remaining coverage and for incurred claims is as follows:

	30 June 2025	31 December 2024
Reinsurance contract assets		
Assets for remaining coverage	16,637	18,823
Including: Excluding loss-recovery component	15,364	17,497
Loss-recovery component	1,273	1,326
Assets for incurred claims	27,431	27,258
Total reinsurance contract assets	44,068	46,081
Net assets of reinsurance contract	44,068	46,081

The analysis by measurement component of contracts not measured under premium allocation approach is as follows:

	30 June 2025	31 December 2024
Reinsurance contract assets		
Present value of future cash flows	12,834	12,407
Risk adjustment for non-financial risk	188	186
Contractual service margin	2,666	2,654
Total reinsurance contract assets	15,688	15,247
Net assets of reinsurance contract	15,688	15,247

17. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below:

	As at 1 January 2025		Increase/(Decrease) of number of shares		As at 30 June 2025	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with trading restrictions						
Shares held by domestic non-state owned legal persons	-	0%	-	-	-	0%
Subtotal	-	0%	-	-	-	0%
II. Shares without trading restrictions						
Ordinary shares denominated in RMB	6,844	71%	-	-	6,844	71%
Foreign shares listed overseas	2,776	29%	-	-	2,776	29%
Subtotal	9,620	100%	-	-	9,620	100%
III. Total	9,620	100%	-	-	9,620	100%

As at 30 June 2025, the number of shares which the Company issued and fully paid at RMB 1 each is 9,620 million. As at 31 December 2024, the number of shares which the Company issued and fully paid at RMB 1 each is 9,620 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Capital reserves

	30 June 2025	31 December 2024
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,105
Impact of equity transactions with non-controlling interests	(131)	(131)
Impact of other changes in the equity of investees accounted for using the equity method	343	352
Redistribution of cumulative changes in fair value of available-for-sale financial assets when purchasing equity from non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Impact of capital invested by other equity instrument holders	(3)	(3)
Others	2	2
Total	<u>79,939</u>	<u>79,948</u>

Capital reserves mainly represent share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed them on the LSE in 2020 which also increased the capital reserves.

19. Surplus reserves

	Statutory surplus reserve (the “SSR”)
As at 1 January 2024	5,114
Appropriations	-
As at 31 December 2024 and 30 June 2025	<u>5,114</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

20. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group's subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

21. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the amount determined under CASs, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

- (1) Making up for losses brought forward from prior years;
- (2) Appropriating to SSR at 10% of the net profit;
- (3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
- (4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company did not set aside SSR for the six months ended 30 June 2025.

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company did not set aside DSR for the six months ended 30 June 2025.

Pursuant to the resolution of the 10th meeting of the 10th Board of Directors of the Company held on 26 March 2025, a final dividend of approximately RMB 10,390 million (equivalent to annual cash dividend of RMB 1.08 per share (including tax)) was proposed. The profit distribution plan was approved by the shareholders of the Company at the general meeting on 11 June 2025.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

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V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

22. Insurance revenue

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Insurance contracts not measured under the premium allocation approach		
Amounts relating to the changes in the liability for remaining coverage:	30,296	30,867
Amortisation of contractual service margin	13,105	13,091
Changes in the risk adjustment for non-financial risk	544	674
Insurance service expenses expected to be incurred in the period	15,739	16,026
Experience adjustments for premium receipts that relate to current or past services	908	1,076
Amortisation of insurance acquisition cash flows	10,885	10,901
Subtotal of insurance contracts not measured under the premium allocation approach	41,181	41,768
Insurance contracts measured under the premium allocation approach	100,643	95,251
Total of insurance revenue	141,824	137,019

23. Interest income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Interest income of debt investments at fair value through other comprehensive income	24,446	22,719
Interest income of term deposits	3,021	2,932
Interest income of financial assets at amortised cost	1,179	1,714
Interest income of restricted statutory deposits	101	122
Interest income of securities purchased under agreements to resell	95	66
Others	219	216
Total	29,061	27,769

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

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V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

24. Investment income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Realised gains/(losses)		
Financial instruments held for trading and other financial instruments at fair value through profit or loss	4,739	(4,979)
Debt investments at fair value through other comprehensive income	2,327	1,009
Long-term equity investments	1,603	-
Derivatives	(48)	9
Financial assets at amortised cost	-	4
Gains during the holding period		
Financial instruments held for trading and other financial instruments at fair value through profit or loss	9,746	8,480
Dividend income from equity investments at fair value through other comprehensive income	3,449	2,494
Share of losses of associates and joint ventures	(145)	(124)
Total	<u>21,671</u>	<u>6,893</u>

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

25. Gains arising from changes in fair value

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Stock investments	2,588	8,945
Bond investments	(1,368)	8,687
Fund investments	3,915	2,149
Derivatives	21	(23)
Others	700	1,187
Total	<u>5,856</u>	<u>20,945</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

26. Other operating income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Income from management fee	1,258	1,237
Rental income from investment properties	311	346
Others	349	306
Total	<u>1,918</u>	<u>1,889</u>

27. Insurance service expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Insurance contracts not measured under the premium allocation approach		
Incurred claims and other expenses in the period	14,502	15,157
Amortisation of insurance acquisition cash flows	10,885	10,901
Recognition and reversals of loss component	1,769	71
Changes in fulfilment cash flows related to liabilities for incurred claims	(965)	(937)
Subtotal	<u>26,191</u>	<u>25,192</u>
Insurance contracts measured under the premium allocation approach		
Incurred claims and other expenses in the period	73,502	74,319
Amortisation of insurance acquisition cash flows	23,652	23,385
Recognition and reversals of loss component	(868)	(1,983)
Changes in fulfilment cash flows related to liabilities for incurred claims	(2,308)	(4,615)
Subtotal	<u>93,978</u>	<u>91,106</u>
Total	<u>120,169</u>	<u>116,298</u>

28. Interest expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Securities sold under agreements to repurchase	1,815	903
Debt	187	187
Interest expenses on lease liabilities	37	46
Others	178	56
Total	<u>2,217</u>	<u>1,192</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

29. Taxes and surcharges

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
City maintenance and construction tax	216	189
Educational surcharge	158	139
Others	226	221
Less: Insurance acquisition cash flows incurred in the period	(362)	(347)
Other insurance fulfilment cash flows incurred in the period	(22)	(24)
Total	<u>216</u>	<u>178</u>

30. Operating and administrative expenses

The Group's operating and administrative fee details by item are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Payroll and welfare benefits	10,707	10,805
Professional service fees	3,256	2,771
Advertising expenses (including business publicity expenses)	3,007	2,668
Outsourcing service fees	1,568	1,509
Insurance security funds withdrawal	1,432	1,318
General office and travel expenses	988	1,033
Depreciation of fixed assets	595	600
Amortisation of intangible assets	578	554
Depreciation of right-of-use assets	516	585
Property management fees	359	365
Labour costs	281	294
Consulting fees	251	322
Amortisation of other long-term assets	196	210
Compulsory automobile rescue fund	81	65
Financial report and internal control audit fees	14	12
Short-term and low-value assets leasing fees	11	30
Other audit service fees	2	3
Others	<u>2,038</u>	<u>1,956</u>
Subtotal	<u>25,880</u>	<u>25,100</u>
Less: Insurance acquisition cash flows incurred in the period	(17,047)	(15,721)
Other insurance fulfilment cash flows incurred in the period	(5,371)	(6,314)
Total	<u>3,462</u>	<u>3,065</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

31. Impairment losses on financial assets

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Impairment loss of debt investments at fair value through other comprehensive income	117	(122)
Impairment loss of financial assets at amortised cost	(129)	33
Impairment loss of term deposits	22	5
Impairment loss of others	4	32
Total	<u>14</u>	<u>(52)</u>

32. Other operating expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Depreciation of investment properties	194	217
Interest expenses for policyholders' investment contract liabilities	56	45
Others	342	426
Total	<u>592</u>	<u>688</u>

33. Income tax

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Current income tax	3,182	2,345
Deferred income tax	271	1,192
Total	<u>3,453</u>	<u>3,537</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

33. Income tax (continued)

The relationship between income tax expenses and total profit is shown below:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Total profit	32,259	29,395
Taxes calculated at the statutory tax rate of 25%	8,065	7,349
Income tax adjustment for prior years	109	(375)
Non-taxable income	(5,232)	(4,189)
Non-deductible expenses	287	208
Others	224	544
Income tax calculated at applicable tax rates	3,453	3,537

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

34. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet		Other comprehensive income/(loss) in income statement					
	1 January 2025	Attributable to the Company - net of tax	30 June 2025	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current period	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current period	Income tax	Attributable to non-controlling interests - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss								
Changes in the fair value of equity investments at fair value through other comprehensive income	7,457	1,428	8,885	2,518	-	(425)	(629)	1,428
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss	(2,266)	(255)	(2,521)	(548)	-	150	137	(255)
Other comprehensive income/(loss) that will be reclassified to profit or loss								
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(97)	-	(97)	-	-	-	-	-
Changes in the fair value of debt instruments at fair value through other comprehensive income	181,397	5,298	186,695	9,686	(2,502)	-	(1,796)	5,298
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	3,260	101	3,361	138	(2)	-	(34)	101
Exchange differences on translation of foreign operations	83	(17)	66	(17)	-	-	-	(17)
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(174,881)	(33,895)	(208,776)	(46,019)	149	-	11,386	(33,895)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss	(36)	33	(3)	45	-	-	(12)	33
Total	14,917	(27,307)	(12,390)	(34,197)	(2,355)	(275)	9,052	(27,307)
								(468)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

34. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet		Other comprehensive income/(loss) in income statement					
	1 January 2024	Attributable to the Company - net of tax	30 June 2024	Amount incurred before income tax	Less: profit or loss transferred to current period	Less: other comprehensive income/(loss) in previous period but transferred to current period	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to current period	Attributable to the Company - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss								
Changes in the fair value of equity investments at fair value through other comprehensive income	1,653	5,791	7,444	7,775	-	68	(1,944)	5,791
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss	(1,390)	(723)	(2,113)	(997)	-	13	249	(723)
Other comprehensive income/(loss) that will be reclassified to profit or loss								
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(100)	4	(96)	5	-	-	(1)	4
Changes in the fair value of debt instruments at fair value through other comprehensive income	78,160	49,813	127,973	68,733	(950)	-	(17,110)	49,813
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	3,045	(96)	2,949	(126)	(5)	-	33	(96)
Exchange differences on translation of foreign operations	60	7	67	7	-	-	-	7
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(73,431)	(52,287)	(125,718)	(71,510)	579	-	17,736	(52,287)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss	(5)	(19)	(24)	(25)	-	-	6	(19)
Total	7,992	2,490	10,482	3,862	(376)	81	(1,031)	2,490
								46

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

35. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the weighted average number of ordinary shares issued by the Company.

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Consolidated net profit for the period attributable to shareholders of the parent	27,885	25,132
Weighted average number of ordinary shares in issue (million shares)	9,620	9,620
Basic earnings per share (RMB per share)	2.90	2.61

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares during the six-month periods ended 30 June 2025 and 2024.

36. Cash and cash equivalents

	30 June 2025	31 December 2024
Cash:		
Cash at bank readily available for payments	44,436	27,556
Other cash balances readily available for payments	1,413	1,215
Cash equivalents:		
Investments with an initial term within 3 months	21,343	10,902
Total	67,192	39,673

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

VI. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life and health insurance segment (mainly including CPIC Life, CPIC Health and CPIC Life (H.K.)) offers a wide range of life and health insurance in RMB and foreign currencies;
- The property and casualty insurance segment (including CPIC Property, PAAIC and CPIC H.K.) provides a wide range of property and casualty insurance in RMB and foreign currencies;
- The asset management segment (including CPIC Asset Management, Changjiang Pension, CPIC Investment (H.K.), CPIC Funds, CPIC Capital and CPIC Zhiyuan) provides asset-management services;
- Except for the above business segments, other business segments have no material impact on the Group's operating results and are therefore not presented separately.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

VI. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2025				
	Life and health insurance	Property and casualty insurance	Asset management	Others and eliminations	Total
Insurance revenue	43,882	98,193	-	(251)	141,824
Interest income	25,882	2,222	111	846	29,061
Investment income	18,515	1,326	28	1,802	21,671
Including: Share of profits/(losses) of associates and joint ventures	88	15	1	(249)	(145)
Other income	27	41	15	23	106
Gains arising from changes in fair value	4,859	816	37	144	5,856
Exchange gains/(losses)	7	(1)	-	(19)	(13)
Other operating income	560	136	1,761	(539)	1,918
Gains on disposal of assets	55	18	-	-	73
Operating income	93,787	102,751	1,952	2,006	200,496
Insurance service expenses	(27,978)	(92,413)	-	222	(120,169)
Allocation of reinsurance premiums	(317)	(7,251)	-	278	(7,290)
Less: Recoveries of insurance service expenses from reinsurers	232	6,184	-	(171)	6,245
Insurance finance expenses for insurance contracts issued	(40,208)	(812)	-	322	(40,698)
Less: Reinsurance finance income for reinsurance contracts held	532	189	-	(6)	715
Others	(3,419)	(1,376)	(1,051)	(1,181)	(7,027)
Operating expenses	(71,158)	(95,479)	(1,051)	(536)	(168,224)
Operating profit	22,629	7,272	901	1,470	32,272
Add: Non-operating income	4	26	-	6	36
Less: Non-operating expenses	(14)	(26)	(4)	(5)	(49)
Profit before tax	22,619	7,272	897	1,471	32,259
Less: Income tax	(1,648)	(1,553)	(203)	(49)	(3,453)
Net profit for the period	20,971	5,719	694	1,422	28,806

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

VI. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2025				
	Life and health insurance	Property and casualty insurance	Asset management	Others and eliminations	Total
Supplementary information:					
Capital expenditure	51	719	41	829	1,640
Depreciation and amortisation	910	728	107	410	2,155
Impairment losses on financial assets	81	(40)	-	(27)	14
As at 30 June 2025					
Long-term equity investments	120,802	252	10	(107,916)	13,148
Financial assets*	2,326,745	154,203	9,107	140,259	2,630,314
Reinsurance contract assets	15,699	29,456	-	(1,087)	44,068
Term deposits	137,938	31,112	260	8,909	178,219
Others	66,505	34,904	4,586	58,356	164,351
Segment assets	2,667,689	249,927	13,963	98,521	3,030,100
Insurance contract liabilities	2,284,385	145,228	-	(1,030)	2,428,583
Bonds payable	-	10,103	-	-	10,103
Securities sold under agreements to repurchase	173,388	2,360	813	3,644	180,205
Others	51,812	25,291	3,454	17,446	98,003
Segment liabilities	2,509,585	182,982	4,267	20,060	2,716,894

*Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

VI. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2024				
	Life and health insurance	Property and casualty insurance	Asset management	Others and eliminations	Total
Insurance revenue	42,985	94,298	-	(264)	137,019
Interest income	24,195	2,420	118	1,036	27,769
Investment income	7,156	611	(13)	(861)	6,893
Including: Share of profits/(losses) of associates and joint ventures	120	14	1	(259)	(124)
Gains arising from the derecognition of financial assets measured at amortized cost.	-	4	-	-	4
Other income	22	31	5	28	86
Gains arising from changes in fair value	17,782	1,035	31	2,097	20,945
Exchange (losses)/gains	(8)	13	-	27	32
Other operating income	686	131	1,599	(527)	1,889
Gains on disposal of assets	1	-	-	-	1
Operating income	92,819	98,539	1,740	1,536	194,634
Insurance service expenses	(27,224)	(89,263)	-	189	(116,298)
Allocation of reinsurance premiums	(370)	(7,878)	-	286	(7,962)
Less: Recoveries of insurance service expenses from reinsurers	515	7,201	-	(114)	7,602
Insurance finance expenses for insurance contracts issued	(41,996)	(1,585)	-	(449)	(44,030)
Less: Reinsurance finance income for reinsurance contracts held	646	404	-	(14)	1,036
Others	(2,190)	(1,332)	(1,057)	(956)	(5,535)
Operating expenses	(70,619)	(92,453)	(1,057)	(1,058)	(165,187)
Operating profit	22,200	6,086	683	478	29,447
Add: Non-operating income	3	15	-	6	24
Less: Non-operating expenses	(17)	(42)	-	(17)	(76)
Profit before tax	22,186	6,059	683	467	29,395
Less: Income tax	(1,950)	(1,228)	(158)	(201)	(3,537)
Net profit for the period	20,236	4,831	525	266	25,858

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

VI. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2024				
	Life and health insurance	Property and casualty insurance	Asset management	Others and eliminations	Total
Supplementary information:					
Capital expenditure	165	174	42	999	1,380
Depreciation and amortisation	984	758	122	359	2,223
Impairment losses on financial assets	(79)	37	-	(10)	(52)
As at 31 December 2024					
Long-term equity investments	115,822	236	9	(93,547)	22,520
Financial assets*	2,180,866	146,875	8,697	145,617	2,482,055
Insurance contract assets	-	22	-	-	22
Reinsurance contract assets	15,573	31,677	-	(1,169)	46,081
Term deposits	134,818	30,286	254	8,460	173,818
Others	45,150	27,867	4,406	32,988	110,411
Segment assets	2,492,229	236,963	13,366	92,349	2,834,907
Insurance contract liabilities	2,092,386	138,275	-	(1,147)	2,229,514
Bonds payable	-	10,286	-	-	10,286
Securities sold under agreements to repurchase	175,850	3,112	834	1,899	181,695
Others	52,558	20,536	2,748	19,089	94,931
Segment liabilities	2,320,794	172,209	3,582	19,841	2,516,426

*Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

As at 30 June 2025, the Company's major related parties comprise:

- (1) Subsidiaries of the Company;
- (2) Investors who exert significant influence on the Company;
- (3) Joint ventures and associates of the Company;
- (4) Key management personnel of the Company and close family members of such individuals;
- (5) Enterprise annuity fund established by the Group; and
- (6) Legal entities or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company is not a related party to the Company.

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note IV.

(2) The movements of registered capital and the percentages of the equity or shares held are as follows:

Name of investee	Registered capital			Shares or equity held		
	1 January 2025	Movements for the current period	30 June 2025	1 January 2025	Movements for the current period	30 June 2025
CPIC Property	19,948	-	19,948	98.50%	-	98.50%
CPIC Life	8,628	-	8,628	98.29%	-	98.29%
CPIC Asset Management	2,100	-	2,100	99.67%	-	99.67%
Changjiang Pension	3,000	-	3,000	61.10%	-	61.10%
CPIC H.K.	HKD 250 million	-	HKD 250 million	100.00%	(1.5%)	98.50%
CPIC Real Estate	115	-	115	100.00%	-	100.00%
CPIC Investment (H.K.)	HKD 200 million	-	HKD 200 million	99.71%	-	99.71%
City Island	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Newscott Investments Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Xin Hui Property	USD 15,600 thousand	-	USD 15,600 thousand	98.29%	-	98.29%
He Hui Property	USD 46,330 thousand	-	USD 46,330 thousand	98.29%	-	98.29%
CPIC Online Services	200	-	200	100.00%	-	100.00%
Tianjin Trophy	354	-	354	98.29%	-	98.29%
CPIC Senior Living Investment	5,000	-	5,000	98.29%	-	98.29%
CPIC Health	3,600	-	3,600	99.74%	-	99.74%
PAAIC	1,080	-	1,080	66.76%	-	66.76%
Pacific Medical & Healthcare	1,000	-	1,000	98.29%	-	98.29%
CPIC Funds	150	-	150	50.83%	-	50.83%
Pacific Insurance Agency	50	-	50	100.00%	-	100.00%
Chengdu Project Company	1,000	83	1,083	98.29%	-	98.29%
Hangzhou Project Company	1,200	-	1,200	98.29%	-	98.29%
Xiamen Project Company	900	-	900	98.29%	-	98.29%
Pacific Care Home at Chengdu	60	-	60	98.29%	-	98.29%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) The movements of registered capital and the percentage of the equity or shares held are as follows (continued)

Name of investee	Registered capital			Shares or equities held		
	Movements		30 June 2025	Movements		30 June 2025
	1 January 2025	for the current period		1 January 2025	for the current period	
Nanjing Project Company	702	-	702	98.29%	-	98.29%
Pacific Care Home at Dali	608	-	608	74.70%	-	74.70%
Shanghai (Putuo) Project Company	250	-	250	98.29%	-	98.29%
Pacific Care Home at Hangzhou	60	-	60	98.29%	-	98.29%
Wuhan Project Company	980	-	980	98.29%	-	98.29%
CPIC Capital	100	-	100	99.67%	-	99.67%
Pacific Care Home at Shanghai (Chongming)	1,253	-	1,253	98.29%	-	98.29%
Pacific Care Home at Shanghai (Putuo)	30	-	30	98.29%	-	98.29%
Borui Heming	52	-	52	98.29%	-	98.29%
CPIC Life (H.K.)	HKD 1,000 million	-	HKD 1,000 million	98.29%	-	98.29%
Qingdao Project Company	227	-	227	98.29%	-	98.29%
Pacific Care Home at Xiamen	40	-	40	98.29%	-	98.29%
Zhengzhou Project Company	650	-	650	98.29%	-	98.29%
Beijing Project Company	800	-	800	98.29%	-	98.29%
CPIC Technology	700	-	700	100.00%	-	100.00%
Xinbaoyu	3,650	-	3,650	98.46%	-	98.46%
CPIC Technology Wuhan	100	-	100	100.00%	-	100.00%
Sanya Project Company	490	-	490	98.29%	-	98.29%
Pacific Care Home at Nanjing	30	-	30	98.29%	-	98.29%
Pacific Care Home at Shanghai (Jing'an)	426	-	426	98.29%	-	98.29%
Pacific Care Home at Wuhan	30	-	30	98.29%	-	98.29%
Pacific Care Home at Suzhou	30	-	30	98.29%	-	98.29%
Pacific Care Home at Beijing	30	-	30	98.29%	-	98.29%
Pacific Care Home at Zhengzhou	45	-	45	98.29%	-	98.29%
Xiamen Rehabilitation Hospital	160	-	160	98.29%	-	98.29%
Guangzhou Project Company	830	-	830	98.29%	-	98.29%
Suzhou Project Company	300	-	300	98.29%	-	98.29%
Jinan Rehabilitation Hospital	260	-	260	98.29%	-	98.29%
Ruiyongjing Real Estate	14,050	-	14,050	68.80%	-	68.80%
Pacific Nanshanju	10	(4)	6	55.04%	43.25%	98.29%
Pacific Care Home at Sanya	-	30	30	-	98.29%	98.29%
CPIC Zhiyuan	-	10	10	-	99.67%	99.67%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Baoshan Iron & Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Baowu Carbon Technology Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Baoxin Software Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Taiyuan Iron & Steel (Group) Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Hwabao WP Fund Management Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Asset Management Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Hainan Shenergy New Energy Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Shanghai Gas Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Shenergy Company Limited	Subsidiary of shareholders holding over 5% voting rights of the Company
Shanghai LNG Company Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Euler Hermes	Joint venture of the Company
Shanghai Juche Information Technology Co., Ltd. ("Juche")	Associate of the Company
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	Associate of the Company
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare")	Associate of the Company
Shanghai Guangci Memorial Hospital Co., Ltd. ("Guangci Hospital")	Associate of the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services' enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Health's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment's enterprise annuity plan	Enterprise annuity fund established by the Group
PAAIC's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Insurance Agency enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Technology enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Capital enterprise annuity plan	Enterprise annuity fund established by the Group
Orient Securities Company Limited ("Orient Securities")	Company of which the Group's related natural persons serve as directors or senior management personnel in the past 12 months
Swiss Reinsurance Company Ltd	Company of which the Group's related natural persons serve as directors or senior management personnel in the past 12 months
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

(All amounts expressed in RMB million unless otherwise specified)

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**3. Major transactions with related parties****3.1 Major transactions between the Group and related parties**

The transaction amount for the period was calculated since the entity was identified as a related party of the Group.

(1) Sale of insurance contracts

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Baoshan Iron & Steel Co., Ltd.	24	16
Shenergy Company Limited	5	4
China Baowu Steel Group Corporation Limited	5	-
Shanghai Gas Co., Ltd.	2	2
Taiyuan Iron & Steel (Group) Co., Ltd.	2	2
Orient Securities	1	3
Shanghai International Group Co., Ltd.	1	1
Shanghai International Group Asset Management Co., Ltd.	1	1
Shanghai State-Owned Assets Operation Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	1
Shanghai Baoxin Software Co., Ltd.	1	1
Shanghai LNG Company Ltd.	1	1
Hainan Shenergy New Energy Co., Ltd.	-	11
Total	45	44

Sale of insurance contracts to shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company was RMB 7 million for the six months ended 30 June 2025 (For the six months ended 30 June 2024: RMB 2 million).

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. For the six months ended 30 June 2025 and 30 June 2024, the proportion of the scale premium of related parties to the total scale premium of the Group's was less than 1%.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(2) Fund subscription and redemption transactions

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Hwabao WP Fund Management Co., Ltd.	<u>125</u>	<u>210</u>

(3) Transaction of asset management products

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Hwabao Trust Co., Ltd.	<u>8</u>	<u>11</u>

(4) Transaction of selling and buying bonds

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Orient Securities	1,066	41
Shanghai International Group Co., Ltd.	<u>-</u>	<u>120</u>
Total	<u>1,066</u>	<u>161</u>

(5) Distribution of cash dividends

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Shenergy (Group) Company Limited	1,513	1,427
Hwabao Investments Co., Ltd.	1,387	1,310
Shanghai State-Owned Assets Operation Co., Ltd.	<u>705</u>	<u>665</u>
Total	<u>3,605</u>	<u>3,402</u>

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,605 million for the six months ended 30 June 2025 (For the six months ended 30 June 2024: RMB 3,402 million).

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(6) Premiums ceded to reinsurers (amounts incurred)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Swiss Reinsurance Company Ltd	<u>2,109</u>	<u>2,129</u>

(7) Expense recoveries from reinsurers (amounts incurred)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Swiss Reinsurance Company Ltd	<u>616</u>	<u>571</u>

(8) Claim recoveries from reinsurers (amounts incurred)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Swiss Reinsurance Company Ltd	<u>1,085</u>	<u>1,045</u>

(9) Remuneration of key management

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Salary and other benefits	<u>11</u>	<u>11</u>

(10) The related party transactions between the Group and the established enterprise annuity funds during the periods are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Contribution to the enterprise annuity plans	<u>329</u>	<u>325</u>

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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

- (11) The major related party transactions between the Group and joint ventures during the periods are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Binjiang-Xiangrui		
Fees for leasing office buildings of Binjiang-Xiangrui	38	41
Ruiyongjing Real Estate ^{note}		
Fees for leasing office buildings of Ruiyongjing Real Estate	59	61
Grant loans	347	332
Loan interests	151	144
Euler Hermes		
Purchase services	15	14

Note: Ruiyongjing Real Estate has become a subsidiary of the Group since 30 June 2025.

- (12) The major related party transactions between the Group and associates during the periods are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Purchase services		
Zhongdao	101	99
Juche	57	67
Shantai Healthcare	46	65
Guangei Hospital	-	7
Total	204	238

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties

- (1) The major related party transactions between the Company and subsidiaries during the periods are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Purchase of insurance contracts		
CPIC Property	3	3
CPIC Health	-	6
Total	<u>3</u>	<u>9</u>
Rental income from office buildings		
CPIC Property	47	48
CPIC Technology	15	16
CPIC Life	5	6
Changjiang Pension	3	4
CPIC Senior Living Investment	2	2
Pacific Medical & Healthcare	2	1
CPIC Health	1	1
CPIC Asset Management	1	1
Total	<u>76</u>	<u>79</u>
Shared service centre fees		
CPIC Property	28	34
CPIC Life	19	20
CPIC Asset Management	2	2
CPIC Health	2	2
CPIC Technology	1	1
CPIC Online Services	1	1
CPIC Senior Living Investment	1	1
Total	<u>54</u>	<u>61</u>
Equipment rental fee		
CPIC Technology	<u>58</u>	<u>46</u>
Asset management fee		
CPIC Asset Management	<u>14</u>	<u>14</u>
Technology service fee		
CPIC Technology	<u>150</u>	<u>148</u>
Medical examination fee		
CPIC Health	<u>-</u>	<u>2</u>
Entrusted management fees		
CPIC Real Estate	<u>4</u>	<u>2</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related party transactions between the Company and subsidiaries during the periods are as follows: (continued)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Rental fees		
CPIC Property	1	2
CPIC Life	1	1
Xinbaoyu	1	1
	<u>3</u>	<u>4</u>
Total		
	<u>3</u>	<u>4</u>
Text messaging service fee		
CPIC Technology	1	-
	<u>1</u>	<u>-</u>
Dividend income from subsidiaries		
CPIC Life	6,869	6,869
CPIC Property	3,144	1,965
CPIC Asset Management	382	369
CPIC Technology	24	11
CPIC Real Estate	18	49
	<u>10,437</u>	<u>9,263</u>
Total		
	<u>10,437</u>	<u>9,263</u>
Proceeds from disposal of subsidiaries		
CPIC Property	167	-
	<u>167</u>	<u>-</u>

The rents of the office buildings charged by the Company to CPIC Property, CPIC Technology, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health, CPIC Asset Management and Pacific Medical & Healthcare are determined at the prices negotiated by both parties. The shared service centre fees charged by the Company to CPIC Life, CPIC Property, CPIC Asset Management, CPIC Health, CPIC Technology, CPIC Senior Living Investment and CPIC Online are based on the costs of the service providers and distributed in the proportion mutually agreed by both parties. The equipment rental fee charged by the Company to CPIC Technology is determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company is determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The technology service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties. The entrusted management fees charged by CPIC Real Estate to the Company is determined at the price negotiated by both parties. The medical examination fee charged by CPIC Health to the Company is determined at the price negotiated by both parties. The rental fees of the office building incurred among the Company, CPIC Property, CPIC Life and Xinbaoyu are determined at the price negotiated by both parties. The text messaging service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(2) The major related party transactions between the Company and other related party of the Group during the periods are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Fees for leasing office buildings Binjiang-Xiangrui	<u>26</u>	<u>27</u>

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	30 June 2025	31 December 2024
Dividends receivable		
CPIC Life	6,869	-
CPIC Property	3,144	-
CPIC Asset Management	382	-
CPIC Real Estate	<u>18</u>	<u>-</u>
Total	<u>10,413</u>	<u>-</u>
Other receivables		
CPIC Property	128	149
CPIC Technology	105	42
CPIC Life	60	101
Changjiang Pension	3	2
CPIC Asset Management	3	3
CPIC Health	3	3
CPIC Senior Living Investment	2	1
CPIC Online Services	1	1
Pacific Medical & Healthcare	<u>1</u>	<u>-</u>
Total	<u>306</u>	<u>302</u>
Other payables		
CPIC Technology	173	135
CPIC Asset Management	15	29
Xinbaoyu	5	4
CPIC Property	1	1
CPIC Life	1	-
CPIC Real Estate	-	5
CPIC Capital	<u>-</u>	<u>5</u>
Total	<u>195</u>	<u>179</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables and payables between the Group and its joint ventures are as follows:

	30 June 2025	31 December 2024
Other receivables		
Binjiang-Xiangrui	<u>1,772</u>	<u>1,772</u>
Other payables		
Binjiang-Xiangrui	<u>342</u>	<u>318</u>

The receivable due from Binjiang-Xiangrui is interest-free with no determined maturity date.

As at 31 December 2024, the balance of receivables and payables between CPIC and Ruiyongjing Real Estate included other receivables of RMB 124 million and debt investments at fair value through other comprehensive income of RMB 6,120 million. Ruiyongjing Real Estate became a subsidiary of CPIC on 30 June 2025.

(3) Receivables and payables between the Group and other related parties arising from reinsurance are as follows:

	30 June 2025	31 December 2024
Receivables from Swiss Reinsurance Company Ltd	<u>1,130</u>	<u>1,366</u>
Payables to Swiss Reinsurance Company Ltd	<u>1,123</u>	<u>863</u>

VIII. CONTINGENCIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 30 June 2025, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the Group and the Group would only be contingently liable for any claim that is in excess of the provision made. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated by the management or the probability of loss is extremely low.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

IX. COMMITMENTS

1. Major projects with capital commitments

		30 June 2025	31 December 2024
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)	15,099	18,858
Authorised, but not contracted for	(1)	1,341	2,101
		<u>16,440</u>	<u>20,959</u>

As at 30 June 2025, major projects with capital commitments were as follows:

- (1) CPIC Life and CPIC Senior Living Investment obtained the use rights of 15 parcels of land located at Wenjiang District in Chengdu, Sichuan, etc, and set up 15 project companies named Chengdu Project Company, etc, accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project “CPIC Home”. As at 30 June 2025, the cumulative amount incurred from construction in progress was approximately RMB 985 million. Of the balance, approximately RMB 2,200 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 1,319 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,050 million among which CPIC Life subscribed capital contribution of RMB 5,000 million, accounting for 99.01% of the capital. As at 30 June 2025, CPIC Life has cumulatively made a capital contribution of RMB 2,800 million. Of the balance, RMB 2,200 million was disclosed as a capital commitment contracted but not provided for.
- (3) CPIC Life and CPIC Capital together subscribed 99.99% of the shares of Nanjing Taibao Xinhui Zhiyuan Equity Investment Fund Management Partnership (Limited Partnership) (“Xinhui Zhiyuan”). As at 30 June 2025, Xinhui Zhiyuan has invested in 7 equity investment funds with a total subscribed contribution of RMB 5,645 million, paid-in contribution of approximately RMB 2,611 million, and uncontributed capital of approximately RMB 3,034 million, which is listed as a capital commitment contracted but not provided for.
- (4) CPIC Life and CPIC Capital together subscribed 99.98% of the shares of China Pacific Changhang. As at 30 June 2025, China Pacific Changhang has invested in 2 unlisted equity and 28 equity investment funds (not including consolidated structured entities included in the scope of the Group) with a total subscribed contribution of RMB 8,489 million, paid-in contribution of RMB 5,658 million, and uncontributed capital of RMB 2,831 million, which is listed as a capital commitment contracted but not provided for.
- (5) The Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As at 30 June 2025, CPIC Health Fund has invested in 27 equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 6,227 million, paid-in contribution of approximately RMB 4,554 million, and uncontributed capital of approximately RMB 1,673 million, which is listed as a capital commitment contracted but not provided for.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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IX. COMMITMENTS (continued)

2. Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	30 June 2025	31 December 2024
Within 1 year (inclusive 1 year)	554	583
1 to 2 years (inclusive 2 years)	306	318
2 to 3 years (inclusive 3 years)	112	187
3 to 5 years (inclusive 5 years)	78	105
More than 5 years	34	51
	<u>1,084</u>	<u>1,244</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk and concentration of insurance risk

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected;

Severity risk - the possibility that the cost of the events will differ from that expected;

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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X. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risk and concentration of insurance risk (continued)

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Three major types of reinsurance agreements, ceding on a quota share basis or a surplus basis or excess reinsurance, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(2) Assumptions

Long-term life insurance contracts

Material judgement is required in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumption and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Property and casualty and short-term life insurance contracts

The calculation for liability for incurred claims is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk adjustment for non-financial risk, delays in settlement, etc.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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X. RISK MANAGEMENT (continued)

2. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Management Committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.

(1) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and common stocks, etc. denominated in the foreign currency.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks.

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial investments exposed to market price risk mainly consist of stocks and equity investment funds under financial assets at fair value through profit or loss and equity investments at fair value through other comprehensive income. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

3. Credit risk

Credit risk is the risk that one party to a financial instrument or an insurance contract will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, financial assets at amortised cost, debt investments at fair value through other comprehensive income, securities purchased under agreements to resell, reinsurance contract assets and other assets.

Due to the restriction of the National Financial Regulatory Administration, majority of the Group's financial assets are government bonds, government institutional bonds, enterprise bonds, term deposits, debt investment plans and wealth management products. Term deposits are placed with national commercial banks or comparatively sound financial institutions, and most of enterprise bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements. The Group grants a short credit period and arranges instalment payment to reduce the property and casualty insurance businesses credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly entered into with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

Measurement of expected credit loss

In accordance with the new accounting standard for financial instruments, the Group applies the "expected credit loss model" to measure the impairment of financial assets such as financial assets at amortised cost and debt investments at fair value through other comprehensive income.

Criteria for judging significant changes in credit risk

Under the new financial instruments accounting standard, the Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has changed significantly since its initial recognition when considering the credit risk stages of financial assets. When determining the impairment stage of financial assets, the Group fully considers all reasonable and well-founded information, including forward-looking information, that reflects whether there has been a significant change in its credit risk. The main factors to be considered are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, etc. The Group based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine the stage classification of financial instruments by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Criteria for judging significant changes in credit risk (continued)

The Group sets quantitative and qualitative criteria to determine whether the credit risk of financial instruments has changed significantly since the initial recognition, mainly including changes in the debtor's probability of default ("PD"), changes in credit risk classification, and other circumstances indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, the Group considers overdue more than 30 days as one of the criteria for a significant increase in credit risk in accordance with the requirements of the standard.

Definition of financial assets that are credit-impaired

The criteria adopted by the Group in determining whether credit impairment has incurred are consistent with internal credit risk management objectives for the relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether a debtor has incurred credit impairment, the Group mainly considers the following factors:

- The debtor is more than 90 days overdue after the due date of payment in the contract;
- Internal credit rating is a default rating;
- For economic or contractual reasons related to the debtor's financial difficulties, the creditor gives the debtor concessions that the creditor would not otherwise consider;
- Significant financial difficulties of the issuer or debtor;
- Breach of contract by the debtor, such as default or overdue payment of interest or principal;
- The debtor is likely to go bankrupt or other financial restructuring;
- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for that financial asset;
- Purchase or originate a financial asset at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by a combination of multiple events, not necessarily by individually identifiable events.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Parameters of the expected credit loss measurement

The models, parameters and assumptions used in measuring expected credit loss are described as follows:

Impairment provisions are measured in terms of expected credit losses over the next 12 months or throughout the lifetime of the assets, based on whether there has been a significant increase in credit risk and whether the asset has undergone credit impairment. The expected credit loss is the result of discounting the product of the company's exposure at default ("EAD"), PD and rate of loss given default ("LGD") under reasonable and evidence-based forward-looking information that can be obtained without undue cost or effort.

- i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime;
- ii) PD is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout the remaining lifetime;
- iii) LGD is the Group's expectation of the percentage of loss on the EAD will be lost. LGD varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Group takes into account changes in the risk of default over the expected lifetime of the financial instruments. The lifetime PD is derived from the 12-month PD based on the maturity information. Impairment for assets assessed on a collective basis is based on observable historical data and on the assumption that assets with the same credit rating and in the same portfolio for collective assessment are in the same situation. The above analysis is based on industry experience and supported by historical data.

Credit risk exposure

Without regard to the impact of guarantees or other credit enhancement methods, the carrying amount of financial assets in the Group's balance sheet reflects its maximum credit risk exposure at the balance sheet date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table sets out the credit risk exposure of financial instruments under the scope of the expected credit loss assessment:

	30 June 2025			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash at bank and on hand	46,404	-	-	46,404
Securities purchased under agreements to resell	21,349	-	-	21,349
Term deposits	167,328	10,891	-	178,219
Financial Investments:	1,792,852	6,178	2,700	1,801,730
Financial assets at amortised cost	53,651	1,168	538	55,357
Debt investments at fair value through other comprehensive income	1,739,201	5,010	2,162	1,746,373
Restricted statutory deposits	6,898	-	-	6,898
Others	14,614	327	97	15,038
Total	2,049,445	17,396	2,797	2,069,638
	31 December 2024			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash at bank and on hand	29,357	-	-	29,357
Securities purchased under agreements to resell	10,905	-	-	10,905
Term deposits	172,113	1,705	-	173,818
Financial Investments:	1,663,534	6,321	2,961	1,672,816
Financial assets at amortised cost	62,770	1,517	557	64,844
Debt investments at fair value through other comprehensive income	1,600,764	4,804	2,404	1,607,972
Restricted statutory deposits	6,851	-	-	6,851
Others	13,235	210	70	13,515
Total	1,895,995	8,236	3,031	1,907,262

As at 30 June 2025 and 31 December 2024, the collaterals for the financial assets that have suffered credit impairment were mainly stocks and equity investments.

The Group closely monitors collaterals for financial assets that have undergone credit impairment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

4. Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of repaying maturing debts or fulfilling other payment obligations.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group.

When surrender, reduction or other forms of early termination happens, the Group determines the amounts that are payable on demand to policyholders in accordance with the terms of insurance contracts, which are usually the unearned premiums or the cash values of the relevant part of contracts, after deducting the applicable early termination fees. The Group seeks to manage its liquidity risk by setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to match the maturities of investment assets with the maturities of corresponding insurance liabilities, to provide funds for the Group to fulfil payment obligations in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the risk management committee of the Group. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting up emergency fund plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	30 June 2025					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	46,404	-	-	-	-	46,404
Derivative financial assets	-	6	5	-	-	11
Securities purchased under agreements to resell	-	21,350	-	-	-	21,350
Term deposits	-	21,020	169,837	-	-	190,857
Financial investments:						
Financial assets at fair value through profit or loss	388	24,649	59,246	316,073	390,106	790,462
Financial assets at amortised cost	-	10,468	24,436	41,557	-	76,461
Debt investments at fair value through other comprehensive income	-	93,665	424,757	2,465,918	-	2,984,340
Equity investments at fair value through other comprehensive income	-	-	-	-	172,489	172,489
Restricted statutory deposits	-	1,718	5,497	-	-	7,215
Others	1,348	9,720	4,369	35	2	15,474
Subtotal	<u>48,140</u>	<u>182,596</u>	<u>688,147</u>	<u>2,823,583</u>	<u>562,597</u>	<u>4,305,063</u>
Financial liabilities:						
Derivative financial liabilities	-	-	60	-	-	60
Securities sold under agreements to repurchase	-	180,255	-	-	-	180,255
Bonds payable	-	367	10,734	-	-	11,101
Commission and brokerage payable	961	5,300	389	24	-	6,674
Lease liabilities	-	725	765	246	-	1,736
Long-term borrowings	-	70	136	-	-	206
Others	14,817	39,410	1,820	-	-	56,047
Subtotal	<u>15,778</u>	<u>226,127</u>	<u>13,904</u>	<u>270</u>	<u>-</u>	<u>256,079</u>
Net amount	<u>32,362</u>	<u>(43,531)</u>	<u>674,243</u>	<u>2,823,313</u>	<u>562,597</u>	<u>4,048,984</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows: (continued)

	31 December 2024					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	29,136	221	-	-	-	29,357
Derivative financial assets	-	13	13	-	-	26
Securities purchased under agreements to resell	-	10,905	-	-	-	10,905
Term deposits	-	26,288	160,777	-	-	187,065
Financial investments:						
Financial assets at fair value through profit or loss	388	29,170	63,209	306,695	366,452	765,914
Financial assets at amortised cost	-	17,996	19,883	49,370	-	87,249
Debt investments at fair value through other comprehensive income	-	120,725	331,984	2,187,048	-	2,639,757
Equity investments at fair value through other comprehensive income	-	-	-	-	164,475	164,475
Restricted statutory deposits	-	739	6,534	-	-	7,273
Others	1,107	7,857	4,934	45	2	13,945
Subtotal	<u>30,631</u>	<u>213,914</u>	<u>587,334</u>	<u>2,543,158</u>	<u>530,929</u>	<u>3,905,966</u>
Financial liabilities:						
Derivative financial liabilities	-	14	82	-	-	96
Securities sold under agreements to repurchase	-	181,748	-	-	-	181,748
Bonds payable	-	367	11,101	-	-	11,468
Commission and brokerage payable	923	4,385	608	26	-	5,942
Lease liabilities	-	846	1,447	692	-	2,985
Others	714	40,240	1,700	-	-	42,654
Subtotal	<u>1,637</u>	<u>227,600</u>	<u>14,938</u>	<u>718</u>	<u>-</u>	<u>244,893</u>
Net amount	<u>28,994</u>	<u>(13,686)</u>	<u>572,396</u>	<u>2,542,440</u>	<u>530,929</u>	<u>3,661,073</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

5. Operational risk

Operation risk is the risk of loss arising from existed issues on internal procedures, employees and information system failure, and impacts from the external events. When controls fail to perform, operational risk can affect the steady development and reputation of the company, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational system procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

6. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is lack of investment in assets with a duration of sufficient length to match the duration of its medium and long-term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the board of directors of the Group has the Strategy and Investment Decision & ESG Committee and Risk Management Committee to make significant decisions on asset-liability management. Besides, the Executive Management Committee of the Group has an asset-liability working group which is responsible for providing professional support for asset-liability management and matching.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

7. Capital management risk

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholder value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

<u>Group</u>	30 June 2025	31 December 2024
Core capital	385,700	358,078
Actual capital	534,478	503,745
Minimum required capital	202,581	197,079
Core solvency margin ratio	190%	182%
Comprehensive solvency margin ratio	264%	256%
<u>CPIC Life</u>	30 June 2025	31 December 2024
Core capital	232,439	213,418
Actual capital	366,386	345,510
Minimum required capital	170,640	164,313
Core solvency margin ratio	136%	130%
Comprehensive solvency margin ratio	215%	210%
<u>CPIC Property</u>	30 June 2025	31 December 2024
Core capital	59,987	58,153
Actual capital	73,696	70,698
Minimum required capital	30,629	31,852
Core solvency margin ratio	196%	183%
Comprehensive solvency margin ratio	241%	222%

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

X. RISK MANAGEMENT (continued)

7. Capital management risk (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules: (continued)

	30 June 2025	31 December 2024
<u>CPIC Health</u>		
Core capital	3,658	3,294
Actual capital	4,468	4,040
Minimum required capital	<u>2,045</u>	<u>1,716</u>
Core solvency margin ratio	179%	192%
Comprehensive solvency margin ratio	<u>218%</u>	<u>235%</u>
	30 June 2025	31 December 2024
<u>PAAIC</u>		
Core capital	2,787	2,868
Actual capital	3,099	3,153
Minimum required capital	<u>991</u>	<u>940</u>
Core solvency margin ratio	281%	305%
Comprehensive solvency margin ratio	<u>313%</u>	<u>335%</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash at bank and on hand, derivative financial assets, securities purchased under agreements to resell, term deposits, financial assets at fair value through profit or loss, financial assets at amortised cost, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income and restricted statutory deposits, etc.

The Group's financial liabilities mainly include long-term borrowings, securities sold under agreements to repurchase and bonds payable, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of financial assets at amortised cost, long-term borrowings and bonds payable whose fair values are not presented in the consolidated balance sheet.

	30 June 2025		31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets at amortised cost	55,357	60,720	64,844	70,062
Financial liabilities:				
Long-term borrowings	157	158	-	-
Bonds payable	10,103	10,493	10,286	10,758

The carrying amount of other financial assets and financial liabilities approximate their fair value.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

XII. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”);
- (2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (“Level 2”); and
- (3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (“Level 3”).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted prices from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determination to classify fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group’s valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

XII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	30 June 2025			Total fair value
	Level 1	Level 2	Level 3	
<u>Assets measured at fair value</u>				
Term deposits measured at fair value	-	-	135,859	135,859
Financial assets at fair value through profit or loss				
- Stocks	186,591	-	815	187,406
- Funds	69,198	641	-	69,839
- Bonds	10,186	265,593	388	276,167
- Others	11,714	8,952	120,323	140,989
	<u>277,689</u>	<u>275,186</u>	<u>121,526</u>	<u>674,401</u>
Debt investments at fair value through other comprehensive income				
- Bonds	3,149	1,523,971	3,040	1,530,160
- Others	-	559	215,654	216,213
	<u>3,149</u>	<u>1,524,530</u>	<u>218,694</u>	<u>1,746,373</u>
Equity investments at fair value through other comprehensive income				
- Stocks	93,113	-	2,606	95,719
- Preferred stocks	-	12,604	-	12,604
- Others	924	12,554	32,371	45,849
	<u>94,037</u>	<u>25,158</u>	<u>34,977</u>	<u>154,172</u>
Derivative financial assets	-	11	-	11
<u>Liabilities measured at fair value</u>				
Derivative financial liabilities	-	60	-	60
<u>Assets for which fair values are disclosed</u>				
Financial assets at amortised cost (Note XI)	-	23,736	36,984	60,720
Investment properties	-	-	32,858	32,858
<u>Liabilities for which fair values are disclosed (Note XI)</u>				
Long-term borrowings	-	-	158	158
Bonds payable	-	-	10,493	10,493

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

XII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities: (continued)

	31 December 2024			
	Level 1	Level 2	Level 3	Total fair value
<u>Assets measured at fair value</u>				
Term deposits measured at fair value	-	-	132,893	132,893
Financial assets at fair value through profit or loss				
- Stocks	178,823	-	190	179,013
- Funds	63,249	7,223	-	70,472
- Bonds	8,902	265,045	388	274,335
- Others	15,117	4,939	123,323	143,379
	<u>266,091</u>	<u>277,207</u>	<u>123,901</u>	<u>667,199</u>
Debt investments at fair value through other comprehensive income				
- Bonds	1,538	1,341,350	3,107	1,345,995
- Others	-	851	261,126	261,977
	<u>1,538</u>	<u>1,342,201</u>	<u>264,233</u>	<u>1,607,972</u>
Equity investments at fair value through other comprehensive income				
- Stocks	71,506	-	4,546	76,052
- Preferred stocks	-	12,642	-	12,642
- Others	547	18,878	33,895	53,320
	<u>72,053</u>	<u>31,520</u>	<u>38,441</u>	<u>142,014</u>
Derivative financial assets	-	26	-	26
<u>Liabilities measured at fair value</u>				
Derivative financial liabilities	-	96	-	96
<u>Assets for which fair values are disclosed</u>				
Financial assets at amortised cost (Note XI)	-	25,765	44,297	70,062
Investment properties	-	-	14,169	14,169
<u>Liabilities for which fair values are disclosed (Note XI)</u>				
Bonds payable	-	-	10,758	10,758

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

XII. FAIR VALUE MEASUREMENT (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments, etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant post balance sheet events.

XIV. APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements have been approved for issue by the board of directors of the Company on 28 August 2025.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	For the six months ended 30 June 2025		
	Weighted average return on net assets	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	9.6%	2.90	2.90
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	9.0%	2.73	2.73

The Company had no dilutive potential ordinary shares during the six-month period ended 30 June 2025.

	For the six months ended 30 June 2024		
	Weighted average return on net assets	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	9.5%	2.61	2.61
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	9.5%	2.61	2.61

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Net profit attributable to shareholders of the parent	27,885	25,132
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(66)	(46)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(73)	(1)
Other net non-operating income and expenses other than aforesaid items	14	53
Other items confirming to the definition of non-recurring profit or loss*	(1,603)	-
Effect of income tax relating to non-recurring profit or loss	38	4
Net profit less non-recurring profit or loss	26,195	25,142
Less: Net non-recurring profit or loss attributable to non-controlling interests	29	-
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	26,224	25,142

* Ruiyongjing Real Estate has become a subsidiary of the group since 30 June 2025. Ruiyongjing Real Estate was included in the scope of the Group's consolidated financial statements, resulting in a one-time profit or loss impact of RMB1.603 billion. See Note IV 2 for details.

Auditor's Report

Ernst & Young Hua Ming (2025) Shen Zi No. 70015004_B01
China Pacific Insurance (Group) Co., Ltd.

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

(I) Opinion

We have audited the accompanying financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the consolidated and company balance sheets as at 31 December 2024, the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CPIC as at 31 December 2024, and the consolidated and company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("CASs").

(II) Basis for opinion

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

(III) Key audit matters

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

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

Key audit matter**How our audit addressed the key audit matter****Valuation of insurance contract liabilities**

As at 31 December 2024, the carrying amount of CPIC's insurance contract liabilities was RMB 2,229.5 billion, representing 89% of the total liabilities. We identified the valuation of insurance contract liabilities as a key audit matter, as it requires significant estimations and judgements.

The valuation of insurance contract liabilities involves significant judgements and estimates over the level of aggregation of insurance contracts, the appropriateness of the measurement approach, the determination of coverage units and the uncertain future cash flows.

The valuation of insurance contract liabilities also involves the application of complex actuarial models, and a high degree of judgement and estimation is used by management in determining assumptions as well. Key assumptions used in measuring insurance contract liabilities include mortality, morbidity, surrender rates, discount rates, expenses assumptions, loss ratios, policy dividends assumptions and risk adjustment for non-financial risk, etc.

Relevant disclosures are included in Note III 20, Note III 30, Note VI 24 and Note XII 1 of the financial statements.

With the support of our internal experts, we performed relevant audit procedures, which mainly included the following:

- Reviewed CPIC's accounting policies in relation to the valuation of insurance contract liabilities, including tests of significant insurance risk, the level of aggregation, recognition and valuation of insurance contracts, etc.
- Understood, evaluated and tested the management's design and operating effectiveness of relevant internal controls over the valuation of insurance contract liabilities, including the internal controls over determination and approval of key assumptions, data collection and analysis, the IT systems, IT general controls, data transmission between systems and computation, etc. in relation to the valuation of insurance contract liabilities.
- Tested the completeness and accuracy of the underlying data used in the valuation of insurance contract liabilities.
- Evaluated key assumptions used in the valuation of insurance contract liabilities by comparison with CPIC's historical data and applicable industry experiences and considering the reasonableness of the relevant management's judgements.
- Assessed the appropriateness of the valuation approaches of insurance contract liabilities, reviewed by performing procedures such as independent recalculation of insurance contract liabilities of selected major typical insurance products or groups of insurance contracts.
- Evaluated the overall reasonableness of the insurance contract liabilities by analysing the movements of insurance contract liabilities during the reporting period and assessing the impact of key changes.

Valuation of level 3 investments measured at fair value

As at 31 December 2024, the carrying amount of CPIC's level 3 investments measured at fair value was RMB 559.5 billion, representing 20% of the total assets.

We identified the valuation of level 3 investments measured at fair value as a key audit matter, as they were measured based on valuation models and inputs and assumptions that are not directly observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 investments measured at fair value was considered significant.

Relevant disclosures are included in Note III 28, Note III 30 and Note XV to the financial statements.

We performed relevant audit procedures which mainly included the following:

- Understood, evaluated and tested the key controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuation inputs provided by data vendors.
- The audit procedures related to the measurement of level 3 investments measured at fair value:
 - Assessed valuation model methodologies against industry practice and valuation guidelines;
 - Compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields;
 - Performed independent check of the valuation results of selected illiquid investments by using inputs from external sources that were not directly observable.

(IV) Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant:
(Engagement partner)

Guo Hangxiang

Chinese Certified Public Accountant:

Wang Ziqing

Beijing,
The People's Republic of China

26 March 2025

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VI	31 December 2024	31 December 2023
Cash at bank and on hand	1	29,357	31,455
Derivative financial assets	2	26	17
Securities purchased under agreements to resell	3	10,905	2,808
Term deposits	4	173,818	165,501
Financial investments:		2,482,029	2,009,336
Financial assets at fair value through profit or loss	5	667,199	581,602
Financial assets at amortised cost	6	64,844	82,334
Debt investments at fair value through other comprehensive income	7	1,607,972	1,247,435
Equity investments at fair value through other comprehensive income	8	142,014	97,965
Insurance contract assets	24	22	335
Reinsurance contract assets	25	46,081	39,754
Long-term equity investments	9	22,520	23,184
Restricted statutory deposits	10	6,851	7,105
Investment properties	11	8,951	10,667
Fixed assets	12	20,255	18,925
Construction in progress	13	2,489	2,459
Right-of-use assets	14	2,921	3,365
Intangible assets	15	7,347	7,117
Goodwill	16	1,357	1,357
Deferred income tax assets	17	3,464	7,076
Other assets	18	16,514	13,501
TOTAL ASSETS		2,834,907	2,343,962

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

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VI	31 December 2024	31 December 2023
Derivative financial liabilities	2	96	21
Securities sold under agreements to repurchase	20	181,695	115,819
Premium received in advance		18,044	17,026
Employee benefits payable	21	10,169	9,247
Taxes payable	22	2,480	3,536
Bonds payable	23	10,286	10,285
Insurance contract liabilities	24	2,229,514	1,872,620
Commission and brokerage payable		5,942	5,861
Insurance premium reserves		129	251
Lease liabilities		2,722	3,095
Deferred income tax liabilities	17	7,362	1,119
Other liabilities	26	47,987	37,378
Total liabilities		2,516,426	2,076,258
Issued capital	27	9,620	9,620
Capital reserves	28	79,948	79,950
Other comprehensive income	48	14,917	7,992
Surplus reserves	29	5,114	5,114
General reserves	30	29,928	25,462
Retained profits	31	151,890	121,448
Equity attributable to shareholders of the parent		291,417	249,586
Non-controlling interests	32	27,064	18,118
Total equity		318,481	267,704
TOTAL LIABILITIES AND EQUITY		2,834,907	2,343,962

The financial statements are signed by the persons below:

FU Fan
Legal representative

SU Gang
Principal in charge of accounting

XU Zhen
Head of accounting department

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	Note VI	2024	2023
Operating income		404,089	323,945
Insurance revenue	33	279,473	266,167
Interest income	34	55,991	58,262
Investment income	35	26,907	7,053
Including: Share of losses of associates and joint ventures		(540)	(386)
Gains on derecognition of financial assets measured at amortised cost		27	–
Other income		257	251
Gains/(losses) arising from changes in fair value	36	37,713	(11,712)
Exchange (losses)/gains		(64)	159
Other operating income	37	3,810	3,742
Gains on disposal of assets	38	2	23
Operating expenses		(348,378)	(291,885)
Insurance service expenses		(243,147)	(231,023)
Allocation of reinsurance premiums		(15,891)	(15,838)
Less: Recoveries of insurance service expenses from reinsurers		14,466	14,399
Insurance finance expenses for insurance contracts issued	39	(92,520)	(46,741)
Less: Reinsurance finance income for reinsurance contracts held	39	2,103	1,174
Changes in insurance premium reserves		116	35
Interest expenses	40	(2,728)	(2,628)
Commission and brokerage expenses		(56)	(7)
Taxes and surcharges	41	(439)	(445)
Operating and administrative expenses	42	(8,239)	(7,397)
Impairment losses on financial assets	43	(531)	(2,013)
Impairment losses on other assets		(406)	(253)
Other operating expenses	44	(1,106)	(1,148)
Operating profit		55,711	32,060
Add: Non-operating income	45	86	136
Less: Non-operating expenses	46	(234)	(195)
Profit before tax		55,563	32,001
Less: Income tax	47	(9,122)	(4,090)
Net profit		46,441	27,911
Classified by continuity of operations:			
Net profit from continuing operations		46,441	27,911
Net profit from discontinued operations		–	–
Classified by ownership of the equity:			
Attributable to shareholders of the parent		44,960	27,257
Non-controlling interests		1,481	654

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

CONSOLIDATED INCOME STATEMENT (continued) FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	Note VI	2024	2023
Other comprehensive income/(loss)	48		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:		4,775	400
Changes in the fair value of equity investments at fair value through other comprehensive income		6,035	1,089
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss		(1,260)	(689)
Other comprehensive income/(loss) that will be reclassified to profit or loss:		2,025	1,152
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method		3	(54)
Changes in the fair value of debt instruments at fair value through other comprehensive income		105,022	36,592
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income		220	925
Exchange differences on translation of foreign operations		23	15
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss		(103,211)	(36,321)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss		(32)	(5)
Other comprehensive income/(loss)		6,800	1,552
Total comprehensive income		53,241	29,463
Attributable to shareholders of the parent		51,646	28,785
Attributable to non-controlling interests		1,595	678
Earnings per share	49		
Basic earnings per share (RMB per share)		4.67	2.83
Diluted earnings per share (RMB per share)		4.67	2.83

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	2024								Non-controlling interests	Total equity
	Attributable to shareholders of the parent									
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total			
Balance at the beginning of year	9,620	79,950	7,992	5,114	25,462	121,448	249,586	18,118	267,704	
Movements in the current year	—	(2)	6,925	—	4,466	30,442	41,831	8,946	50,777	
Net profit	—	—	—	—	—	44,960	44,960	1,481	46,441	
Other comprehensive income/(loss) (Note VI 48)	—	—	6,686	—	—	—	6,686	114	6,800	
Total comprehensive income	—	—	6,686	—	—	44,960	51,646	1,595	53,241	
Other equity changes caused by equity method accounting	—	1	—	—	—	—	1	—	1	
Capital invested and reduced by holders	—	(3)	—	—	—	—	(3)	8,002	7,999	
Capital invested by other equity instrument holders	—	(3)	—	—	—	—	(3)	8,002	7,999	
Profit distribution	—	—	—	—	4,466	(14,279)	(9,813)	(651)	(10,464)	
Appropriations to general reserves	—	—	—	—	4,466	(4,466)	—	—	—	
Profit distribution to shareholders	—	—	—	—	—	(9,813)	(9,813)	(231)	(10,044)	
Profit distribution to other equity instrument holders	—	—	—	—	—	—	—	(420)	(420)	
Transfer of other comprehensive income to retained profits	—	—	239	—	—	(239)	—	—	—	
Balance at the end of year	9,620	79,948	14,917	5,114	29,928	151,890	291,417	27,064	318,481	

As at 31 December 2024, the balance of retained profits of the Group included RMB 1,816 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	2023								Non-controlling interests	Total equity
	Attributable to shareholders of the parent									
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total			
Balance at the beginning of year	9,620	79,665	6,470	5,114	22,692	106,768	230,329	5,710	236,039	
Movements in the current year	—	285	1,522	—	2,770	14,680	19,257	12,408	31,665	
Net profit	—	—	—	—	—	27,257	27,257	654	27,911	
Other comprehensive income/(loss) (Note VI 48)	—	—	1,528	—	—	—	1,528	24	1,552	
Total comprehensive income	—	—	1,528	—	—	27,257	28,785	678	29,463	
Other equity changes caused by equity method accounting	—	285	—	—	—	—	285	6	291	
Capital invested and reduced by holders	—	—	—	—	—	—	—	11,998	11,998	
Capital invested by other equity instrument holders	—	—	—	—	—	—	—	11,998	11,998	
Profit distribution	—	—	—	—	2,770	(12,583)	(9,813)	(274)	(10,087)	
Appropriations to general reserves	—	—	—	—	2,770	(2,770)	—	—	—	
Profit distribution to shareholders	—	—	—	—	—	(9,813)	(9,813)	(274)	(10,087)	
Transfer of other comprehensive income to retained profits	—	—	(6)	—	—	6	—	—	—	
Balance at the end of year	9,620	79,950	7,992	5,114	25,462	121,448	249,586	18,118	267,704	

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	Note VI	2024	2023
Cash flows from operating activities			
Cash received from premium of insurance contracts issued		482,537	452,282
Net cash received from reinsurance contracts issued		–	485
Net decrease in policy loans		521	1,778
Refund of taxes and surcharges		107	21
Cash received relating to other operating activities		7,799	6,848
Sub-total of cash inflows		490,964	461,414
Cash paid for claims under insurance contracts issued		(189,571)	(180,230)
Net cash paid under reinsurance contracts issued		(1,965)	–
Net cash paid under reinsurance contracts held		(5,353)	(6,542)
Cash paid for commission and brokerage expenses		(34,715)	(33,701)
Cash paid to and on behalf of employees		(26,393)	(26,623)
Payments of taxes and surcharges		(10,226)	(11,756)
Cash paid relating to other operating activities	50	(68,337)	(64,699)
Sub-total of cash outflows		(336,560)	(323,551)
Net cash flows from operating activities	52	154,404	137,863
Cash flows from investing activities			
Cash received from disposal of investments		728,928	557,301
Cash received from returns on investments and interest income		66,702	73,860
Net cash received from disposal of subsidiaries and other business entities		168	2,559
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		36	181
Sub-total of cash inflows		795,834	633,901
Cash paid to acquire investments		(1,001,338)	(788,828)
Net cash paid to acquire subsidiaries and other business entities		(241)	(1,269)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,878)	(3,988)
Cash paid relating to other investing activities		(277)	(1,173)
Sub-total of cash outflows		(1,005,734)	(795,258)
Net cash flows used in investing activities		(209,900)	(161,357)

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

CONSOLIDATED CASH FLOW STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	Note VI	2024	2023
Cash flows from financing activities			
Cash received from capital contributions		8,000	11,998
Cash received from bonds issued		–	9,998
Increase in securities sold under agreements to repurchase, net		64,572	–
Cash received relating to other financing activities	50	16,058	10,649
Sub-total of cash inflows		88,630	32,645
Cash repayments of borrowings		(8,260)	(10,782)
Cash payments for distribution of dividends, profits or interest expenses		(13,014)	(12,444)
Decrease in securities sold under agreements to repurchase, net		–	(4,145)
Cash paid relating to other financing activities	50	(6,020)	(1,980)
Sub-total of cash outflows		(27,294)	(29,351)
Net cash flows from financing activities		61,336	3,294
Effects of exchange rate changes on cash and cash equivalents		93	131
Net increase/(decrease) in cash and cash equivalents	52	5,933	(20,069)
Add: Cash and cash equivalents at the beginning of year	51,52	33,740	53,809
Cash and cash equivalents at the end of year	51,52	39,673	33,740

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

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VIII	31 December 2024	31 December 2023
Cash at bank and on hand	1	5,163	6,286
Term deposits	2	6,997	5,457
Financial investments:		57,394	55,550
Financial assets at fair value through profit or loss	3	22,725	17,255
Financial assets at amortised cost	4	8,301	12,644
Debt investments at fair value through other comprehensive income	5	21,729	23,140
Equity investments at fair value through other comprehensive income	6	4,639	2,511
Long-term equity investments	7	70,213	71,250
Investment properties	8	2,131	3,123
Fixed assets		1,840	1,035
Construction in progress		3	3
Right-of-use assets		288	371
Intangible assets		267	237
Deferred income tax assets		–	64
Other assets	9	561	470
Total assets		144,857	143,846
LIABILITIES AND EQUITY			
Securities sold under agreements to repurchase	10	910	2,026
Employee benefits payable		244	244
Taxes payable		13	103
Lease liabilities		329	416
Deferred income tax liabilities		475	–
Other liabilities	11	780	778
Total liabilities		2,751	3,567
Issued capital		9,620	9,620
Capital reserves	12	79,312	79,312
Other comprehensive income	14	1,260	423
Surplus reserves		4,810	4,810
Retained profits		47,104	46,114
Total equity		142,106	140,279
TOTAL LIABILITIES AND EQUITY		144,857	143,846

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

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	Note VIII	2024	2023
Operating income		13,087	13,028
Interest income		1,665	2,027
Investment income	13	9,909	10,605
Including: Share of gains/(losses) of associates and joint ventures		5	(26)
Other income		8	4
Gains/(losses) arising from changes in fair value		818	(434)
Exchange gains		28	130
Other operating income		659	696
Operating expenses		(1,905)	(1,856)
Interest expenses		(33)	(27)
Taxes and surcharges		(76)	(80)
Operating and administrative expenses		(1,563)	(1,594)
Impairment losses on financial assets		(25)	60
Other operating expenses		(208)	(215)
Operating profit		11,182	11,172
Add: Non-operating income		17	20
Less: Non-operating expenses		(49)	(51)
Profit before tax		11,150	11,141
Less: Income tax		(333)	(161)
Net profit		10,817	10,980
Classified by continuity of operations:			
Net profit from continuing operations		10,817	10,980
Net profit from discontinued operations		–	–
Other comprehensive income/(loss)	14		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:		223	(54)
Changes in the fair value of equity investments at fair value through other comprehensive income		223	(54)
Other comprehensive income/(loss) that will be reclassified to profit or loss:		600	97
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method		2	–
Changes in the fair value of debt instruments at fair value through other comprehensive income		601	145
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income		(3)	(48)
Other comprehensive income/(loss)		823	43
Total comprehensive income		11,640	11,023

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

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	2024					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,620	79,312	423	4,810	46,114	140,279
Movements in the current year	–	–	837	–	990	1,827
Net profit	–	–	–	–	10,817	10,817
Other comprehensive income/(loss) (Note VIII 14)	–	–	823	–	–	823
Total comprehensive income	–	–	823	–	10,817	11,640
Profit distribution	–	–	–	–	(9,813)	(9,813)
Profit distribution to shareholders	–	–	–	–	(9,813)	(9,813)
Transfer of other comprehensive income to retained profits	–	–	14	–	(14)	–
Balance at the end of year	9,620	79,312	1,260	4,810	47,104	142,106

	2023					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,620	79,312	389	4,810	44,938	139,069
Movements in the current year	–	–	34	–	1,176	1,210
Net profit	–	–	–	–	10,980	10,980
Other comprehensive income/(loss) (Note VIII 14)	–	–	43	–	–	43
Total comprehensive income	–	–	43	–	10,980	11,023
Profit distribution	–	–	–	–	(9,813)	(9,813)
Profit distribution to shareholders	–	–	–	–	(9,813)	(9,813)
Transfer of other comprehensive income to retained profits	–	–	(9)	–	9	–
Balance at the end of year	9,620	79,312	423	4,810	46,114	140,279

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

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

	Note VIII	2024	2023
Cash flows from operating activities			
Cash received relating to other operating activities		795	1,006
Sub-total of cash inflows		795	1,006
Cash paid to and on behalf of employees		(666)	(703)
Payments of taxes and surcharges		(391)	(319)
Cash paid relating to other operating activities		(821)	(971)
Sub-total of cash outflows		(1,878)	(1,993)
Net cash flows used in operating activities	15	(1,083)	(987)
Cash flows from investing activities			
Cash received from disposal of investments		17,964	28,147
Cash received from returns on investments and interest income		11,490	12,629
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1	24
Sub-total of cash inflows		29,455	40,800
Cash paid to acquire investments		(18,267)	(26,587)
Net cash paid to acquire subsidiaries and other business entities		–	(1,377)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(297)	(482)
Sub-total of cash outflows		(18,564)	(28,446)
Net cash flows from investing activities		10,891	12,354
Cash flows from financing activities			
Cash payments for distribution of dividends, profits or interest expenses		(9,834)	(9,826)
Decrease in securities sold under agreements to repurchase, net		(1,115)	(1,894)
Cash paid relating to other financing activities		(48)	(70)
Sub-total of cash outflows		(10,997)	(11,790)
Net cash flows used in financing activities		(10,997)	(11,790)
Effects of exchange rate changes on cash and cash equivalents		66	99
Net decrease in cash and cash equivalents	15	(1,123)	(324)
Add: Cash and cash equivalents at the beginning of year	15	6,286	6,610
Cash and cash equivalents at the end of year	15	5,163	6,286

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

I. GENERAL INFORMATION

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

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

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

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

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

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

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

II. BASIS OF PREPARATION

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2024, and their financial performance, cash flows and other information for the year then ended.

Financial information in the financial statements of the Company and the Group for the year ended 31 December 2024 are prepared in accordance with the following significant accounting policies and accounting estimates as determined under the Accounting Standards for Business Enterprises.

The Group determines its accounting policies and accounting estimates that best reflect its operating characteristics, mainly in relation to the recognition and measurement of financial instruments (Note III 17), the recognition and measurement of insurance contracts (Note III 20), and recognition of revenue (Note III 23).

Details of the Group's critical judgements used in determining significant accounting policies are set forth in Note III 30.

1. Accounting year

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

2. Reporting currency

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

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

3. Basis of accounting and measurement bases

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

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

4. Determination and selection of materiality

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

5. Business combinations

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

Business combinations involving enterprises under common control

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

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

5. Business combinations (continued)

Business combinations involving enterprises under common control (continued)

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

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

Business combinations involving enterprises not under common control

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

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

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

- (1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment;
- (2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

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

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

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

5. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

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

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

6. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2024. A subsidiary is an entity (including structured entities) over which the Company has control. Structured entities are entities where voting rights or other similar rights are not used as factors to determine the controlling party, such as when voting rights only relate to administrative tasks while related operation activities are arranged according to contractual agreements.

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

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

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

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

6. Consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

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

6. Consolidated financial statements (continued)

- (1) In the separate financial statements, the remaining equity is recognised as long-term equity investments or other related financial assets at the carrying amount; if, after partial disposal of equity investment, the remaining equity interest enables the Group to exercise joint control or significant influence over the original subsidiary, the equity investment is accounted for using the equity method in accordance with the relevant requirements for change of the accounting method from the cost method;
- (2) In the consolidated financial statements, the remaining equity is remeasured at the fair value at the date when the control is lost; the difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the portion of net assets calculated continuously from the acquisition date of the original subsidiaries based on the original shareholding proportion is recognised as investment income for the current period in which the control is lost; and other comprehensive income related to the original subsidiaries' equity investment is transferred into investment income for the period in which the control is lost.

7. Cash equivalents

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

8. Foreign currency transactions

Foreign currency transactions are converted into the reporting currency.

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

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

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

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

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

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

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

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

10. Long-term equity investments

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

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

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

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

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

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

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

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

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

10. Long-term equity investments (continued)

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

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

11. Investment properties

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

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

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

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

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

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

12. Fixed assets

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

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

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

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

12. Fixed assets (continued)

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

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

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

13. Construction in progress

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

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

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

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

The useful lives of major intangible assets are as follows:

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

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

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

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

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

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

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

15. Long-term deferred expenses

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

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

16. Debt assets

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

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

17. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

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

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

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

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

17. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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

Debt investments measured at amortised cost

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

Debt investments at fair value through other comprehensive income

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

Equity investments at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

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

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

17. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Financial liabilities measured at amortised cost

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

Impairment of financial assets

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

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

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

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

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

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

Offsetting of financial instruments

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

Derivative financial instruments

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

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

Transfer of financial assets

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

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

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

17. Financial instruments (continued)

Transfer of financial assets (continued)

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

18. Asset impairment

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

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

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

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

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

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

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

19. Insurance security fund

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

20. Insurance contracts

20.1 Definition of insurance contracts

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

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

20. Insurance contracts (continued)

20.1 Definition of insurance contracts (continued)

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

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

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

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

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

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

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

20.2 Identification, combination and separation of insurance contracts

Identification of insurance contracts

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

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

- (a) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to pay significant additional amounts, even if the insured event is extremely unlikely, or even if the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts payable if an insured event occurs that exceed those that would be payable if no insured event had occurred (including claims handling and assessment costs). Absence of discernible effect on the economics indicates lack of commercial substance;
- (b) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to incur a loss on a present value basis. A loss is determined to be incurred due to the insured event if such event causes the future cash outflows to exceed inflows, on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

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

20. Insurance contracts (continued)

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

Combination of insurance contracts

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

Separating components from insurance contracts

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

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

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

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

- (a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if one of the following conditions are met:
 - (i) it is unable to measure a component separately, i.e., it is unable to measure one component without considering the other. If the value of one component varies according to the value of the other, the two components are highly interrelated;
 - (ii) the policyholder is unable to benefit from a component separately, and can only benefit when both components are present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated.
- (b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

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

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

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

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

20. Insurance contracts (continued)

20.3 Grouping of insurance contracts

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

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

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

20.4 Recognition of insurance contracts

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

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

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

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

20.5 Measurement of insurance contracts

20.5.1 General model

Measurement on initial recognition

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

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

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

20. Insurance contracts (continued)

20.5 Measurement of insurance contracts (continued)

20.5.1 General model (continued)

Measurement on initial recognition (continued)

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

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

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

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

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

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

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

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

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

Subsequent measurement

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

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

20. Insurance contracts (continued)

20.5 Measurement of insurance contracts (continued)

20.5.1 General model (continued)

Subsequent measurement (continued)

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

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

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

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

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

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

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

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

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

20. Insurance contracts (continued)

20.5 Measurement of insurance contracts (continued)

20.5.1 General model (continued)

Subsequent measurement (continued)

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

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

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

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

20.5.2 Special measurement approach (“variable fee approach”) for groups of insurance contracts with direct participation features

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

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

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

- the effect of contracts added to the group in the period on the contractual service margin;

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

20. Insurance contracts (continued)

20.5 Measurement of insurance contracts (continued)

20.5.2 Special measurement approach (“variable fee approach”) for groups of insurance contracts with direct participation features (continued)

- (b) the change in the amount of the Group’s share of the fair value of the underlying items, except to the extent that:
 - if the Group mitigates the effect of financial risk using derivatives or reinsurance contracts held, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the amount of the Group’s share of the underlying items as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
 - the decrease in the amount of the Group’s share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss;
 - the increase in the amount of the Group’s share of the fair value of the underlying items reverses the loss component of the liability for remaining coverage.
- (c) the changes in fulfilment cash flows relating to future service and do not vary based on the returns on underlying items, except to the extent that:
 - if the Group mitigates the effect of financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the fulfilment cash flows as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
 - such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss;
 - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- (d) the currency exchange differences in the period arising on the contractual service margin;
- (e) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortising the carrying amount of the contractual service margin as adjusted for (a) to (d) above.

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

20.5.3 Special measurement approach for onerous groups of contracts

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

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

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

20. Insurance contracts (continued)

20.5 Measurement of insurance contracts (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

20. Insurance contracts (continued)

20.5 Measurement of insurance contracts (continued)

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

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

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

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

20.6 Recognition and measurement of investment contracts with discretionary participation features

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

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

20.7 Recognition and measurement of groups of reinsurance contracts held

20.7.1 Recognition of groups of reinsurance contracts held

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

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

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

20. Insurance contracts (continued)

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

20.7.2 Measurement of groups of reinsurance contracts held

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

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

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

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

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

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

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

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

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

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

- (a) the effect of contracts added to the group of contracts in the period on the contractual service margin;
- (b) interest accreted in the period on the contractual service margin, using the weighted average interest rates (applicable to cash flows that do not vary based on returns on any underlying items) determined when the contracts in the group of contracts are recognised;
- (c) the loss-recovery component of the asset for remaining coverage recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, and reversals of a loss-recovery component of the asset for remaining coverage to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;

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

20. Insurance contracts (continued)

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

20.7.2 Measurement of groups of reinsurance contracts held (continued)

- (d) the changes in the fulfilment cash flows relating to future service, other than the change resulting from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin for the group of underlying insurance contracts, or the change resulting from recognition or reversal of losses from onerous groups of underlying contracts measured applying the premium allocation approach;
- (e) the effect of any currency exchange differences in the period arising on the contractual service margin;
- (f) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of reinsurance contracts held in each period of the coverage period based on the pattern of receipt of insurance contract services, and recognises profit or loss accordingly over the current and future periods by amortising the carrying amount of the contractual service margin as adjusted for (a) to (e) above.

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

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

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

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

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

20.8 Modification and derecognition

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

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

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

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

20. Insurance contracts (continued)

20.8 Modification and derecognition (continued)

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

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

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

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

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

20.9 Presentation

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

21. Provisions

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

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

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

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

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

22. Dividend distribution

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

23. Revenue

Insurance revenue

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

Interest income

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

Management fee income

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

24. Leases

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

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

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

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

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

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

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

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

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

25. Government grants

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

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

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

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

26. Income tax

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

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

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

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

- (1) When the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss and the initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

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

26. Income tax (continued)

- (1) When the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or deductible loss and the initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

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

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

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

27. Employee benefits

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

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

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

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

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

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

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

27. Employee benefits (continued)

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

28. Fair value measurement

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

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

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

29. Contingent liabilities

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

30. Summary of significant accounting judgements and accounting estimates

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

Significant judgements

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

(1) Business models

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

(2) Contractual cash flow characteristics

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

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

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

Significant judgements (continued)

(3) Determination of control over structured entities

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

(4) Level of aggregation and recognition of insurance contracts

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

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

(5) Appropriateness of measurement methods for insurance contracts

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

(6) Determination of the coverage units

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

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

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

Estimation uncertainty

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

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

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

Estimation uncertainty (continued)

(1) Measurement of fulfilment cash flows of insurance contracts

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

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

(a) Discount rates

For cash flows of insurance contracts that do not vary based on the returns on underlying items, the discount rates are determined by a bottom-up approach, on the basis of considering the impact of the time value of money, the discounted rates assumption is determined by adding comprehensive premiums to the underlying interest rate curve. The comprehensive premiums include taxation impacts, the liquidity, and other relevant factors. The discounted rates assumption adopted as at 31 December 2024 was 1.73% to 4.80% (31 December 2023: 2.67% to 4.80%).

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

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

(b) Mortality and morbidity

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

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

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

(c) Loss ratios

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

(d) Surrender rates

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

(e) Expenses

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

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

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

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

Estimation uncertainty (continued)

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

(f) Policy dividend

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

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

(g) Risk adjustment for non-financial risk

The Group applies techniques such as confidence level technique to determine the risk adjustment for non-financial risk. As at 31 December 2024, the confidence level for insurance contracts and reinsurance contracts that the Group issued and measured is 75% (the confidence level as at 31 December 2023: 75%).

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

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

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

(3) Impairment of financial instruments

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

IV. TAXES

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

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

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

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

V. SCOPE OF CONSOLIDATION

1. Particulars of the Company’s incorporated subsidiaries as of 31 December 2024 are as follows:

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

V. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2024 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
City Island Developments Limited ("City Island")	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 1,000	—	98.29	100.00	
Great Winwick Limited*	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	—	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	—	98.29	100.00	
Newscott Investments Limited *	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	—	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	—	98.29	100.00	
Shanghai Xin Hui Property Development Co., Ltd. * ("Xin Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 15,600 thousand	US\$ 15,600 thousand	—	98.29	100.00	
Shanghai He Hui Property Development Co., Ltd. * ("He Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 46,330 thousand	US\$ 46,330 thousand	—	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited liability company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	—	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited liability company	Real estate	Tianjin	Tianjin	353,690	353,690	—	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited liability company	Senior living property investment and management, etc.	Shanghai	Shanghai	5,000,000	5,000,000	—	98.29	100.00	
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	The PRC	3,600,000	3,600,000	85.05	14.69	100.00	
Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	1,080,000	1,080,000	—	66.76	67.78	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited liability company	Medical consulting services, etc.	Shanghai	Shanghai	1,000,000	1,000,000	—	98.29	100.00	
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited liability company	Insurance agency	Shanghai	Shanghai	50,000	50,000	—	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited liability company	Fund management	Shanghai	Shanghai	150,000	150,000	—	50.83	51.00	

V. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2024 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited liability company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	1,000,000	—	98.29	100.00	(1)
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	1,006,000	—	98.29	100.00	
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited liability company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	900,000	—	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited liability company	Seniors care and health consultation, etc.	Chengdu	Chengdu	60,000	43,000	—	98.29	100.00	
CPIC Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company")	Limited liability company	Senior living property investment and construction, etc.	Nanjing	Nanjing	702,000	483,556	—	98.29	100.00	(2)
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	Limited liability company	"Migrant-style" senior living, etc.	Dali	Dali	608,000	608,000	—	74.70	76.00	
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Limited liability company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	250,000	—	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Limited liability company	Seniors care and health consultation, etc.	Hangzhou	Hangzhou	60,000	42,200	—	98.29	100.00	(3)
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Wuhan	Wuhan	980,000	980,000	—	98.29	100.00	
CPIC Capital Company Limited. ("CPIC Capital")	Limited liability company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	—	99.67	100.00	
Shanghai Chongming Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Chongming)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	1,253,000	1,070,000	—	98.29	100.00	
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Shanghai	Shanghai	30,000	23,000	—	98.29	100.00	(4)

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V. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2024 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited liability company	Insurance agency	Beijing	The PRC	52,000	52,000	—	98.29	100.00	
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited liability company	Life and health insurance	Hong Kong	Hong Kong	HK\$ 1,000,000 thousand	HK\$ 1,000,000 thousand	—	98.29	100.00	
CPIC Senior Living Development (Qingdao) Co., Ltd. ("Qingdao Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	193,000	—	98.29	100.00	
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd ("Pacific Care Home at Xiamen")	Limited liability company	Seniors care and health consultation, etc.	Xiamen	Xiamen	40,000	30,000	—	98.29	100.00	(5)
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Zhengzhou	Zhengzhou	650,000	650,000	—	98.29	100.00	(6)
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Beijing	Beijing	800,000	800,000	—	98.29	100.00	(7)
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	Technical services, cloud computing services, big data services	Shanghai	Shanghai	700,000	700,000	100.00	—	100.00	
Xinbaoyu (Guangzhou) Co., Ltd ("Xinbaoyu")	Limited liability company	Business service, property management, and lease of non-residential real estate	Guangzhou	Guangzhou	3,650,000	3,649,990	—	98.46	100.00	
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Technical services, technical consulting services	Wuhan	Wuhan	100,000	100,000	—	100.00	100.00	
Pacific Health Management (Sanya) Co., Ltd ("Sanya Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Sanya	Sanya	490,000	490,000	—	98.29	100.00	(8)
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd ("Pacific Care Home at Nanjing")	Limited liability company	Seniors care and health consultation, etc.	Nanjing	Nanjing	30,000	7,000	—	98.29	100.00	

V. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2024 are as follows: (continued)

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Shanghai (Jing'an) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Jing'an)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	426,367	426,367	—	98.29	100.00	
Pacific Care Home (Wuhan) Senior Living Service Co., Ltd. ("Pacific Care Home at Wuhan")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Wuhan	Wuhan	30,000	11,500	—	98.29	100.00	(9)
Xiamen Yuanshen Rehabilitation Hospital Co., Ltd. ("Xiamen Rehabilitation Hospital")	Limited liability company	Medical service, hospital management, etc.	Xiamen	Xiamen	160,000	160,000	—	98.29	100.00	(10)
Pacific Care Home (Suzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Suzhou")	Limited liability company	Seniors care and health consultation, etc.	Suzhou	Suzhou	30,000	6,000	—	98.29	100.00	(11)
Pacific Care Home (Beijing) Senior Living Service Co., Ltd. ("Pacific Care Home at Beijing")	Limited liability company	Seniors and disability care	Beijing	Beijing	30,000	—	—	98.29	100.00	(12)
Pacific Care Home (Zhengzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Zhengzhou")	Limited liability company	Seniors and disability care	Zhengzhou	Zhengzhou	45,000	—	—	98.29	100.00	(13)
CPIC Senior Living Development (Guangzhou) Co., Ltd. ("Guangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Guangzhou	Guangzhou	830,000	365,000	—	98.29	100.00	(14)
CPIC Senior Living Development (Suzhou) Co., Ltd. ("Suzhou Project Company")	Limited liability company	Elderly services, lease of real estate, etc.	Suzhou	Suzhou	300,000	230,000	—	98.29	100.00	(15)
Jinan Yuanshen Rehabilitation Hospital Co., Ltd. ("Jinan Rehabilitation Hospital")	Limited liability company	Medical service, hospital management, etc.	Jinan	Jinan	260,000	30,000	—	98.29	100.00	(16)

* Subsidiaries of City Island

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V. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2024 are as follows: (continued)

(1) Chengdu Project Company

Chengdu Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 1,000 million. As of 31 December 2024, CPIC Life has paid up all the investment.

(2) Nanjing Project Company

Nanjing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 702 million. As of 31 December 2024, the paid-up investment amount of CPIC Life had increased to approximately RMB 484 million.

(3) Pacific Care Home at Hangzhou

Pacific Care Home at Hangzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 60 million. As of 31 December 2024, the paid-up investment amount of CPIC Senior Living Investment had increased to approximately RMB 42 million.

(4) Pacific Care Home at Shanghai (Putuo)

Pacific Care Home at Shanghai (Putuo), a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 31 December 2024, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 23 million.

(5) Pacific Care Home at Xiamen

Pacific Care Home at Xiamen, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 40 million. As of 31 December 2024, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 30 million.

(6) Zhengzhou Project Company

Zhengzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 650 million. As of 31 December 2024, CPIC Life has paid up all the investment.

(7) Beijing Project Company

Beijing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 800 million. As of 31 December 2024, CPIC Life has paid up all the investment.

(8) Sanya Project Company

Sanya Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 490 million. As of 31 December 2024, CPIC Life has paid up all the investment.

(9) Pacific Care Home at Wuhan

Pacific Care Home at Wuhan, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 31 December 2024, the paid-up investment amount of CPIC Senior Living Investment had increased to approximately RMB 12 million.

V. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2024 are as follows: (continued)

(10) Xiamen Rehabilitation Hospital

CPIC Yuanshen Rehabilitation Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("Yuanshen Fund") and Shanghai Yanfu Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Yanfu"), which are the two consolidated structured entities of the Group, found the Xiamen Rehabilitation Hospital in together, holding the percentage of equity with 99.94% and 0.06% respectively, with registered capital of RMB 160 million. In December 2024, Pacific Medical & Healthcare has obtained 100% ownership of Xiamen Rehabilitation Hospital through the transfer of equity. As of 31 December 2024, Pacific Medical & Healthcare has paid up all the investment.

(11) Pacific Care Home at Suzhou

Pacific Care Home at Suzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91320506MAE1D00UX7 in September 2024, with registered capital of RMB 30 million. As of 31 December 2024, CPIC Senior Living Investment has paid up the investment amount of RMB 6 million.

(12) Pacific Care Home at Beijing

Pacific Care Home at Beijing, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91110400MAE7740X8Q in December 2024, with registered capital of RMB 30 million. As of 31 December 2024, CPIC Senior Living Investment has not paid up the investment.

(13) Pacific Care Home at Zhengzhou

Pacific Care Home at Zhengzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91410100MAE7N7L4X0 in December 2024, with registered capital of RMB 45 million. As of 31 December 2024, CPIC Senior Living Investment has not paid up the investment.

(14) Guangzhou Project Company

Guangzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, obtained the business license for the legal entity with unified social credit code 91440106MAD94URB4D in January 2024, with registered capital of RMB 830 million. As of 31 December 2024, CPIC Life has paid up the investment amount of RMB 365 million.

(15) Suzhou Project Company

Suzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, obtained the business license for the legal entity with unified social credit code 91320506MADR9ND93M in July 2024, with registered capital of RMB 300 million. As of 31 December 2024, CPIC Life has paid up the investment amount of RMB 230 million.

(16) Jinan Rehabilitation Hospital

Yuanshen Fund and Shanghai Yanfu, which are the two consolidated structured entities of the Group, found the Jinan Rehabilitation Hospital in together, holding the percentage of equity with 99.96% and 0.04% respectively. Jinan Rehabilitation Hospital obtained the business license for the legal entity with unified social credit code 91370102MADJCX1F2J in May 2024, with the registered capital of RMB 260 million. In October 2024, the shareholder of Jinan Rehabilitation Hospital was changed to Pacific Medical & Healthcare. After the equity change, Pacific Medical & Healthcare holds 100.00% of the shares. As of 31 December 2024, Pacific Medical & Healthcare has paid up the investment amount of RMB 30 million.

V. SCOPE OF CONSOLIDATION (continued)

2. As of 31 December 2024, consolidated structured entities material to the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
China Pacific Changhang Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("China Pacific Changhang")	99.98	10,437,259	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the Asset Management Association of China ("AMAC")) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).
CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	79.26	8,426,809	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	7,978,099	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Health Industry Private Investment Fund (Shanghai) Partnership (Limited Partnership) ("CPIC Health Fund")	90.90	6,652,264	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the AMAC) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).
CPIC: SSE STAR Market 50 Constituents ETF	56.78	5,470,354	Investing in constituent stocks and alternative constituent stocks of the target index. It may also invest in non-constituent stocks (including those listed on the SME Board, ChiNext, and other stocks permitted by the China Securities Regulatory Commission), bonds (including government bonds, financial bonds, corporate bonds, publicly issued subordinated bonds, convertible bonds (including separable transaction convertible bonds), exchangeable bonds, central bank bills, short-term financing bills, ultra-short-term financing bills, medium-term notes), asset-backed securities, bond repurchases, interbank certificates of deposit, bank deposits, money market instruments, stock index futures, stock options, and other financial instruments permitted by laws and regulations or the China Securities Regulatory Commission for fund investment (subject to compliance with relevant regulations of the China Securities Regulatory Commission). This fund may participate in margin trading and securities lending business. If laws and regulations or regulatory authorities permit funds to invest in other varieties in the future, the fund manager may include them in the investment scope after fulfilling appropriate procedures.

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

VI. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2024		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	22,045	1.00000	22,045
	USD	810	7.18840	5,820
	HKD	295	0.92604	274
	Others			2
	Sub-total			28,141
Other cash balances	RMB	1,214	1.00000	1,214
	USD	–	7.18840	2
	Sub-total			1,216
Total				29,357

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

As of 31 December 2024, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 1,357 million (31 December 2023: amounted equivalent to RMB 884 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

As of 31 December 2024, the Group's term deposits with original maturity of no more than three months amounted to RMB 221 million (31 December 2023: RMB 549 million).

As of 31 December 2024, RMB 579 million in the Group's cash at bank and on hand balance are restricted for special-purpose use (31 December 2023: RMB 520 million).

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

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Derivative financial instruments

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

	31 December 2024		
	Nominal amount	Assets	Liabilities
Stock index futures	8	–	–
Foreign exchange forward contracts	4,713	26	96
Total	4,721	26	96

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

3. Securities purchased under agreements to resell

	31 December 2024	31 December 2023
Securities – bonds		
Inter-bank market	10,380	2,019
Stock exchange	525	789
Sub-total	10,905	2,808
Less: Impairment provisions	–	–
Total	10,905	2,808

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

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Term deposits

Term to maturity	31 December 2024	31 December 2023
At amortised cost		
Within 3 months (inclusive)	3,452	4,664
3 months to 1 year (inclusive)	5,386	2,703
1 to 2 years (inclusive)	7,934	7,759
2 to 3 years (inclusive)	9,744	7,856
3 to 4 years (inclusive)	2,523	8,509
4 to 5 years (inclusive)	11,910	2,723
Less: Impairment provisions	(24)	(20)
Fair value through other comprehensive income		
Within 3 months (inclusive)	8,852	38,205
3 months to 1 year (inclusive)	7,716	5,845
1 to 2 years (inclusive)	29,026	16,585
2 to 3 years (inclusive)	27,980	28,607
3 to 4 years (inclusive)	20,781	21,464
4 to 5 years (inclusive)	38,538	20,101
Over 5 years	–	500
Including:		
– Amortised cost	129,338	130,521
– Accumulated changes in fair value	3,555	786
Total	173,818	165,501

As at 31 December 2024, the impairment provision recognised for term deposits at fair value through other comprehensive income was RMB 58 million (31 December 2023: RMB 56 million).

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Financial assets at fair value through profit or loss

	31 December 2024	31 December 2023
Listed	216,255	198,622
Unlisted	450,944	382,980
Total	667,199	581,602
Bonds	274,335	199,951
Government bonds	6,907	2,889
Finance bonds	241,069	169,449
Enterprise bonds	26,359	27,613
Stocks	179,013	161,345
Funds	70,472	65,817
Unlisted equity shares investments	66,707	62,919
Debt investment plans	42,150	44,676
Investment in asset management products	28,238	38,720
Others	6,284	8,174
Total	667,199	581,602

As at 31 December 2024 and 31 December 2023, there was no financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss had no material limitation in realisation.

6. Financial assets at amortised cost

	31 December 2024	31 December 2023
Listed	3,236	3,902
Unlisted	63,205	79,809
Sub-total	66,441	83,711
Less: Impairment provisions	(1,597)	(1,377)
Net value	64,844	82,334
Bonds	21,852	25,688
Government bonds	16,435	15,944
Enterprise bonds	5,417	9,744
Debt investment plans	35,482	42,846
Investment trust	5,065	11,000
Others	4,042	4,177
Sub-total	66,441	83,711
Less: Impairment provisions	(1,597)	(1,377)
Net value	64,844	82,334

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Debt investments at fair value through other comprehensive income

	31 December 2024	31 December 2023
Listed	67,909	60,381
Unlisted	1,540,063	1,187,054
Total	1,607,972	1,247,435
Bonds	1,345,995	937,989
Government bonds	1,139,037	741,151
Finance bonds	68,666	64,922
Enterprise bonds	138,292	131,916
Debt investment plans	163,085	186,881
Investment trust	50,715	80,073
Preferred shares	34,478	33,020
Others	13,699	9,472
Total	1,607,972	1,247,435
Including:		
Amortised cost	1,366,390	1,143,108
Accumulated changes in fair value	241,582	104,327

As at 31 December 2024, the impairment provision for the Group's debt investment at fair value through other comprehensive income was RMB 4.220 billion (31 December 2023: RMB 3.929 billion).

8. Equity investments at fair value through other comprehensive income

	31 December 2024	31 December 2023
Stocks	76,052	27,110
Preferred shares	12,642	12,597
Perpetual bonds	18,878	28,477
Others	34,442	29,781
Total	142,014	97,965
Including:		
Cost	131,934	95,710
Accumulated changes in fair value	10,080	2,255

The equity instruments at fair value through other comprehensive income, designated by the Group, are non-trading equity investments with the primary objective of being held for a long time or obtaining dividends during the holding period.

For the year ended 31 December 2024, the Group disposed equity investments at fair value through other comprehensive income of RMB 14,991 million (31 December 2023: RMB 9,563 million) because of the optimisation of asset allocation and asset and liability management. The amount transferred from other comprehensive income to retained profits was RMB 124 million (31 December 2023: RMB 5 million) due to the disposals, etc.

For the year ended 31 December 2024, the Group has recognised dividend income of RMB 5.778 billion (31 December 2023: 4.769 billion) from the above equity investments. Relevant disclosures are included in Note VI 35.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Long-term equity investments

	31 December 2024								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method:									
Joint venture									
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,785	—	(242)	—	—	—	9,543	—
Others	52	47	—	(1)	—	—	—	46	—
Sub-total	9,887	9,832	—	(243)	—	—	—	9,589	—
Associate									
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan") (Note 1)	2,762	3,018	100	(99)	—	—	(3)	3,016	—
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund") (Note 2)	1,726	2,684	(156)	(97)	—	—	(78)	2,353	—
Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech")	1,856	1,873	—	1	—	—	(56)	1,818	—
Shanghai Sci-Tech Innovation Centre Capital II LLP ("Sci-Tech Innovation II") (Note 3)	1,340	1,311	143	33	—	—	(33)	1,454	—
Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP")	1,057	1,053	—	(50)	—	—	(16)	987	—
Shanghai Biomedical Industry Equity Investment Fund LLP. ("Shanghai Biomedical")	936	965	(4)	10	—	—	(19)	952	—
Jiaxing Yishang Equity Investment LLP ("Jiaxing Yishang")	901	939	—	(233)	—	—	—	706	—
Others	3,290	2,008	11	138	5	2	(4)	2,160	(515)
Sub-total	13,868	13,851	94	(297)	5	2	(209)	13,446	(515)
Total	23,755	23,683	94	(540)	5	2	(209)	23,035	(515)

Note 1: In 2024, CPIC Life made an additional capital contribution of approximately RMB 100 million to Taijiashan, and its ownership interest remained as 99.01%.

Note 2: In 2024, CPIC Life obtained the project cost of RMB 156 million returned from Yangtze River Delta fund, and its ownership interest changed to 27.75%.

Note 3: In 2024, CPIC Life made an additional capital contribution of approximately RMB 143 million to Sci-Tech Innovation II, and its ownership interest remained as 25.00%.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Long-term equity investments (continued)

As at 31 December 2024, details of major joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Ge Qing	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	–	68.80	57.14

As at 31 December 2024, details of major associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Taijiashan (Note 2)	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	2,789,887	91310000MA1FL7MH5H	–	97.32	Not applicable
Yangtze River Delta Fund	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	5,413,905	91310000MA1FL62E0U	–	27.28	Not applicable
Hi-Tech	Limited liability company	Shanghai	Xue Han	Business services	453,250	453,250	913100006072011086	–	19.65	9.09
Sci-Tech Innovation II	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	5,400,900	91310000MA1FL7X9X1	–	24.57	Not applicable
Lingang GLP.	Limited liability company	Shanghai	Zhao Mingqi	Real estate	US\$ 119,990 thousand	US\$ 119,990 thousand	913100007709009105	–	19.65	12.50
Shanghai Biomedical	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	7,730,036	91310000MA1FL7HY2Y	–	12.00	Not applicable
Jiaxing Yishang (Note 3)	Limited liability partnership	Jiaxing	Not applicable	Equity investment	Not applicable	950,501	91330402MA2BCWUX4C	–	93.18	Not applicable

Note 1: CPIC Life holds over 50% of the ownership interest of Ruiyongjing Real Estate. Since CPIC Group cannot unilaterally dominate the relevant activities of Ruiyongjing Real Estate according to the Articles of Association of Ruiyongjing Real Estate, Ruiyongjing Real Estate is accounted under equity method as a joint venture.

Note 2: CPIC Life holds over 50% shares of Taijiashan. Since CPIC Group cannot unilaterally dominate the relevant activities of Taijiashan according to the partnership agreement of Taijiashan, Taijiashan is accounted under equity method as an associate.

Note 3: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot unilaterally dominate the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method as an associate.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Long-term equity investments (continued)

Summarised financial information for major joint ventures:

	31 December 2024			31 December 2023		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Ruiyongjing Real Estate	20,075	6,400	13,675	19,698	5,727	13,971

Summarised financial information for other joint ventures:

	31 December 2024			31 December 2023		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Others	2,239	1,892	347	2,224	1,895	329

Net loss of joint ventures:

	2024	2023
Net loss of joint ventures	(286)	(18)

For unrecognised commitments in relation to the investments in joint ventures, please refer to Note XI.

Summarised financial information for major associates:

	31 December 2024/2024			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net loss for the current year
Taijiashan	3,047	1	16	(52)
Yangtze River Delta Fund	8,580	102	(302)	(278)

Summarised financial information for other associates:

	2024	2023
Net profit/(loss)	2,662	(2,474)
Other comprehensive income/(loss)	28	(718)
Total comprehensive income/(loss)	2,690	(3,192)
Total comprehensive loss attributable to the Group	(94)	(682)
Total carrying amount of the Group's investment as at the year end	7,562	7,650

As at 31 December 2024, the Group's long-term equity investments had impairment of RMB 515 million. (As at 31 December 2023: RMB 499 million).

The Group performs impairment tests on long-term equity investments that has objective evidence of impairment. When evaluating impairment of long-term equity investments, the recoverable amount is determined mainly at fair value less estimated costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset.

Fair value is primarily based on the fair value of shares issued in the public market and is determined using appropriate valuation techniques. The present value of future cash flow is based on business budget approved by management and adjusted discount rates using the discounted cash flow method. Cash flows beyond the business budget period have been extrapolated using a stable growth rate and terminal value.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Restricted statutory deposits

	31 December 2024	31 December 2023
CPIC Property	3,989	3,989
CPIC Life	1,726	1,726
CPIC Health	720	720
PAAIC	260	320
Sub-total	6,695	6,755
Add: Interest receivables	158	352
Less: Impairment provisions	(2)	(2)
Total	6,851	7,105

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, CPIC Health and PAAIC should place 20% of its issued capital as restricted statutory deposits, respectively.

11. Investment properties

	Buildings
Cost	
1 January 2023	14,746
Transfer to fixed assets, net	(79)
Transfer from intangible assets, net	34
Disposal	(14)
31 December 2023	14,687
Procurement	59
Transfer to fixed assets, net	(1,316)
Transfer to intangible assets, net	(25)
Disposal	(3)
31 December 2024	13,402
Accumulated depreciation	
1 January 2023	(3,544)
Charge for the year	(476)
Transfer to fixed assets, net	2
Transfer from intangible assets, net	(7)
Disposal	5
31 December 2023	(4,020)
Charge for the year	(400)
Transfer to fixed assets, net	336
Transfer to intangible assets, net	6
Disposal	1
31 December 2024	(4,077)
Provision for impairment loss	
31 December 2023	–
Charge for the year	(374)
31 December 2024	(374)
Carrying amount	
31 December 2024	8,951
31 December 2023	10,667

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investment properties (continued)

The fair values of investment properties of the Group as at 31 December 2024 amounted to RMB 14,169 million (31 December 2023: RMB 15,783 million), which were estimated by the Group based on the independent appraisers' valuations.

The Group conducts impairment tests on investment properties that show indicators of impairment. When assessing the impairment of investment properties, the determination of the recoverable amount primarily includes two methods: the fair value minus estimated disposal costs and the present value of expected future cash flows.

The fair value is mainly based on the transaction prices of similar properties, using appropriate valuation techniques. The present value of cash flows is calculated using cash flow forecasting methods, based on the management's business budget for property rental income and an adjusted discount rate.

12. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2023	21,754	1,118	5,982	28,854
Procurement	25	68	510	603
Transfer from construction in progress	2,150	–	3	2,153
Transfer from investment properties, net	79	–	–	79
Acquisition of subsidiaries	22	–	–	22
Decrease	(15)	(83)	(332)	(430)
31 December 2023	24,015	1,103	6,163	31,281
Procurement	41	97	504	642
Transfer from construction in progress	1,134	–	–	1,134
Transfer from investment properties, net	1,316	–	–	1,316
Decrease	(1)	(88)	(235)	(324)
31 December 2024	26,505	1,112	6,432	34,049
Accumulated depreciation				
1 January 2023	(6,005)	(911)	(4,464)	(11,380)
Depreciation charge	(706)	(66)	(609)	(1,381)
Transfer from investment properties, net	(2)	–	–	(2)
Decrease	9	81	326	416
31 December 2023	(6,704)	(896)	(4,747)	(12,347)
Depreciation charge	(812)	(66)	(523)	(1,401)
Transfer from investment properties, net	(336)	–	–	(336)
Decrease	–	85	230	315
31 December 2024	(7,852)	(877)	(5,040)	(13,769)
Provision for impairment loss				
1 January 2023 and 31 December 2023	(9)	–	–	(9)
Charge for the year	(16)	–	–	(16)
31 December 2024	(25)	–	–	(25)
Carrying amount				
31 December 2024	18,628	235	1,392	20,255
31 December 2023	17,302	207	1,416	18,925

As at 31 December 2024, the Group's motor vehicles and other equipment with a cost of approximately RMB 4,662 million (31 December 2023: RMB 4,174 million) are fully depreciated but still in use.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Construction in progress

The Group's construction in progress mainly comprises office building construction projects, and the movements are detailed as follows:

31 December 2024									
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	1,404	965	100	(4)	—	—	—	1,061	76%
Henan	1,060	223	319	—	—	—	—	542	51%
Beijing	1,330	89	200	—	—	—	—	289	22%
Hainan	888	87	176	—	—	—	—	263	30%
Yunnan	831	108	135	—	—	—	—	243	29%
Guizhou	35	13	15	—	—	—	—	28	80%
Jiangsu	1,137	—	24	(3)	—	—	—	21	2%
Guangdong	1,370	—	5	—	—	—	—	5	0%
Hubei	1,620	783	123	(906)	—	—	—	—	56%
Liaoning	173	163	3	(166)	—	—	—	—	96%
Others	3,377	28	109	(55)	(43)	(2)	—	37	4%
		2,459	1,209	(1,134)	(43)	(2)	—	2,489	

31 December 2023									
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	2,889	762	1,089	(885)	—	(1)	—	965	64%
Fujian	1,639	717	240	(957)	—	—	—	—	58%
Hubei	1,620	272	511	—	—	—	—	783	48%
Jiangsu	394	234	20	(254)	—	—	—	—	64%
Liaoning	175	158	6	(1)	—	—	—	163	94%
Yunnan	831	59	49	—	—	—	—	108	13%
Henan	1,060	17	206	—	—	—	—	223	21%
Guizhou	35	13	—	—	—	—	—	13	37%
Hainan	888	—	87	—	—	—	—	87	10%
Beijing	1,330	4	85	—	—	—	—	89	7%
Others	2,108	55	117	(56)	(88)	—	—	28	8%
		2,291	2,410	(2,153)	(88)	(1)	—	2,459	

The capital sources of the Group's construction in progress are all self-owned funds, and there are no capitalised interest expenses in the balance of construction in progress.

There was no such case as the recoverable amount was lower than the carrying amount of the construction in progress at the end of the year, thus no provision for impairment of construction in progress was required.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2023	6,300	5	18	6,323
Increase	2,540	5	10	2,555
Decrease	(1,329)	(4)	(1)	(1,334)
31 December 2023	7,511	6	27	7,544
Increase	1,460	4	1	1,465
Decrease	(1,873)	(6)	(14)	(1,893)
31 December 2024	7,098	4	14	7,116
Accumulated depreciation				
1 January 2023	(3,282)	(4)	(7)	(3,293)
Depreciation charge	(1,322)	(3)	(3)	(1,328)
Decrease	439	2	1	442
31 December 2023	(4,165)	(5)	(9)	(4,179)
Depreciation charge	(1,171)	(2)	(1)	(1,174)
Decrease	1,151	3	4	1,158
31 December 2024	(4,185)	(4)	(6)	(4,195)
Carrying amount				
31 December 2024	2,913	–	8	2,921
31 December 2023	3,346	1	18	3,365

There was no such case as the recoverable amount was lower than the carrying amount of the right-of-use assets at the end of the year, thus no provision for impairment of right-of-use assets was required.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Intangible assets

	Land use rights	Software use rights	License	Others	Total
Cost					
1 January 2023	3,095	9,467	646	–	13,208
Increase	133	1,182	–	–	1,315
Acquisition of subsidiaries	286	–	–	–	286
Transfer from construction in progress	–	88	–	–	88
Transfer to investment properties, net	(34)	–	–	–	(34)
Disposal	–	(5)	–	–	(5)
31 December 2023	3,480	10,732	646	–	14,858
Increase	343	1,028	–	2	1,373
Transfer from construction in progress	–	43	–	–	43
Transfer from investment properties, net	25	–	–	–	25
Disposal	–	(6)	–	–	(6)
31 December 2024	3,848	11,797	646	2	16,293
Accumulated amortisation					
1 January 2023	(167)	(6,375)	–	–	(6,542)
Amortisation	(83)	(1,113)	–	–	(1,196)
Transfer to investment properties, net	7	–	–	–	7
Disposal	–	5	–	–	5
31 December 2023	(243)	(7,483)	–	–	(7,726)
Amortisation	(89)	(1,116)	–	–	(1,205)
Transfer from investment properties, net	(6)	–	–	–	(6)
Disposal	–	6	–	–	6
31 December 2024	(338)	(8,593)	–	–	(8,931)
Provision for impairment loss					
1 January 2023	–	–	–	–	–
Provision for impairment	–	(15)	–	–	(15)
31 December 2023	–	(15)	–	–	(15)
Provision for impairment	–	–	–	–	–
31 December 2024	–	(15)	–	–	(15)
Carrying amount					
31 December 2024	3,510	3,189	646	2	7,347
31 December 2023	3,237	3,234	646	–	7,117

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Goodwill

	31 December 2024			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	–	–	149
City Island	813	–	–	813
CPIC Funds	395	–	–	395
Borui Heming	15	–	–	15
Sub-total	1,372	–	–	1,372
Less: Provision for impairment	(15)	–	–	(15)
Net value	1,357	–	–	1,357

	31 December 2023			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	–	–	149
City Island	813	–	–	813
CPIC Funds	395	–	–	395
Borui Heming	15	–	–	15
Sub-total	1,372	–	–	1,372
Less: Provision for impairment	–	(15)	–	(15)
Net value	1,372	(15)	–	1,357

Provision for impairment of goodwill

	Opening balance	Increase	Decrease	Ending balance
		Provision	Disposal	
Borui Heming	(15)	–	–	(15)

The Group performs impairment test to goodwill annually. The recoverable amounts for asset groups and combinations of asset groups containing goodwill are determined by means of fair value net of expected disposal costs and present value of projected future cash flows.

Fair value refers to the trading prices of similar assets in the market and is determined using appropriate valuation techniques. The present value of future cash flows is based on business plans approved by management and adjusted discount rates using the discounted cash flow method. Cash flows beyond the business plan period have been extrapolated using a stable growth rate and terminal value. As at 31 December 2024, discount rates used by the Group range from 12% to 20% and the growth rate is about 2%.

As at 31 December 2024, apart from Borui Heming, there was no indication that the recoverable amount of asset groups and combinations of asset groups is less than its carrying amount, thus no impairment loss is recognised.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred income tax assets and liabilities

	31 December 2024		31 December 2023	
	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Deferred income tax assets				
Insurance contract liabilities/assets	50,712	202,848	22,300	89,200
Changes in fair value of financial instruments	169	676	184	736
Commission and brokerage expenses	853	3,412	790	3,160
Provision for asset impairment	624	2,496	611	2,444
Deductible losses	10,469	41,876	3,198	12,792
Lease liabilities	681	2,722	774	3,095
Others	2,578	10,312	2,215	8,860
Total	66,086	264,342	30,072	120,287
Deferred income tax liabilities				
Changes in fair value of financial instruments	(68,364)	(273,456)	(22,126)	(88,504)
Adjustment in fair value arising from acquisition of subsidiaries	(737)	(2,948)	(797)	(3,188)
Right-of-use assets	(730)	(2,921)	(841)	(3,365)
Others	(153)	(612)	(351)	(1,404)
Total	(69,984)	(279,937)	(24,115)	(96,461)

Deferred income tax assets and liabilities of the Group set out as the net amount after offsetting:

	31 December 2024		31 December 2023	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	(62,622)	3,464	(22,996)	7,076
Deferred income tax liabilities	62,622	(7,362)	22,996	(1,119)

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract liabilities/assets	Changes in fair value of financial instruments	Commission and brokerage expenses	Provision for asset impairment	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
Balance of 1 January 2023	17,507	(12,584)	522	350	1,383	(828)	1,508	7,858
Recognised in profit or loss	(7,543)	3,255	268	569	1,815	31	271	(1,334)
Recognised in equity	12,336	(12,613)	–	(308)	–	–	18	(567)
Balance of 31 December 2023	22,300	(21,942)	790	611	3,198	(797)	1,797	5,957
Recognised in profit or loss	(6,183)	(9,275)	63	86	7,271	60	580	(7,398)
Recognised in equity	34,716	(37,019)	–	(73)	–	–	(1)	(2,377)
Other changes of the year	(121)	41	–	–	–	–	–	(80)
Balance of 31 December 2024	50,712	(68,195)	853	624	10,469	(737)	2,376	(3,898)

As at 31 December 2024, the deductible temporary differences and deductible losses not recognised as deferred income tax assets by the Group amounted to RMB 31.1 billion (31 December 2023: RMB 13.2 billion).

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Other assets

		31 December 2024	31 December 2023
Other receivables	(1)	12,694	9,990
Improvements of right-of-use assets	(2)	1,017	1,052
Others		2,803	2,459
Total		16,514	13,501

(1) Other receivables

	31 December 2024	31 December 2023
Receivable from securities sold but not settled	4,323	1,801
Due from external undertakings	3,344	2,630
Due from related parties*	1,772	1,772
Due from agents	314	175
Deposits	267	289
Co-insurance premium receivables	63	60
Prepaid tax	155	20
Others	2,787	3,562
Sub-total	13,025	10,309
Less: Provision for bad debts	(331)	(319)
Net value	12,694	9,990

* As at 31 December 2024, the payments made by the Group on behalf of Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") for the purchase of land and related taxes and expenses amounted to approximately RMB 1,772 million (31 December 2023: RMB 1,772 million), which accounting for 14% (31 December 2023: 17%) of the total other receivables.

The category of other receivables is analysed below:

	31 December 2024			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Provisions for impairment considered on the grouping basis	13,025	100%	(331)	3%

	31 December 2023			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Provisions for impairment considered on the grouping basis	10,309	100%	(319)	3%

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Other assets (continued)

(1) Other receivables (continued)

The aging of other receivables and related provisions for bad debts are analysed as follows:

Aging	31 December 2024			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,381	64%	(17)	8,364
3 months to 1 year (inclusive)	1,828	14%	(22)	1,806
1 to 3 years (inclusive)	649	5%	(91)	558
Over 3 years	2,167	17%	(201)	1,966
Total	13,025	100%	(331)	12,694

Aging	31 December 2023			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	5,700	55%	(54)	5,646
3 months to 1 year (inclusive)	1,854	18%	(15)	1,839
1 to 3 years (inclusive)	887	9%	(117)	770
Over 3 years	1,868	18%	(133)	1,735
Total	10,309	100%	(319)	9,990

The top five other receivables of the Group are as follows:

	31 December 2024	31 December 2023
Total amount of the top five other receivables	2,499	2,572
Total provision for bad debts	(13)	(2)
% of total other receivables	19%	25%

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

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Other assets (continued)

(2) Improvement of right-of-use assets

	Improvement of right-of-use assets
Cost	
At 1 January 2023	4,614
Additions	479
Transfer from construction in progress	1
At 31 December 2023	5,094
Additions	384
Transfer from construction in progress	2
Disposal	(2)
At 31 December 2024	5,478
Accumulated amortisation	
At 1 January 2023	(3,632)
Amortisation charge	(410)
At 31 December 2023	(4,042)
Amortisation charge	(421)
Disposal	2
At 31 December 2024	(4,461)
Carrying amount	
At 31 December 2024	1,017
At 31 December 2023	1,052

19. Provision for impairment of assets

	31 December 2024				
	Opening balance	Charge for the year	Reversal	Derecognition	Ending balance
Impairment provision of term deposits	76	16	(10)	–	82
Impairment provision of restricted statutory deposits	2	1	(1)	–	2
Impairment provision of debt investments at fair value through other comprehensive income	3,929	626	(325)	(10)	4,220
Impairment provision of financial assets at amortised cost	1,377	368	(148)	–	1,597
Impairment provision of long-term equity investments	499	16	–	–	515
Impairment provision of other assets					
– Other receivables	319	61	(1)	(48)	331
– Debt assets	20	–	–	–	20
– Others	135	16	(72)	–	79
Provision for impairment of fixed assets	9	16	–	–	25
Provision for impairment of intangible assets	15	–	–	–	15
Provision for impairment of investment properties	–	374	–	–	374
Provision for impairment of other long-term assets	25	–	–	–	25
Provision for impairment of goodwill	15	–	–	–	15
Total	6,421	1,494	(557)	(58)	7,300

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Provision for impairment of assets (continued)

	31 December 2023				Ending balance
	Opening balance	Charge for the year	Reversal	Derecognition	
Impairment provision of term deposits	92	8	(24)	–	76
Impairment provision of restricted statutory deposits	2	–	–	–	2
Impairment provision of debt investments at fair value through other comprehensive income	2,684	1,773	(449)	(79)	3,929
Impairment provision of financial assets at amortised cost	818	618	(55)	(4)	1,377
Impairment provision of long-term equity investments	274	225	–	–	499
Impairment provision of other assets					
– Other receivables	287	74	(7)	(35)	319
– Debt assets	20	–	–	–	20
– Others	62	77	(4)	–	135
Provision for impairment of fixed assets	9	–	–	–	9
Provision for impairment of intangible assets	–	15	–	–	15
Provision for impairment of other long-term assets	25	–	–	–	25
Provision for impairment of goodwill	–	15	–	–	15
Total	4,273	2,805	(539)	(118)	6,421

20. Securities sold under agreements to repurchase

	31 December 2024	31 December 2023
Securities – bonds		
Inter-bank market	158,860	91,646
Stock exchange	22,835	24,173
Total	181,695	115,819

As at 31 December 2024, the Group's bonds with par value of approximately RMB 169,426 million (31 December 2023: approximately RMB 97,966 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2024, the Group's bonds with par value of approximately RMB 22,826 million (31 December 2023: approximately RMB 24,080 million) were pledged for the stock exchange securities sold under agreements to repurchase.

Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

21. Employee benefits payable

	1 January 2024	Increase	Decrease	31 December 2024
Wages and salaries, bonus, allowances and subsidies	6,789	18,339	(17,787)	7,341
Staff welfare	12	921	(923)	10
Social security contributions	107	4,090	(4,105)	92
Housing funds	14	1,416	(1,420)	10
Labour union funds	55	369	(367)	57
Employee education funds	965	204	(80)	1,089
Deferred bonus to management	173	235	(256)	152
Early retirement benefits	1,132	1,241	(955)	1,418
Total	9,247	26,815	(25,893)	10,169

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Employee benefits payable (continued)

	1 January 2023	Increase	Decrease	31 December 2023
Wages and salaries, bonus, allowances and subsidies	6,850	18,715	(18,776)	6,789
Staff welfare	12	930	(930)	12
Social security contributions	124	4,001	(4,018)	107
Housing funds	11	1,375	(1,372)	14
Labour union funds	54	367	(366)	55
Employee education funds	872	193	(100)	965
Deferred bonus to management	53	163	(43)	173
Early retirement benefits	659	923	(450)	1,132
Total	8,635	26,667	(26,055)	9,247

The Group had no significant non-monetary benefits and compensation for termination of employment.

22. Taxes payable

	31 December 2024	31 December 2023
Corporate income tax	663	1,792
Unpaid VAT	562	533
Withholding individual income tax	155	163
Others	1,100	1,048
Total	2,480	3,536

23. Bonds payable

On 9 March 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 7 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 3.72% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.72%.

On 3 April 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 3 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 3.55% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.55%.

Issuer	31 December 2023	Issuance	Amortisation of bond premium or discount	Interest accrued in the year	Interest payment/reimbursement in the year	31 December 2024
CPIC Property	10,285	—	—	367	(366)	10,286

24. Insurance contract liabilities/assets

	31 December 2024					
	Insurance contract assets (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract assets	Insurance contract liabilities (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract liabilities
Insurance contracts issued (including reinsurance contracts held)	22	—	22	2,229,514	—	2,229,514

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Insurance contract liabilities/assets (continued)

	31 December 2023					
	Insurance contract assets (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract assets	Insurance contract liabilities (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract liabilities
Insurance contracts issued (including reinsurance contracts held)	335	–	335	1,872,620	–	1,872,620

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows:

	2024								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage			Total	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Liabilities for incurred claims		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	1,709,879	8,279	28,951	1,747,109	51,521	7,715	64,420	1,855	125,511
Insurance contract assets as at 1 January	–	–	–	–	(3,480)	411	2,677	57	(335)
Net liabilities of insurance contracts as at 1 January	1,709,879	8,279	28,951	1,747,109	48,041	8,126	67,097	1,912	125,176
Contracts under the fair value approach	(4,848)	–	–	(4,848)	–	–	–	–	–
Contracts under the modified retrospective approach	(59,615)	–	–	(59,615)	–	–	–	–	–
Other contracts	(18,695)	–	–	(18,695)	(196,315)	–	–	–	(196,315)
Insurance revenue	(83,158)	–	–	(83,158)	(196,315)	–	–	–	(196,315)
Incurred claims and other expenses	–	(1,678)	34,110	32,432	–	–	151,668	1,176	152,844
Amortisation of insurance acquisition cash flows	21,926	–	–	21,926	48,365	–	–	–	48,365
Losses on onerous contracts and reversals of those losses	–	664	–	664	–	(1,459)	–	–	(1,459)
Changes in liabilities for incurred claims	–	–	(2,689)	(2,689)	–	–	(7,890)	(1,046)	(8,936)
Insurance service expenses	21,926	(1,014)	31,421	52,333	48,365	(1,459)	143,778	130	190,814
Insurance service result	(61,232)	(1,014)	31,421	(30,825)	(147,950)	(1,459)	143,778	130	(5,501)
Insurance finance expenses	227,341	219	1,408	228,968	974	–	1,765	–	2,739
Other changes recognised in other comprehensive income	46	–	–	46	4	19	13	2	38
Total changes of other comprehensive income	166,155	(795)	32,829	198,189	(146,972)	(1,440)	145,556	132	(2,724)
Investment components	(62,645)	–	62,645	–	(12,542)	–	12,542	–	–
Premium received	264,362	–	–	264,362	222,761	–	–	–	222,761
Insurance acquisition cash flows paid	(21,597)	–	–	(21,597)	(46,715)	–	–	–	(46,715)
Claims and other insurance service expenses paid	–	–	(94,288)	(94,288)	–	–	(150,382)	–	(150,382)
Other cash flows	(231)	–	–	(231)	(9,600)	–	–	–	(9,600)
Total cash flows	242,534	–	(94,288)	148,246	166,446	–	(150,382)	–	16,064
Other movements	(422)	–	(573)	(995)	(628)	–	(945)	–	(1,573)
Net liabilities of insurance contracts as at 31 December	2,055,501	7,484	29,564	2,092,549	54,345	6,686	73,868	2,044	136,943
Insurance contract assets as at 31 December	–	–	–	–	(1)	–	(21)	–	(22)
Insurance contract liabilities as at 31 December	2,055,501	7,484	29,564	2,092,549	54,346	6,686	73,889	2,044	136,965

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VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Insurance contract liabilities/assets (continued)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows: (continued)

	2023								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage			Total	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Liabilities for incurred claims		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	1,510,301	6,179	29,846	1,546,326	44,668	7,932	64,136	1,786	118,522
Insurance contract assets as at 1 January	–	–	–	–	(120)	–	(185)	–	(305)
Net liabilities of insurance contracts as at 1 January	1,510,301	6,179	29,846	1,546,326	44,548	7,932	63,951	1,786	118,217
Contracts under the fair value approach	(4,776)	–	–	(4,776)	–	–	–	–	–
Contracts under the modified retrospective approach	(65,730)	–	–	(65,730)	(18)	–	–	–	(18)
Other contracts	(12,460)	–	–	(12,460)	(183,183)	–	–	–	(183,183)
Insurance revenue	(82,966)	–	–	(82,966)	(183,201)	–	–	–	(183,201)
Incurred claims and other expenses	–	(1,570)	31,806	30,236	–	–	138,547	1,089	139,636
Amortisation of insurance acquisition cash flows	21,752	–	–	21,752	46,185	–	–	–	46,185
Losses on onerous contracts and reversals of those losses	–	3,550	–	3,550	–	194	–	–	194
Changes in liabilities for incurred claims	–	–	(1,444)	(1,444)	–	–	(8,122)	(964)	(9,086)
Insurance service expenses	21,752	1,980	30,362	54,094	46,185	194	130,425	125	176,929
Insurance service result	(61,214)	1,980	30,362	(28,872)	(137,016)	194	130,425	125	(6,272)
Insurance finance expenses	92,832	120	792	93,744	1,022	–	1,321	–	2,343
Other changes recognised in other comprehensive income	–	–	–	–	(4)	–	4	1	1
Total changes of other comprehensive income	31,618	2,100	31,154	64,872	(135,998)	194	131,750	126	(3,928)
Investment components	(59,592)	–	59,592	–	(12,202)	–	12,202	–	–
Premium received	249,781	–	–	249,781	207,829	–	–	–	207,829
Insurance acquisition cash flows paid	(22,492)	–	–	(22,492)	(46,267)	–	–	–	(46,267)
Claims and other insurance service expenses paid	–	–	(91,203)	(91,203)	–	–	(139,817)	–	(139,817)
Other cash flows	761	–	–	761	(9,179)	–	–	–	(9,179)
Total cash flows	228,050	–	(91,203)	136,847	152,383	–	(139,817)	–	12,566
Other movements	(498)	–	(438)	(936)	(690)	–	(989)	–	(1,679)
Net liabilities of insurance contracts as at 31 December	1,709,879	8,279	28,951	1,747,109	48,041	8,126	67,097	1,912	125,176
Insurance contract assets as at 31 December	–	–	–	–	(3,480)	411	2,677	57	(335)
Insurance contract liabilities as at 31 December	1,709,879	8,279	28,951	1,747,109	51,521	7,715	64,420	1,855	125,511

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	2024						
	Contractual service margin						Total
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Insurance contract liabilities as at 1 January	1,401,980	19,403	13,905	288,518	23,303	325,726	1,747,109
Amortisation of contractual service margin	–	–	(1,465)	(22,876)	(2,495)	(26,836)	(26,836)
Changes in risk adjustment for non-financial risk	–	(1,015)	–	–	–	–	(1,015)
Experience adjustments	(949)	–	–	–	–	–	(949)
Changes that relate to current services	(949)	(1,015)	(1,465)	(22,876)	(2,495)	(26,836)	(28,800)
Contracts initially recognised in the year	(21,430)	2,552	–	–	19,741	19,741	863
Changes in estimates that adjust the contractual service margin	(19,210)	(1,049)	1,442	17,276	1,541	20,259	–
Changes in estimates that do not adjust the contractual service margin	(116)	(83)	–	–	–	–	(199)
Changes that relate to future services	(40,756)	1,420	1,442	17,276	21,282	40,000	664
Adjustments to liabilities for incurred claims	(2,427)	(262)	–	–	–	–	(2,689)
Changes that relate to past services	(2,427)	(262)	–	–	–	–	(2,689)
Insurance service result	(44,132)	143	(23)	(5,600)	18,787	13,164	(30,825)
Insurance finance expenses	220,488	2,005	537	4,686	1,252	6,475	228,968
Other movements of other comprehensive income	45	–	–	–	1	1	46
Total changes of other comprehensive income	176,401	2,148	514	(914)	20,040	19,640	198,189
Premiums received	264,362	–	–	–	–	–	264,362
Insurance acquisition cash flows paid	(21,597)	–	–	–	–	–	(21,597)
Claims and other insurance service expenses paid	(94,288)	–	–	–	–	–	(94,288)
Other cash flows	(231)	–	–	–	–	–	(231)
Total cash flows	148,246	–	–	–	–	–	148,246
Other movements	(995)	–	–	–	–	–	(995)
Insurance contract liabilities as at 31 December	1,725,632	21,551	14,419	287,604	43,343	345,366	2,092,549

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows: (continued)

	2023						
	Contractual service margin						Total
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Insurance contract liabilities as at 1 January	1,198,000	20,664	12,304	305,352	10,006	327,662	1,546,326
Amortisation of contractual service margin	–	–	(1,447)	(23,719)	(1,036)	(26,202)	(26,202)
Changes in risk adjustment for non-financial risk	–	(1,132)	–	–	–	–	(1,132)
Experience adjustments	(3,644)	–	–	–	–	–	(3,644)
Changes that relate to current services	(3,644)	(1,132)	(1,447)	(23,719)	(1,036)	(26,202)	(30,978)
Contracts initially recognised in the year	(12,864)	2,643	–	–	12,550	12,550	2,329
Changes in estimates that adjust the contractual service margin	(2,052)	(3,522)	2,574	1,866	1,134	5,574	–
Changes in estimates that do not adjust the contractual service margin	1,272	(51)	–	–	–	–	1,221
Changes that relate to future services	(13,644)	(930)	2,574	1,866	13,684	18,124	3,550
Adjustments to liabilities for incurred claims	(1,302)	(142)	–	–	–	–	(1,444)
Changes that relate to past services	(1,302)	(142)	–	–	–	–	(1,444)
Insurance service result	(18,590)	(2,204)	1,127	(21,853)	12,648	(8,078)	(28,872)
Insurance finance expenses	86,659	943	474	5,019	649	6,142	93,744
Total changes of other comprehensive income	68,069	(1,261)	1,601	(16,834)	13,297	(1,936)	64,872
Premiums received	249,781	–	–	–	–	–	249,781
Insurance acquisition cash flows paid	(22,492)	–	–	–	–	–	(22,492)
Claims and other insurance service expenses paid	(91,203)	–	–	–	–	–	(91,203)
Other cash flows	761	–	–	–	–	–	761
Total cash flows	136,847	–	–	–	–	–	136,847
Other movements	(936)	–	–	–	–	–	(936)
Insurance contract liabilities as at 31 December	1,401,980	19,403	13,905	288,518	23,303	325,726	1,747,109

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Insurance contract liabilities/assets (continued)

As of 31 December 2024, the Group expects that 64% (31 December 2023: 65%) of the contractual service margin of insurance contracts that do not apply the premium allocation approach will be recognised in profit or loss within the next 10 years.

The impact on the balance sheet of the current period's initial recognition of insurance contracts that do not measure under the premium allocation approach is as follows:

	2024		
	Profitable contracts issued	Onerous contracts issued	Total
Estimates of present value of future cash outflows – insurance acquisition cash flows	18,573	3,816	22,389
Estimates of present value of future cash outflows – others	134,923	34,982	169,905
Subtotal of estimates of present value of future cash outflows	153,496	38,798	192,294
Estimates of present value of future cash inflows	(175,421)	(38,303)	(213,724)
Risk adjustment for non-financial risk	2,184	368	2,552
Contractual service margin	19,741	–	19,741
Impact of contracts initially recognised in the current year	–	863	863

	2023		
	Profitable contracts issued	Onerous contracts issued	Total
Estimates of present value of future cash outflows – insurance acquisition cash flows	18,094	5,257	23,351
Estimates of present value of future cash outflows – others	107,329	44,309	151,638
Subtotal of estimates of present value of future cash outflows	125,423	49,566	174,989
Estimates of present value of future cash inflows	(139,959)	(47,894)	(187,853)
Risk adjustment for non-financial risk	1,986	657	2,643
Contractual service margin	12,550	–	12,550
Impact of contracts initially recognised in the current year	–	2,329	2,329

The following table describes the composition of the assets or liabilities and their fair values of the underlying items corresponding to insurance contracts with direct participation in profit-sharing features:

	31 December 2024	31 December 2023
Financial assets at fair value through profit or loss	331,707	286,162
Debt investments at fair value through other comprehensive income	722,348	574,582
Equity investments at fair value through other comprehensive income	53,972	63,107
Others	53,338	104,316
	1,161,365	1,028,167

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Reinsurance contract liabilities/assets

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows:

	2024								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component			Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets as at 1 January	11,035	419	617	12,071	2,514	1,201	23,603	365	27,683
Reinsurance contract liabilities as at 1 January	–	–	–	–	–	–	–	–	–
Net assets of reinsurance contracts as at 1 January	11,035	419	617	12,071	2,514	1,201	23,603	365	27,683
Allocation of reinsurance premiums	(565)	–	–	(565)	(15,326)	–	–	–	(15,326)
Amounts recoverable for claims and other related expenses incurred during the year	–	(36)	(82)	(118)	–	–	17,356	257	17,613
Recognition and reversals of loss-recovery component	–	48	–	48	–	(322)	–	–	(322)
Changes in fulfillment cash flows related to reinsurance contracts assets for incurred claims	–	–	49	49	–	–	(2,593)	(200)	(2,793)
Effect of changes in non-performance of reinsurers	–	–	–	–	–	–	(11)	–	(11)
Recoveries of insurance service expenses from reinsurers	–	12	(33)	(21)	–	(322)	14,752	57	14,487
Reinsurance service results	(565)	12	(33)	(586)	(15,326)	(322)	14,752	57	(839)
Reinsurance finance income for reinsurance contracts held	1,199	15	5	1,219	238	–	614	–	852
Other changes recognised in other comprehensive income	23	–	–	23	(1)	1	11	1	12
Total changes in other comprehensive income	657	27	(28)	656	(15,089)	(321)	15,377	58	25
Investment components	(359)	–	359	–	(5,655)	–	5,655	–	–
Reinsurance premiums paid	2,022	–	–	2,022	21,950	–	–	–	21,950
Amounts received from recoveries of claims and other related expenses incurred	–	–	(492)	(492)	–	–	(18,256)	–	(18,256)
Other cash flows	990	–	–	990	(568)	–	–	–	(568)
Total cash flows	3,012	–	(492)	2,520	21,382	–	(18,256)	–	3,126
Other changes	–	–	–	–	–	–	–	–	–
Reinsurance contract assets as at 31 December	14,345	446	456	15,247	3,152	880	26,379	423	30,834

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Reinsurance contract liabilities/assets (continued)

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows: (continued)

	2023								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage			Total	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Assets for incurred claims		Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets as at 1 January	10,547	201	318	11,066	1,445	1,017	19,369	308	22,139
Reinsurance contract liabilities as at 1 January	–	–	–	–	(322)	–	(487)	–	(809)
Net assets of reinsurance contracts as at 1 January	10,547	201	318	11,066	1,123	1,017	18,882	308	21,330
Allocation of reinsurance premiums	(621)	–	–	(621)	(15,217)	–	–	–	(15,217)
Amounts recoverable for claims and other related expenses incurred during the year	–	(30)	226	196	–	–	15,580	226	15,806
Recognition and reversals of loss-recovery component	–	240	–	240	–	184	–	–	184
Changes in fulfillment cash flows related to reinsurance contracts assets for incurred claims	–	–	(9)	(9)	–	–	(1,821)	(169)	(1,990)
Effect of changes in non-performance of reinsurers	–	–	–	–	–	–	(28)	–	(28)
Recoveries of insurance service expenses from reinsurers	–	210	217	427	–	184	13,731	57	13,972
Reinsurance service results	(621)	210	217	(194)	(15,217)	184	13,731	57	(1,245)
Reinsurance finance income for reinsurance contracts held	679	8	1	688	169	–	312	–	481
Other changes recognised in other comprehensive income	–	–	–	–	(3)	–	(3)	–	(6)
Total changes in other comprehensive income	58	218	218	494	(15,051)	184	14,040	57	(770)
Investment components	(211)	–	211	–	(5,080)	–	5,080	–	–
Reinsurance premiums paid	665	–	–	665	20,092	–	–	–	20,092
Amounts received from recoveries of claims and other related expenses incurred	–	–	(130)	(130)	–	–	(14,399)	–	(14,399)
Other cash flows	(24)	–	–	(24)	1,430	–	–	–	1,430
Total cash flows	641	–	(130)	511	21,522	–	(14,399)	–	7,123
Reinsurance contract assets as at 31 December	11,035	419	617	12,071	2,514	1,201	23,603	365	27,683

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	2024						
	Contractual service margins						Total
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Reinsurance contract assets as at 1 January	9,234	188	2,431	–	218	2,649	12,071
Amortisation of contractual service margin	–	–	(171)	–	(63)	(234)	(234)
Changes in risk adjustment for non-financial risk	–	–	–	–	–	–	–
Experience adjustments	(449)	–	–	–	–	–	(449)
Changes that relate to current services	(449)	–	(171)	–	(63)	(234)	(683)
Reinsurance contracts initially recognised in the year	(38)	7	–	–	31	31	–
Changes in estimates that adjust the contractual service margin	(50)	(21)	(144)	–	215	71	–
Recognition and reversals of loss-recovery component	–	–	9	–	39	48	48
Changes that relate to future services	(88)	(14)	(135)	–	285	150	48
Adjustments to reinsurance amortisation of assets for incurred claims	55	(6)	–	–	–	–	49
Changes related to past services	55	(6)	–	–	–	–	49
Insurance service result	(482)	(20)	(306)	–	222	(84)	(586)
Reinsurance finance income for reinsurance contracts held	1,112	18	81	–	8	89	1,219
Other changes of other comprehensive income	23	–	–	–	–	–	23
Total changes of other comprehensive income	653	(2)	(225)	–	230	5	656
Reinsurance premiums paid	2,022	–	–	–	–	–	2,022
Amounts received from recoveries of claims and other related expenses incurred	(492)	–	–	–	–	–	(492)
Other cash flows	990	–	–	–	–	–	990
Total cash flows	2,520	–	–	–	–	–	2,520
Other changes	–	–	–	–	–	–	–
Reinsurance contract assets at 31 December	12,407	186	2,206	–	448	2,654	15,247

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows: (continued)

	2023						
	Contractual service margins						Total
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Reinsurance contract assets as at 1 January	8,138	213	2,630	–	85	2,715	11,066
Amortisation of contractual service margin	–	–	(186)	–	(8)	(194)	(194)
Changes in risk adjustment for non-financial risk	–	(4)	–	–	–	–	(4)
Experience adjustments	(227)	–	–	–	–	–	(227)
Changes that relate to current services	(227)	(4)	(186)	–	(8)	(194)	(425)
Reinsurance contracts initially recognised in the year	(25)	7	–	–	18	18	–
Changes in estimates that adjust the contractual service margin	255	(36)	(140)	–	(79)	(219)	–
Recognition and reversals of loss-recovery component	–	–	42	–	198	240	240
Changes that relate to future services	230	(29)	(98)	–	137	39	240
Adjustments to reinsurance amortisation of assets for incurred claims	(7)	(2)	–	–	–	–	(9)
Changes related to past services	(7)	(2)	–	–	–	–	(9)
Insurance service result	(4)	(35)	(284)	–	129	(155)	(194)
Reinsurance finance income for reinsurance contracts held	589	10	85	–	4	89	688
Total changes of other comprehensive income	585	(25)	(199)	–	133	(66)	494
Reinsurance premiums paid	665	–	–	–	–	–	665
Amounts received from recoveries of claims and other related expenses incurred	(130)	–	–	–	–	–	(130)
Other cash flows	(24)	–	–	–	–	–	(24)
Total cash flows	511	–	–	–	–	–	511
Reinsurance contract assets at 31 December	9,234	188	2,431	–	218	2,649	12,071

As of 31 December 2024, the Group expects that 62% (31 December 2023: 63%) of the contractual service margin of reinsurance contracts that do not apply the premium allocation approach will be recognised in profit or loss within the next 10 years.

The impact of reinsurance contracts that do not initially recognised under the premium allocation approach on the balance sheet is as follows:

	2024	2023
Estimates of present value of future cash inflows	1,120	353
Estimates of present value of future cash outflows	(1,158)	(378)
Risk adjustment for non-financial risk	7	7
Contractual service margin	31	18
Impact of contracts initially recognised during the year	–	–

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Other liabilities

		31 December 2024	31 December 2023
Other payables	(1)	41,086	30,512
Accrued expenses		2,456	2,100
Insurance security fund		401	372
Dividends payable		4	4
Others		4,040	4,390
Total		47,987	37,378

(1) Other payables

	31 December 2024	31 December 2023
Payables to third-party investors of consolidated structured entities	17,391	13,845
Payables related to asset-backed securities	16,098	8,308
Payables to be claimed by customers	1,587	1,885
Co-insurance payable	1,184	1,229
Payables for securities purchased but not settled	1,430	289
Payables for purchases	846	1,210
Payables for construction and purchasing office building	889	940
Deposits	807	801
Compulsory automobile insurance rescue fund	300	287
Reimbursement payables	367	97
Others	187	1,621
Total	41,086	30,512

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

27. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2024		Increase of number of shares		31 December 2024	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with trading restrictions						
Shares held by domestic non-state owned legal persons	—	0%	—	—	—	0%
Sub-total	—	0%	—	—	—	0%
II. Shares without trading restrictions						
Ordinary shares denominated in RMB	6,844	71%	—	—	6,844	71%
Foreign shares listed overseas	2,776	29%	—	—	2,776	29%
Sub-total	9,620	100%	—	—	9,620	100%
III. Total	9,620	100%	—	—	9,620	100%

As at 31 December 2024, the number of shares which the Company issued and fully paid at RMB 1 per share was 9,620 million.

As at 31 December 2023, the number of shares which the Company issued and fully paid at RMB 1 per share was 9,620 million.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Capital reserves

	31 December 2024	31 December 2023
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,105
Impact of equity transactions with non-controlling interests	(131)	(131)
Impact of other changes in the equity of investees accounted for using the equity method	352	351
Redistribution of cumulative changes in fair value of available-for-sale financial assets when purchasing equity from non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Impact of capital invested by other equity instrument holders	(3)	–
Others	2	2
Total	79,948	79,950

Capital reserves mainly represent share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed on the LSE in 2020 which also increased the capital reserves.

29. Surplus reserves

	Statutory surplus reserve (the “SSR”)
1 January 2023	5,114
Appropriations	–
31 December 2023 and 31 December 2024	5,114

30. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group’s subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

	General reserves
1 January 2023	22,692
Appropriations	2,770
31 December 2023	25,462
Appropriations	4,466
31 December 2024	29,928

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the amount determined under CASs, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

- (1) Making up for losses brought forward from prior years;
- (2) Appropriating to SSR at 10% of the net profit;
- (3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
- (4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company does not set aside SSR in 2024.

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company does not set aside DSR in 2024.

Pursuant to the resolution of the 10th meeting of the 10th Board of Directors of the Company held on 26 March 2025, a final dividend of approximately RMB 10,390 million (equivalent to annual cash dividend of RMB 1.08 per share (including tax)) was proposed. The profit distribution plan is subject to the approval of the general shareholders' meeting.

Of the Group's retained profits in the consolidated financial statements, RMB 25,745 million as at 31 December 2024 (31 December 2023: RMB 23,929 million) represents the Company's share of its subsidiaries' surplus reserve fund.

According to the resolution of the 42nd meeting of the 7th Board of Directors of CPIC Property on 22 April 2024, CPIC Property proposed to appropriate RMB 1,000 million of DSR from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 22 May 2024.

32. Non-controlling interests

	31 December 2024	31 December 2023
CPIC Property	950	827
CPIC Life*	22,693	14,029
Changjiang Pension	1,611	1,536
CPIC Funds	638	589
PAAIC	1,031	998
Pacific Care Home at Dali	141	139
Total	27,064	18,118

* On 5 December 2023, CPIC Life publicly issued unsecured perpetual capital bonds with a total face value of RMB 12,000 million in the interbank market. On 14 June 2024, CPIC Life publicly issued unsecured perpetual capital bonds with a total face value of RMB 8,000 million in the interbank market. The duration of the bond is aligned with the duration of CPIC Life considered as going concern. CPIC Life shall have the right to redeem the bond in whole or in part at face value five years after the date of issue on each interest payment date (including the fifth interest payment date after the date of issue). As of 31 December 2024, non-controlling interests of the Group included RMB 20,134 million of perpetual bonds issued by CPIC Life (31 December 2023: RMB 12,029 million). The perpetual bonds are classified as an equity instrument and presented as non-controlling interests in the Group's consolidated financial statements.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Insurance revenue

	2024	2023
Insurance contracts not measured under the premium allocation approach		
Amounts relating to the changes in the liability for remaining coverage	61,232	61,214
Amortisation of contractual service margin	26,836	26,202
Changes in the risk adjustment for non-financial risk	1,245	1,274
Insurance service expenses expected to be incurred in the period	31,394	31,983
Experience adjustments for premium receipts relating to current and past services	1,757	1,755
Amortisation of insurance acquisition cash flows	21,926	21,752
Subtotal of insurance contracts not measured under the premium allocation approach	83,158	82,966
Insurance contracts measured under the premium allocation approach	196,315	183,201
Total of insurance revenue	279,473	266,167

34. Interest income

	2024	2023
Interest income of debt investments at fair value through other comprehensive income	46,196	45,764
Interest income of term deposits	5,924	7,480
Interest income of financial assets at amortised cost	3,063	4,069
Interest income of restricted statutory deposits	236	277
Interest income of securities purchased under agreements to resell	142	224
Others	430	448
Total	55,991	58,262

35. Investment income

	2024	2023
Realised gains/(losses)		
Financial instruments held for trading and other financial instruments at fair value through profit or loss	(1,733)	(12,078)
Debt investments at fair value through other comprehensive income	3,041	712
Derivatives	3	55
Financial assets at amortised cost	27	–
Gains during the holding period		
Financial instruments held for trading and other financial instruments at fair value through profit or loss	20,331	13,981
Dividend income from equity investments at fair value through other comprehensive income that terminated	590	351
Dividend income from equity investments at fair value through other comprehensive income that still hold	5,188	4,418
Share of losses of associates and joint ventures	(540)	(386)
Total	26,907	7,053

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Gains/(losses) arising from changes in fair value

	2024	2023
Bond investments	10,378	3,591
Fund investments	7,577	(2,143)
Derivatives	(66)	(193)
Stock investments	23,091	(13,940)
Others	(3,267)	973
Total	37,713	(11,712)

37. Other operating income

	2024	2023
Income from management fee	2,352	2,022
Rental income from investment properties	699	727
Others	759	993
Total	3,810	3,742

38. Gains on disposal of assets

	2024	2023
Gains on disposal of fixed assets	2	23

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

39. Total investment results of insurance business segment

	2024	2023
Investment return		
Interest income	54,160	56,071
Investment income	25,419	7,048
Gains/(losses) arising from changes in fair value	36,441	(12,898)
Impairment losses on financial assets	(507)	(2,007)
Impairment losses on other assets	(406)	(225)
Total amounts recognised in the profit or loss	115,107	47,989
Total amounts recognised in other comprehensive income	147,376	51,795
Total investment return	262,483	99,784
Insurance finance income/(expenses) from insurance contracts issued		
Changes in fair value of underlying items of insurance contracts with direct participation features	(111,489)	(40,179)
Interest accreted on insurance contracts and effect of changes in interest rates and other financial assumptions	(120,216)	(55,912)
Net foreign exchange gains/(losses)	(2)	4
Total insurance finance income/(expenses) from insurance contracts issued	(231,707)	(96,087)
Represented by:		
Amounts recognised in profit or loss	(92,520)	(46,741)
Amounts recognised in other comprehensive income/(loss)	(139,187)	(49,346)
Reinsurance finance income/(expenses) from reinsurance contracts held	2,071	1,169
Represented by:		
Amounts recognised in profit or loss	2,103	1,174
Amounts recognised in other comprehensive income/(loss)	(32)	(5)
Investment results	32,847	4,866
Represented by:		
Amounts recognised in profit or loss	24,690	2,422
Amounts recognised in other comprehensive income/(loss)	8,157	2,444

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VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Interest expenses

	2024	2023
Securities sold under agreements to repurchase	2,112	1,851
Debt	374	496
Interest expenses on lease liabilities	88	93
Others	154	188
Total	2,728	2,628

41. Taxes and surcharges

	2024	2023
City maintenance and construction tax	379	386
Educational surcharge	279	283
Others	485	514
Less: Insurance acquisition cash flows incurred in the year	(663)	(690)
Other insurance fulfilment cash flows incurred in the year	(41)	(48)
Total	439	445

42. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	2024	2023
Payroll and welfare benefits	23,998	23,950
Advertising expenses (including business publicity expenses)	6,150	6,777
Professional service fees	6,036	5,151
Outsourcing service fees	3,381	2,727
General office and travel expense	2,108	2,765
Insurance security funds withdrawal	2,241	2,159
Depreciation of right-of-use assets	1,047	1,299
Depreciation of fixed assets	1,229	1,265
Amortisation of intangible assets	1,153	1,142
Property management fees	812	806
Labour costs	567	645
Consulting fees	637	538
Amortisation of other long-term assets	446	449
Compulsory automobile rescue fund	153	158
Rent for short-term and low-value asset leases	58	77
Finance report and internal control audit fees	26	25
Other audit service fees	12	10
Others	6,091	5,382
Subtotal	56,145	55,325
Less: Insurance acquisition cash flows incurred in the year	(35,271)	(36,227)
Other insurance fulfilment cash flows incurred in the year	(12,635)	(11,701)
Total	8,239	7,397

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

43. Impairment losses on financial assets

	2024	2023
Impairment loss of debt investments at fair value through other comprehensive income	301	1,324
Impairment loss of financial assets at amortised cost	220	563
Impairment loss of term deposits	6	(16)
Impairment loss of others	4	142
Total	531	2,013

44. Other operating expenses

	2024	2023
Interest expenses for policyholders' investment contract liabilities	46	55
Depreciation of investment properties	396	473
Others	664	620
Total	1,106	1,148

45. Non-operating income

	2024	2023
Custody fees of entrusted operation	5	62
Government subsidies unrelated to ordinary activities	9	6
Others	72	68
Total	86	136

46. Non-operating expenses

	2024	2023
Charitable donations and commercial sponsorship	65	73
Government fines & confiscations and liquidated damages	53	37
Overdue tax payment and fines	18	4
Others	98	81
Total	234	195

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VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Income tax

	2024	2023
Current income tax	1,724	2,756
Deferred income tax	7,398	1,334
Total	9,122	4,090

The relationship between income tax expenses and total profit is shown below:

	2024	2023
Total profit	55,563	32,001
Taxes calculated at the statutory tax rate of 25%	13,891	8,000
Income tax adjustment for prior years	(428)	(241)
Non-taxable income	(9,051)	(7,369)
Non-deductible expenses	408	450
Others	4,302	3,250
Income tax calculated at applicable tax rates	9,122	4,090

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Other comprehensive income/(loss)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement					
	1 January 2024	Attributable to the Company – net of tax	31 December 2024	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company – net of tax	Attributable to non-controlling interests – net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	263	4,928	5,191	6,367	–	239	(1,592)	4,928	86
Changes in the fair value of equity investments at fair value through other comprehensive income	1,653	5,804	7,457	8,047	–	(124)	(2,012)	5,804	107
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss	(1,390)	(876)	(2,266)	(1,680)	–	363	420	(876)	(21)
Other comprehensive income/(loss) that will be reclassified to profit or loss	7,729	1,997	9,726	3,693	(883)	–	(785)	1,997	28
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(100)	3	(97)	4	–	–	(1)	3	–
Changes in the fair value of debt instruments at fair value through other comprehensive income	78,160	103,237	181,397	144,731	(4,702)	–	(35,007)	103,237	1,785
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	3,045	215	3,260	303	(10)	–	(73)	215	5
Exchange differences on translation of foreign operations	60	23	83	23	–	–	–	23	–
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(73,431)	(101,450)	(174,881)	(141,336)	3,829	–	34,296	(101,450)	(1,761)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss	(5)	(31)	(36)	(32)	–	–	–	(31)	(1)
Total	7,992	6,925	14,917	10,060	(883)	239	(2,377)	6,925	114

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Other comprehensive income/(loss) (continued)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2023	Attributable to the Company – net of tax	31 December 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company – net of tax	Attributable to non-controlling interests – net of tax	
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(122)	385	263	533	–	(6)	(133)	385	9	
Changes in the fair value of equity investments at fair value through other comprehensive income	593	1,060	1,653	1,452	–	(5)	(363)	1,060	24	
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss	(715)	(675)	(1,390)	(919)	–	(1)	230	(675)	(15)	
Other comprehensive income/(loss) that will be reclassified to profit or loss	6,592	1,137	7,729	846	740	–	(434)	1,137	15	
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(47)	(53)	(100)	(72)	–	–	18	(53)	(1)	
Changes in the fair value of debt instruments at fair value through other comprehensive income	42,188	35,972	78,160	49,445	(603)	–	(12,250)	35,972	620	
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	2,136	909	3,045	1,316	(83)	–	(308)	909	16	
Exchange differences on translation of foreign operations	45	15	60	15	–	–	–	15	–	
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(37,730)	(35,701)	(73,431)	(49,853)	1,426	–	12,106	(35,701)	(620)	
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss	–	(5)	(5)	(5)	–	–	–	(5)	–	
Total	6,470	1,522	7,992	1,379	740	(6)	(567)	1,522	24	

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

49. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the weighted average number of ordinary shares issued by the Company.

	2024	2023
Consolidated net profit for the year attributable to shareholders of the parent	44,960	27,257
Weighted average number of ordinary shares in issue (million shares)	9,620	9,620
Basic earnings per share (RMB Yuan)	4.67	2.83

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2024 and 2023.

50. Notes to items in consolidated statement of cash flow

(1) Significant payments related to other operating activities are listed below:

	2024	2023
Surrenders	25,559	23,122
Advertising expenses (including business publicity expenses)	6,150	6,777
Outsourcing service fees	3,381	2,727
Professional service fees	6,036	5,151
Office and travel expenses	2,108	2,765
Prevention expenses	1,307	1,644
Property management fees	812	806
Consulting fees	637	573
Labour costs	567	645
Entrusted management fees	457	261

(2) Significant receipts related to other financing activities are listed below:

	2024	2023
Cash proceeds from the issue of asset-backed securities	16,000	9,000
Cash received related to non-controlling interests of consolidated structured entities, net	58	1,649
Total	16,058	10,649

(3) Significant payments related to other financing activities are listed below:

	2024	2023
Cash paid for principal elements of lease payments	1,606	1,980
Cash paid for non-controlling interests of consolidated structured entities, net	4,414	–
Total	6,020	1,980

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

51. Cash and cash equivalents

	31 December 2024	31 December 2023
Cash:		
Cash at bank and on hand	–	2
Cash at bank readily available for payments	27,556	29,833
Other cash balances readily available for payments	1,215	1,097
Cash equivalents:		
Investments with an initial term within 3 months	10,902	2,808
Total	39,673	33,740

52. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2024	2023
Net profit	46,441	27,911
Add: Impairment losses on financial assets	531	2,013
Impairment losses on other assets	406	253
Depreciation of fixed assets and investment properties	1,801	1,857
Depreciation of right-of-use assets	1,174	1,328
Amortisation of intangible assets	1,205	1,196
Amortisation of other long-term assets	465	454
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(2)	(23)
Investment income	(26,907)	(7,053)
Interest income	(55,991)	(58,262)
(Gains)/losses arising from changes in fair value	(37,713)	11,712
Interest expenses	2,728	2,628
Exchange losses/(gains)	64	(159)
Deferred income tax	7,398	1,334
Changes in insurance contract liabilities/assets, net	218,020	158,395
Changes in reinsurance contract liabilities/assets, net	(6,359)	(7,363)
Increase in operating receivables	(1,497)	(1,432)
Increase in operating payables	2,640	3,074
Net cash flows from operating activities	154,404	137,863

(2) Net increase in cash and cash equivalents:

	2024	2023
Cash at the end of year	28,771	30,932
Less: Cash at the beginning of year	(30,932)	(32,685)
Cash equivalents at the end of year	10,902	2,808
Less: Cash equivalents at the beginning of year	(2,808)	(21,124)
Net increase/(decrease) in cash and cash equivalents	5,933	(20,069)

VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Supplementary information to the cash flow statements (continued)

(3) The changes in liabilities arising from financing activities are as follows:

	2024			
	Bonds payable	Securities sold under agreements to repurchase	Lease liabilities	Others
Balance at the beginning of year	10,285	115,819	3,095	8,444
Cash activities	(366)	62,464	(1,606)	7,629
Non-cash activities	367	3,412	1,233	63
Balance at the end of year	10,286	181,695	2,722	16,136

VII. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life and health insurance segment (mainly including CPIC Life, CPIC Health and CPIC Life (H.K.)) offers a wide range of life and health insurance in RMB and foreign currencies;
- The property and casualty insurance segment (including CPIC Property, PAAIC and CPIC H.K.) provides a wide range of property and casualty insurance in RMB and foreign currencies;
- The asset management segment (including CPIC Asset Management, Changjiang Pension, CPIC Investment (H.K.), CPIC Funds and CPIC Capital) provides asset-management services;
- Except for the above business segments, other business segments have no material impact on the Group's operating results and are therefore not presented separately.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

In 2024, the scale premium of the top five external customers amounted to 0.52% (in 2023: 0.46%) of the Group's total scale premium.

VII. SEGMENT INFORMATION (continued)

Items	2024				Total
	Life and health insurance	Property and casualty insurance	Asset management	Others and eliminations	
Insurance revenue	86,043	193,983	—	(553)	279,473
Interest income	49,095	4,725	231	1,940	55,991
Investment income	25,506	1,731	23	(353)	26,907
Including: Share of (losses)/profits of associates and joint ventures	(16)	26	2	(552)	(540)
Gain arising from the derecognition of financial assets measured at amortized cost	—	27	—	—	27
Other income	42	70	82	63	257
Gains arising from changes in fair value	30,321	2,039	60	5,293	37,713
Exchange gains/(losses)	11	(103)	—	28	(64)
Other operating income	1,179	295	3,312	(976)	3,810
Gains on disposal of assets	1	1	—	—	2
Operating income	192,198	202,741	3,708	5,442	404,089
Insurance service expenses	(56,147)	(187,358)	—	358	(243,147)
Allocation of reinsurance premiums	(668)	(15,816)	—	593	(15,891)
Less: Recoveries of insurance service expenses from reinsurers	426	14,119	—	(79)	14,466
Insurance finance expenses for insurance contracts issued	(87,794)	(3,271)	—	(1,455)	(92,520)
Less: Reinsurance finance income for reinsurance contracts held	1,218	912	—	(27)	2,103
Others	(6,677)	(1,868)	(2,185)	(2,659)	(13,389)
Operating expenses	(149,642)	(193,282)	(2,185)	(3,269)	(348,378)
Operating profit	42,556	9,459	1,523	2,173	55,711
Add: Non-operating income	15	52	—	19	86
Less: Non-operating expenses	(78)	(106)	(1)	(49)	(234)
Profit before tax	42,493	9,405	1,522	2,143	55,563
Less: Income tax	(6,364)	(1,769)	(348)	(641)	(9,122)
Net profit for the year	36,129	7,636	1,174	1,502	46,441
Supplementary information:					
Capital expenditure	797	615	105	2,150	3,667
Depreciation and amortisation	1,962	1,521	233	885	4,601
Impairment losses on financial assets	251	232	24	24	531
As at 31 December 2024					
Long-term equity investments	115,822	236	9	(93,547)	22,520
Financial assets*	2,180,866	146,875	8,697	145,617	2,482,055
Insurance contract assets	—	22	—	—	22
Reinsurance contract assets	15,573	31,677	—	(1,169)	46,081
Term deposits	134,818	30,286	254	8,460	173,818
Others	45,150	27,867	4,406	32,988	110,411
Segment assets	2,492,229	236,963	13,366	92,349	2,834,907
Insurance contract liabilities	2,092,386	138,275	—	(1,147)	2,229,514
Bonds payable	—	10,286	—	—	10,286
Securities sold under agreements to repurchase	175,850	3,112	834	1,899	181,695
Others	52,558	20,536	2,748	19,089	94,931
Segment liabilities	2,320,794	172,209	3,582	19,841	2,516,426

* Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

VII. SEGMENT INFORMATION (continued)

Items	2023				Total
	Life and health insurance	Property and casualty insurance	Asset management	Others and eliminations	
Insurance revenue	87,217	179,488	–	(538)	266,167
Interest income	50,297	5,422	231	2,312	58,262
Investment income	6,474	1,148	79	(648)	7,053
Including: Share of profits/(losses) of associates and joint ventures	9	19	–	(414)	(386)
Other income	24	84	90	53	251
Losses arising from changes in fair value	(12,277)	(481)	(54)	1,100	(11,712)
Exchange gains	22	7	–	130	159
Other operating income	1,425	247	3,047	(977)	3,742
Gains/(losses) on disposal of assets	25	2	(1)	(3)	23
Operating income	133,207	185,917	3,392	1,429	323,945
Insurance service expenses	(59,194)	(172,454)	–	625	(231,023)
Allocation of reinsurance premiums	(1,814)	(14,520)	–	496	(15,838)
Less: Recoveries of insurance service expenses from reinsurers	1,160	13,680	–	(441)	14,399
Insurance finance expenses for insurance contracts issued	(41,922)	(2,622)	–	(2,197)	(46,741)
Less: Reinsurance finance income for reinsurance contracts held	670	529	–	(25)	1,174
Others	(10,717)	(2,607)	(2,158)	1,626	(13,856)
Operating expenses	(111,817)	(177,994)	(2,158)	84	(291,885)
Operating profit	21,390	7,923	1,234	1,513	32,060
Add: Non-operating income	13	102	–	21	136
Less: Non-operating expenses	(62)	(80)	(2)	(51)	(195)
Profit before tax	21,341	7,945	1,232	1,483	32,001
Less: Income tax	(1,896)	(1,446)	(289)	(459)	(4,090)
Net profit for the year	19,445	6,499	943	1,024	27,911
Supplementary information:					
Capital expenditure	865	1,348	167	2,427	4,807
Depreciation and amortisation	2,144	1,598	213	836	4,791
Impairment losses on financial assets	1,247	772	63	(69)	2,013
As at 31 December 2023					
Long-term equity investments	105,822	230	–	(82,868)	23,184
Financial assets*	1,730,738	133,180	7,764	137,671	2,009,353
Insurance contract assets	–	335	–	–	335
Reinsurance contract assets	13,378	27,660	–	(1,284)	39,754
Term deposits	133,197	24,487	836	6,981	165,501
Others	38,972	32,097	4,182	30,584	105,835
Segment assets	2,022,107	217,989	12,782	91,084	2,343,962
Insurance contract liabilities	1,748,571	125,266	–	(1,217)	1,872,620
Bonds payable	–	10,285	–	–	10,285
Securities sold under agreements to repurchase	102,584	5,228	963	7,044	115,819
Others	38,475	20,768	2,619	15,672	77,534
Segment liabilities	1,889,630	161,547	3,582	21,499	2,076,258

* Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

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VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2024		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	616	1.00000	616
	USD	632	7.18840	4,540
	HKD	2	0.92604	1
	Sub-total			5,157
Other cash balances	RMB	6	1.00000	6
Total				5,163

	Currency	31 December 2023		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	2,042	1.00000	2,042
	USD	598	7.08270	4,235
	HKD	9	0.90622	8
	Sub-total			6,285
Other cash balances	RMB	1	1.00000	1
Total				6,286

As of 31 December 2024, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 52 million (31 December 2023: amounted equivalent to RMB 2 million).

2. Term deposits

Term to maturity	31 December 2024	31 December 2023
Within 1 year (inclusive)	2,877	1,558
1 to 2 years (inclusive)	507	2,877
2 to 3 years (inclusive)	548	507
3 to 4 years (inclusive)	519	—
4 to 5 years (inclusive)	2,550	519
Less: Impairment provisions	(4)	(4)
Total	6,997	5,457

VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Financial assets at fair value through profit or loss

	31 December 2024	31 December 2023
Listed	2,462	1,365
Unlisted	20,263	15,890
Total	22,725	17,255
Bonds	9,402	6,154
Government bonds	–	93
Finance bonds	9,400	6,059
Enterprise bonds	2	2
Stocks	1,686	818
Funds	3,381	3,508
Investment in asset management products	3,820	3,702
Unlisted equity shares investments	4,436	3,073
Total	22,725	17,255

4. Financial assets at amortised cost

	31 December 2024	31 December 2023
Listed	–	–
Unlisted	8,341	12,655
Subtotal	8,341	12,655
Less: Impairment provisions	(40)	(11)
Net value	8,301	12,644
Debt investment plans	6,855	8,017
Investment trust	–	3,104
Others	1,486	1,534
Subtotal	8,341	12,655
Less: Impairment provisions	(40)	(11)
Net value	8,301	12,644

5. Debt investments at fair value through other comprehensive income

	31 December 2024	31 December 2023
Listed	3,940	4,105
Unlisted	17,789	19,035
Total	21,729	23,140
Bonds	21,729	23,140
Government bonds	14,467	12,620
Finance bonds	1,108	1,731
Enterprise bonds	6,154	8,789
Total	21,729	23,140
Including:		
Amortised cost	20,340	22,552
Accumulated changes in fair value	1,389	588

As at 31 December 2024, the impairment provision for the Company's debt investment at fair value through other comprehensive income is RMB 73 million(31 December 2023: RMB 78 million).

VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Equity investments at fair value through other comprehensive income

	31 December 2024	31 December 2023
Stocks	1,809	1,062
Perpetual bonds	104	322
Others	2,726	1,127
Total	4,639	2,511
Including:		
Cost	4,423	2,612
Accumulated changes in fair value	216	(101)

The equity instruments at fair value through other comprehensive income, designated by the Company, are the non-trading equity investments with the primary objective of being held for a long time or obtain dividends during the holding period.

For the year ended 31 December 2024, the Company disposed equity investments at fair value through other comprehensive income of RMB 357 million (31 December 2023: RMB 109 million) because of the optimisation of asset allocation and asset and liability management. Due to the sale of the above equity investments, RMB 14 million (31 December 2023: RMB 9 million) transferred from other comprehensive income to retained profits.

For the year ended 31 December 2024, the Company has recognised dividend income of RMB 150 million (31 December 2023: 109 million) from the above equity investments. Relevant disclosures are included in Note VIII 13.

7. Long-term equity investments

	31 December 2024	31 December 2023
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	42,366	42,366
CPIC Asset Management	1,360	1,360
CPIC H.K.	240	240
CPIC Real Estate	115	115
CPIC Investment (H.K.)	21	21
CPIC Online Services	200	200
CPIC Health	3,081	3,081
CPIC Technology	700	700
Consolidated structured entities	1,561	2,310
Associate		
Shanghai Health & Elderly Care Co.,Ltd.	—	295
HTCP CAPITAL LPF	145	138
Total	70,213	71,250

The Company does not have any other items that substantially constitute net investment in subsidiaries.

VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Investment properties

	Buildings
Cost:	
1 January 2023	4,986
Transfer to fixed assets, net	(16)
Transfer from intangible assets, net	34
31 December 2023	5,004
Transfer to fixed assets, net	(1,112)
Transfer to intangible assets, net	(30)
31 December 2024	3,862
Accumulated depreciation:	
1 January 2023	(1,712)
Provision	(169)
Transfer to fixed assets, net	7
Transfer from intangible assets, net	(7)
31 December 2023	(1,881)
Provision	(124)
Transfer to fixed assets, net	267
Transfer to intangible assets, net	7
31 December 2024	(1,731)
Carrying amount:	
31 December 2024	2,131
31 December 2023	3,123

The fair values of investment properties of the Company as at 31 December 2024 amounted to RMB 5,401 million (31 December 2023: RMB 6,582 million), which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, Pacific Medical & Healthcare and CPIC Technology, and charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

9. Other assets

	31 December 2024	31 December 2023
Receivables from subsidiaries	300	273
Improvements of right-of-use assets	48	52
Dividends receivable	–	22
Others	213	123
Total	561	470

10. Securities sold under agreements to repurchase

	31 December 2024	31 December 2023
Securities – bonds		
Inter-bank market	910	2,026
Total	910	2,026

As at 31 December 2024, the Company's bond investments of approximately RMB 958 million (31 December 2023: RMB 2,110 million) were pledged for inter-bank securities sold under agreements to repurchase.

VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

11. Other liabilities

	31 December 2024	31 December 2023
Payables to subsidiaries	174	199
Payables for construction and purchasing office buildings	6	6
Others	600	573
Total	780	778

12. Capital reserves

	31 December 2024	31 December 2023
Capital premium	79,008	79,008
Asset evaluation appreciation	301	301
Others	3	3
Total	79,312	79,312

13. Investment income

	2024	2023
Realised gains/(losses)		
Financial instruments held for trading and other financial instruments at fair value through profit or loss	(4)	23
Debt investments at fair value through other comprehensive income	44	40
Gains during the holding period		
Financial instruments held for trading and other financial instruments at fair value through profit or loss	430	215
Dividend income from derecognised equity investments at fair value through other comprehensive income	10	3
Dividend income from equity investments at fair value through other comprehensive income held	140	106
Dividend income from subsidiaries and structured entities within the scope of consolidation	9,284	10,244
Share of gains/(losses) of associates and joint ventures	5	(26)
Total	9,909	10,605

VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Other comprehensive income/(loss)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2024	Attributable to the Company – net of tax	31 December 2024	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company – net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(76)	237	161	297	–	14	(74)	237
Changes in the fair value of equity investments at fair value through other comprehensive income	(76)	237	161	297	–	14	(74)	237
Other comprehensive income/(loss) that will be reclassified to profit or loss	499	600	1,099	849	(50)	–	(199)	600
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	–	2	2	2	–	–	–	2
Changes in the fair value of debt instruments at fair value through other comprehensive income	440	601	1,041	851	(50)	–	(200)	601
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	59	(3)	56	(4)	–	–	1	(3)
Total	423	837	1,260	1,146	(50)	14	(273)	837

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2023	Attributable to the Company – net of tax	31 December 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company – net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(13)	(63)	(76)	(75)	–	(9)	21	(63)
Changes in the fair value of equity investments at fair value through other comprehensive income	(13)	(63)	(76)	(75)	–	(9)	21	(63)
Other comprehensive income/(loss) that will be reclassified to profit or loss	402	97	499	173	(43)	–	(33)	97
Changes in the fair value of debt instruments at fair value through other comprehensive income	295	145	440	237	(43)	–	(49)	145
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	107	(48)	59	(64)	–	–	16	(48)
Total	389	34	423	98	(43)	(9)	(12)	34

VIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

15. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2024	2023
Net profit	10,817	10,980
Add: Impairment losses on financial assets	25	(60)
Depreciation of fixed assets and investment properties	316	325
Depreciation of right-of-use assets	77	80
Amortisation of intangible assets	82	86
Amortisation of other long-term assets	26	33
Investment income	(9,909)	(10,605)
(Gains)/losses arising from changes in fair value	(818)	434
Interest income	(1,665)	(2,027)
Interest expenses	33	27
Exchange gains	(28)	(130)
Deferred income tax	261	(128)
(Increase)/decrease in operating receivables	(145)	15
Decrease in operating payables	(155)	(17)
Net cash flows used in operating activities	(1,083)	(987)

(2) Net increase in cash and cash equivalents:

	2024	2023
Cash at the end of year	5,163	6,286
Less: Cash at the beginning of year	(6,286)	(6,610)
Cash equivalents at the end of year	—	—
Less: Cash equivalents at the beginning of year	—	—
Net decrease in cash and cash equivalents	(1,123)	(324)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

During the reporting period, the Company's major related parties comprise:

- (1) Subsidiaries of the Company;
- (2) Investors who exert significant influence on the Company;
- (3) Joint ventures and associates of the Company;
- (4) Key management personnel of the Company and close family members of such individuals;
- (5) Enterprise annuity fund established by the Group; and
- (6) Legal entities or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company is not a related party to the Company.

2. Related party relationships

- (1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note V.

- (2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows:

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2024	Movements for the current year	31 December 2024	1 January 2024	Movements for the current year	31 December 2024
CPIC Property	19,948	–	19,948	98.50%	–	98.50%
CPIC Life	8,628	–	8,628	98.29%	–	98.29%
CPIC Asset Management	2,100	–	2,100	99.67%	–	99.67%
Changjiang Pension	3,000	–	3,000	61.10%	–	61.10%
CPIC H.K.	HKD 250 million	–	HKD 250 million	100.00%	–	100.00%
CPIC Real Estate	115	–	115	100.00%	–	100.00%
CPIC Investment (H.K.)	HKD 200 million	–	HKD 200 million	99.71%	–	99.71%
City Island	USD 50,000	–	USD 50,000	98.29%	–	98.29%
Great Winwick Limited	USD 50,000	–	USD 50,000	98.29%	–	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	–	HKD 10,000	98.29%	–	98.29%
Newscott Investments Limited	USD 50,000	–	USD 50,000	98.29%	–	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	–	HKD 10,000	98.29%	–	98.29%
Xin Hui Property	USD 15,600 thousand	–	USD 15,600 thousand	98.29%	–	98.29%
He Hui Property	USD 46,330 thousand	–	USD 46,330 thousand	98.29%	–	98.29%
CPIC Online Services	200	–	200	100.00%	–	100.00%
Tianjin Trophy	354	–	354	98.29%	–	98.29%
CPIC Senior Living Investment	5,000	–	5,000	98.29%	–	98.29%
CPIC Health	3,600	–	3,600	99.74%	–	99.74%
PAAIC	1,080	–	1,080	66.76%	–	66.76%

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows: (continued)

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2024	Movements for the current year	31 December 2024	1 January 2024	Movements for the current year	31 December 2024
Pacific Medical & Healthcare	1,000	—	1,000	98.29%	—	98.29%
CPIC Funds	150	—	150	50.83%	—	50.83%
Pacific Insurance Agency	50	—	50	100.00%	—	100.00%
Chengdu Project Company	1,000	—	1,000	98.29%	—	98.29%
Hangzhou Project Company	1,200	—	1,200	98.29%	—	98.29%
Xiamen Project Company	900	—	900	98.29%	—	98.29%
Pacific Care Home at Chengdu	60	—	60	98.29%	—	98.29%
Nanjing Project Company	702	—	702	98.29%	—	98.29%
Pacific Care Home at Dali	608	—	608	74.70%	—	74.70%
Shanghai (Putuo) Project Company	250	—	250	98.29%	—	98.29%
Pacific Care Home at Hangzhou	60	—	60	98.29%	—	98.29%
Wuhan Project Company	980	—	980	98.29%	—	98.29%
CPIC Capital	100	—	100	99.67%	—	99.67%
Pacific Care Home at Shanghai (Chongming)	1,253	—	1,253	98.29%	—	98.29%
Pacific Care Home at Shanghai (Putuo)	30	—	30	98.29%	—	98.29%
Borui Heming	52	—	52	98.29%	—	98.29%
CPIC Life (H.K.)	HKD 1,000 million	—	HKD 1,000 million	98.29%	—	98.29%
Qingdao Project Company	227	—	227	98.29%	—	98.29%
Pacific Care Home at Xiamen	40	—	40	98.29%	—	98.29%
Zhengzhou Project Company	650	—	650	98.29%	—	98.29%
Beijing Project Company	800	—	800	98.29%	—	98.29%
CPIC Technology	700	—	700	100.00%	—	100.00%
Xinbaoyu	3,650	—	3,650	98.46%	—	98.46%
CPIC Technology Wuhan	100	—	100	100.00%	—	100.00%
Sanya Project Company	490	—	490	98.29%	—	98.29%
Pacific Care Home at Nanjing	30	—	30	98.29%	—	98.29%
Pacific Care Home at Shanghai (Jing'an)	426	—	426	98.29%	—	98.29%
Pacific Care Home at Wuhan	30	—	30	98.29%	—	98.29%
Xiamen Rehabilitation Hospital	160	—	160	98.29%	—	98.29%
Pacific Care Home at Suzhou	—	30	30	—	98.29%	98.29%
Pacific Care Home at Beijing	—	30	30	—	98.29%	98.29%
Pacific Care Home at Zhengzhou	—	45	45	—	98.29%	98.29%
Guangzhou Project Company	—	830	830	—	98.29%	98.29%
Suzhou Project Company	—	300	300	—	98.29%	98.29%
Jinan Rehabilitation Hospital	—	260	260	—	98.29%	98.29%

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Baoshan Iron & Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Baowu Carbon Technology Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Baoxin Software Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Taiyuan Iron & Steel (Group) Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Asset Management Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Hwabao WP Fund Management Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Gas Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Shenergy Company Limited	Subsidiary of shareholders holding over 5% voting rights of the Company
Shanghai LNG Company Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Hainan Shenergy New Energy Company Limited	Subsidiary of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes")	Joint venture of the Company
Shanghai Juche Information Technology Co., Ltd. ("Juche")	Associate of the Company
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	Associate of the Company
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare")	Associate of the Company
Shanghai Guangci Memorial Hospital Co., Ltd. ("Guangci Hospital")	Associate of the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services' enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Health's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment's enterprise annuity plan	Enterprise annuity fund established by the Group
PAAIC's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Insurance Agency enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Technology enterprise annuity plan	Enterprise annuity fund established by the Group

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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

Name of entity	Relationship with the Company
CPIC Capital enterprise annuity plan	Enterprise annuity fund established by the Group
Orient Securities Company Limited ("Orient Securities")	Company of which the Group's related natural persons serve as directors or senior management personnel
Swiss Reinsurance Company Ltd	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

Note: The transaction amount for the period was calculated since the entity was identified as a related party of the Group.

(1) Sale of insurance contracts

	2024	2023
Orient Securities	21	4
Baoshan Iron & Steel Co., Ltd.	18	18
Hainan Shenergy New Energy Company Limited	11	–
Shenergy Company Limited	10	9
Shanghai LNG Company Ltd.	4	4
Shanghai Gas Co., Ltd.	4	3
Shanghai International Group Co., Ltd.	2	2
Taiyuan Iron & Steel (Group) Co., Ltd.	2	2
Shanghai Baoxin Software Co., Ltd.	2	2
China Baowu Steel Group Corporation Limited	1	1
Shanghai International Group Asset Management Co., Ltd.	1	1
Shanghai State-Owned Assets Operation Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	1
Total	78	48

Sale of insurance contracts to shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company was RMB 4 million for the year ended 2024 (For the year ended 2023: RMB 4 million).

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. The proportion of the scale premium of related parties to the total scale premium of the Group's was less than 1% for both year ended 2024 and 2023.

(2) Fund subscription and redemption transactions

	2024	2023
Hwabao WP Fund Management Co., Ltd.	490	151

(3) Transaction of asset management products

	2024	2023
Hwabao Trust Co., Ltd.	230	58

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(4) Transaction of selling and buying bonds

	2024	2023
Shanghai International Group Co., Ltd.	120	–
Orient Securities	61	410
Hwabao Investments Co., Ltd.	40	–
Total	221	410

(5) Distribution of cash dividends

	2024	2023
Shenergy (Group) Company Limited	1,427	1,431
Hwabao Investments Co., Ltd.	1,310	1,310
Shanghai State-Owned Assets Operation Co., Ltd.	665	665
Total	3,402	3,406

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,402 million in 2024 (2023: RMB 3,406 million).

(6) Premiums ceded to reinsurers (transaction amount)

	2024	2023
Swiss Reinsurance Company Ltd	3,489	3,163

(7) Expense recoveries from reinsurers (recovered amount)

	2024	2023
Swiss Reinsurance Company Ltd	827	1,074

(8) Claim recoveries from reinsurers (recovered amount)

	2024	2023
Swiss Reinsurance Company Ltd	2,211	2,075

(9) Remuneration of key management

	2024	2023
Salary and other benefits	23	38

Note: Regarding the disclosed remuneration of key management in the table above, the final remuneration for certain relevant personnel of the Company during their tenure in 2024 is still under confirmation.

For the remuneration of key management disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2023, excluding the amount disclosed above, is as follows: the remuneration of the relevant personnel was RMB 0.796 million (before tax) (including director's and supervisors' remuneration disclosed in Note XVII 1).

(10) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2024	2023
Contribution to the enterprise annuity plan	749	700

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(11) The major related transactions between the Group and joint ventures during the years are as follows:

	2024	2023
Binjiang-Xiangrui		
Fees for leasing office buildings of Binjiang-Xiangrui	80	86
Ruiyongjing Real Estate		
Fees for leasing office buildings of Ruiyongjing Real Estate	122	52
Grant loans	332	601
Loan interests	292	252

(12) The major related transactions between the Group and associates during the years are as follows:

	2024	2023
Purchase service		
Zhongdao	214	161
Shantai Healthcare	203	106
Juche	143	133
Euler Hermes	22	23
Guangci Hospital	7	—
Total	589	423

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the years are as follows:

	2024	2023
Purchase of insurance contracts		
CPIC Health	6	—
CPIC Property	5	7
Total	11	7
Rental income from office building		
CPIC Property	95	96
CPIC Technology	31	36
CPIC Life	11	16
Changjiang Pension	9	9
CPIC Senior Living Investment	4	4
Pacific Medical & Healthcare	3	—
CPIC Health	2	1
CPIC Asset Management	2	—
Total	157	162

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows:
(continued)

	2024	2023
Income from shared centre services		
CPIC Property	49	70
CPIC Life	43	62
CPIC Asset Management	5	5
CPIC Health	4	5
CPIC Technology	2	5
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
CPIC Capital	1	1
Pacific Medical & Healthcare	1	1
Total	107	151
Rental income from equipment leasing		
CPIC Technology	96	45
Asset management fee		
CPIC Asset Management	27	19
Technology service fee		
CPIC Technology	289	260
Commission fee		
CPIC Real Estate	10	12
Medical examination fee		
CPIC Health	3	2
Rental fee		
CPIC Property	3	5
CPIC Life	2	2
Xinbaoyu	2	2
Total	7	9
Publicity expenses		
CPIC Technology	1	1
Consulting service fee		
CPIC Capital	5	–
CPIC Asset Management	1	2
Total	6	2
Text Messaging Service fee		
CPIC Technology	2	–
Dividend income from subsidiaries		
CPIC Life	6,869	5,852
CPIC Property	1,965	4,027
CPIC Asset Management	369	320
CPIC Real Estate	49	–
CPIC Technology	11	–
Total	9,263	10,199

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

- (1) The major related transactions between the Company and subsidiaries during the years are as follows:
(continued)

The rent of the office building charged by the Company from CPIC Property, CPIC Technology, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, Pacific Medical & Healthcare, CPIC Health and CPIC Asset Management is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Property, CPIC Life, CPIC Asset Management, CPIC Health, CPIC Technology, CPIC Senior Living Investment, CPIC Online Services, CPIC Capital and Pacific Medical & Healthcare, is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The equipment rental fee charged by the Company from CPIC Technology is determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company is determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The technology service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties. The commission fee charged by CPIC Real Estate to the Company is determined at the price negotiated by both parties. The medical examination fee incurred between the Company and CPIC Health is determined at the price negotiated by both parties. The rental fees of the office building incurred among the Company, CPIC Property, CPIC Life and Xinbaoyu is determined at the price negotiated by both parties. The publicity expenses charged by CPIC Technology to the Company are determined at the price negotiated by both parties. The consulting service fee charged by CPIC Asset Management and CPIC Capital to the Company is determined at the price negotiated by both parties. The text messaging service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties.

- (2) The major related transactions between the Company and other related parties of the Group during the years are as follows:

	2024	2023
Fees for leasing office buildings		
Binjiang-Xiangrui	55	43

4. Receivables from and payables to related parties

- (1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2024	31 December 2023
Other receivables		
CPIC Property	149	136
CPIC Life	101	90
CPIC Technology	42	40
CPIC Health	3	3
CPIC Asset Management	3	2
Changjiang Pension	2	—
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
Total	302	273
Other payables		
CPIC Technology	135	172
CPIC Asset Management	29	22
CPIC Real Estate	5	6
CPIC Capital	5	—
Xinbaoyu	4	—
Total	178	200

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables and payables between the Group and its joint ventures are as follows:

	31 December 2024	31 December 2023
Other receivables		
Ruiyongjing Real Estate	124	124
Binjiang-Xiangrui	1,772	1,772
Total	1,896	1,896
Other payables		
Ruiyongjing Real Estate	–	9
Binjiang-Xiangrui	318	266
Total	318	275
Debt investments at fair value through other comprehensive income		
Ruiyongjing Real Estate	6,120	5,312

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(3) Receivables and payables between the Group and other related parties arising from reinsurance are as follows:

	31 December 2024	31 December 2023
Swiss Reinsurance Company Ltd reinsurance receivables	1,366	1,186
Swiss Reinsurance Company Ltd reinsurance payables	863	361

X. CONTINGENCIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 31 December 2024, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on estimates by the Group and the Group would only be contingently liable for any claim that is in excess of the provision made. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated by the management or the probability of loss is extremely low.

XI. COMMITMENTS

1. Major projects with capital commitments

		31 December 2024	31 December 2023
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)(6)	18,858	14,289
Authorised, but not contracted for	(2)	2,101	8,337
		20,959	22,626

XI. COMMITMENTS (continued)

1. Major projects with capital commitments (continued)

As at 31 December 2024, major projects with capital commitments are as follows:

- (1) CPIC Life and the third party joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2024, the cumulative amount incurred by CPIC Life amounted to approximately RMB 15,116 million. Of the balance, approximately RMB 2,319 million was disclosed as a capital commitment contracted but not provided for. There is no capital commitment authorised but not contracted.
- (2) CPIC Life and CPIC Senior Living Investment obtained the use rights of fifteen parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up fifteen project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". As at 31 December 2024, the cumulative amount incurred amounted to approximately RMB 1,520 million to projects still in progress. Of the balance, approximately RMB 2,499 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 1,991 million was disclosed as a capital commitment authorised but not contracted for.
- (3) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,050 million. Among which CPIC Life subscribed capital contribution of RMB 5,000 million, accounted for 99.01% of the capital. As at 31 December 2024, CPIC Life has cumulatively made a capital contribution of RMB 2,800 million. Of the balance, RMB 2,200 million was disclosed as a capital commitment contracted but not provided for.
- (4) As of 31 December 2024, CPIC Life and CPIC Capital together subscribed 99.98% of the shares of China Pacific Changhang. As of 31 December 2024, China Pacific Changhang has invested in two unlisted equities and twenty-five equity investment funds (not including consolidated structured entities included in the scope of the Group) with a total subscribed contribution of RMB 7,989 million, paid-in contribution of RMB 4,948 million, and uncontributed capital of RMB 3,041 million, which are listed as a capital commitment contracted but not provided for.
- (5) As of 31 December 2024, the Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As of 31 December 2024, CPIC Health Fund has invested in twenty-three equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 5,456 million, paid-in contribution of approximately RMB 4,130 million, and uncontributed capital of approximately RMB 1,326 million, which are listed as a capital commitment contracted but not provided for.
- (6) As of 31 December 2024, CPIC Life and CPIC Capital together subscribed 99.99% of the shares of Nanjing Taibao Xinhui Zhiyuan Equity Investment Fund Management Partnership (Limited Partnership) ("Xinhui Zhiyuan"). As of 31 December 2024, Xinhui Zhiyuan has invested in seven equity investment funds with a total subscribed contribution of RMB 5,645 million, paid-in contribution of approximately RMB 2,411 million, and uncontributed capital of approximately RMB 3,234 million, which are listed as a capital commitment contracted but not provided for.

2. Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2024	31 December 2023
Within 1 year (inclusive)	583	379
1 to 2 years (inclusive)	318	290
2 to 3 years (inclusive)	187	146
3 to 5 years (inclusive)	105	85
More than 5 years	51	72
	1,244	972

XII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk and concentration of insurance risk

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected;

Severity risk – the possibility that the cost of the events will differ from that expected;

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Three major types of reinsurance agreements, ceding on a quota share basis or a surplus basis or excess reinsurance, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(2) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumption and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

XII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group uses sensitivity analysis to assess the pre-tax impact on profit and shareholders' equity resulting from reasonable and possible movements in a single assumption, while holding other key assumptions constant, for the insurance contract liabilities of the Group's long-term life insurance contracts as follows:

31 December 2024			
	Changes in assumptions	Impact on profit before tax (Gross of reinsurance)	Impact on equity before tax (Gross of reinsurance)
Mortality rate	+10%	(125)	(831)
	-10%	(248)	552
Morbidity rate	+10%	(1,968)	(4,471)
	-10%	1,598	4,212
Expenses	+10%	(921)	(1,509)
	-10%	914	1,502
Policy dividend	+5%	(993)	(993)
Surrender rate	+10%	1,652	2,795
	-10%	(1,673)	(2,528)

31 December 2023			
	Changes in assumptions	Impact on profit before tax (Gross of reinsurance)	Impact on equity before tax (Gross of reinsurance)
Mortality rate	+10%	(132)	(627)
	-10%	(235)	314
Morbidity rate	+10%	(1,907)	(3,290)
	-10%	1,524	2,958
Expenses	+10%	(911)	(1,202)
	-10%	909	1,200
Policy dividend	+5%	(1,037)	(1,037)
Surrender rate	+10%	1,591	1,666
	-10%	(1,609)	(1,518)

Reinsurance contracts do not have significant influence on the Group's long-term life insurance contracts, therefore the pre-tax impact on profit and shareholder's equity of net of reinsurance is similar to the above sensitivity analysis.

XII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for liability for incurred claims is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk adjustment for non-financial risk, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the liability for incurred claims for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

The Group uses sensitivity analysis to assess the pre-tax impact of changes in liabilities for incurred claims of the Group's property and casualty and short-term life insurance on profit and shareholder's equity, assuming reasonable and possible variations in the claim ratio assumption while keeping other assumptions constant, as follows:

31 December 2024					
Changes in assumption	Impact on profit before tax		Impact on equity before tax		
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	
Loss ratio	+5%	(4,119)	(2,718)	(4,119)	(2,718)
	-5%	4,119	2,718	4,119	2,718

31 December 2023					
Changes in assumption	Impact on profit before tax		Impact on equity before tax		
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	
Loss ratio	+5%	(3,743)	(2,684)	(3,743)	(2,684)
	-5%	3,743	2,684	3,743	2,684

XII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

The table below presents the claim reserves of gross of reinsurance for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2020	2021	2022	2023	2024	
Gross of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	81,244	101,908	109,894	128,386	145,848	
One year later	80,052	98,801	104,854	126,694		
Two years later	79,948	98,681	101,343			
Three years later	79,394	97,587				
Four years later	79,098					
Cumulative claims payments	(78,283)	(95,185)	(94,118)	(114,291)	(98,035)	
Sub-total	815	2,402	7,225	12,403	47,813	70,658
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						7,047
Liability for incurred claims						77,705

The table below presents the claim reserves of net of reinsurance for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2020	2021	2022	2023	2024	
Net of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	71,681	89,762	96,915	111,921	125,153	
One year later	70,520	87,173	93,658	111,798		
Two years later	70,334	87,049	90,463			
Three years later	69,764	86,009				
Four years later	69,313					
Cumulative claims payments	(68,796)	(84,163)	(84,345)	(102,091)	(86,986)	
Sub-total	517	1,846	6,118	9,707	38,167	56,355
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						(3,031)
Liability for incurred claims, net						53,324
Total asset for incurred claims						24,381
Liability for incurred claims						77,705

XII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

The table below presents the claim reserves of gross of reinsurance for short-term life insurance contracts of the Group:

	Short-term life insurance (Accident year)					Total
	2020	2021	2022	2023	2024	
Gross of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	4,696	4,913	4,075	4,548	4,532	
One year later	4,266	4,547	3,801	4,383		
Two years later	4,180	4,408	3,782			
Three years later	4,138	4,385				
Four years later	4,136					
Cumulative claims payments	(4,136)	(4,378)	(3,704)	(4,057)	(3,188)	
Sub-total	–	7	78	326	1,344	1,755
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						2,860
Liability for incurred claims						4,615

The table below presents the claim reserves of net of reinsurance for short-term life insurance contracts of the Group:

	Short-term life insurance (Accident year)					Total
	2020	2021	2022	2023	2024	
Net of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	3,440	3,967	3,436	4,300	4,370	
One year later	3,339	3,733	3,240	4,145		
Two years later	3,244	3,626	3,232			
Three years later	3,208	3,601				
Four years later	3,206					
Cumulative claims payments	(3,206)	(3,595)	(3,142)	(3,863)	(3,089)	
Sub-total	–	6	90	282	1,281	1,659
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						2,664
Liability for incurred claims, net						4,323
Total asset for incurred claims						292
Liability for incurred claims						4,615

XII. RISK MANAGEMENT (continued)

2. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.

(1) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and common stocks, etc. denominated in the foreign currency.

The following tables summarise the Group's financial assets and financial liabilities by major currency:

	31 December 2024				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Cash at bank and on hand	23,259	5,822	274	2	29,357
Derivative financial instruments	13	1	—	12	26
Securities purchased under agreements to resell	10,905	—	—	—	10,905
Term deposits	172,829	989	—	—	173,818
Financial investments:					
Financial assets at fair value through profit or loss	648,416	16,648	1,579	556	667,199
Financial assets at amortised cost	64,844	—	—	—	64,844
Debt investments at fair value through other comprehensive income	1,606,358	1,614	—	—	1,607,972
Equity investments at fair value through other comprehensive income	141,933	1	80	—	142,014
Restricted statutory deposits	6,851	—	—	—	6,851
Others	13,348	148	19	—	13,515
Sub-total	2,688,756	25,223	1,952	570	2,716,501

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities by major currency: (continued)

	31 December 2024				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Derivative financial liabilities	2	94	–	–	96
Securities sold under agreements to repurchase	181,695	–	–	–	181,695
Bonds payable	10,286	–	–	–	10,286
Commission and brokerage payable	5,926	–	16	–	5,942
Lease liabilities	2,710	–	12	–	2,722
Others	42,242	249	163	–	42,654
Sub-total	242,861	343	191	–	243,395
Net value	2,445,895	24,880	1,761	570	2,473,106

	31 December 2023				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Cash at bank and on hand	25,925	5,340	188	2	31,455
Derivative financial instruments	–	17	–	–	17
Securities purchased under agreements to resell	2,808	–	–	–	2,808
Term deposits	164,256	1,222	23	–	165,501
Financial investments:					
Financial assets at fair value through profit or loss	564,127	14,662	2,466	347	581,602
Financial assets at amortised cost	82,334	–	–	–	82,334
Debt investments at fair value through other comprehensive income	1,246,792	643	–	–	1,247,435
Equity investments at fair value through other comprehensive income	97,937	1	27	–	97,965
Restricted statutory deposits	7,105	–	–	–	7,105
Others	11,101	97	28	8	11,234
Sub-total	2,202,385	21,982	2,732	357	2,227,456

	31 December 2023				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Derivative financial liabilities	2	12	–	7	21
Securities sold under agreements to repurchase	115,819	–	–	–	115,819
Bonds payable	10,285	–	–	–	10,285
Commission and brokerage payable	5,846	–	15	–	5,861
Lease liabilities	3,077	–	18	–	3,095
Others	33,458	302	119	–	33,879
Sub-total	168,487	314	152	7	168,960
Net value	2,033,898	21,668	2,580	350	2,058,496

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's insurance contract assets/liabilities and reinsurance contract assets/liabilities by major currency:

	31 December 2024			Total
	RMB	USD (in RMB)	HKD (in RMB)	
Insurance contract assets	22	–	–	22
Reinsurance contract assets	38,803	6,838	440	46,081
Insurance contract liabilities	2,216,147	12,561	806	2,229,514

	31 December 2023			Total
	RMB	USD (in RMB)	HKD (in RMB)	
Insurance contract assets	335	–	–	335
Reinsurance contract assets	35,695	3,579	480	39,754
Insurance contract liabilities	1,865,226	6,556	838	1,872,620

Exchange rates used by the Group by major currencies:

	31 December 2024		31 December 2023	
	USD	HKD	USD	HKD
Exchange rate	7.18840	0.92604	7.08270	0.90622

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and shareholder's equity.

Sensitivity analysis below shows changes in spot and forward exchange rates and reflects the pre-tax impact on profit and shareholder's equity arising from monetary financial assets and liabilities, insurance contract assets/liabilities and reinsurance contract assets/liabilities denominated in foreign currency as at the dates indicated.

USD, HKD and other currencies to RMB exchange rate	31 December 2024	
	Impact on profit before tax	Impact on equity before tax
+5%	1,052	1,056
-5%	(1,052)	(1,056)

USD, HKD and other currencies to RMB exchange rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+5%	353	1,088
-5%	(353)	(1,088)

The impact on equity arising from monetary financial assets and liabilities, insurance contract assets/liabilities and reinsurance contract assets/liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks.

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

	31 December 2024						
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Non-interest bearing	Total
Financial assets:							
Cash at bank and on hand with maturity of no more than three months	221	–	–	–	29,128	8	29,357
Securities purchased under agreements to resell	10,902	–	–	–	–	3	10,905
Term deposits	24,490	74,059	71,603	–	–	3,666	173,818
Financial investments:							
Financial assets at fair value through profit or loss	10,092	16,759	10,742	236,655	–	4,272	278,520
Financial assets at amortised cost	15,853	5,851	5,886	37,246	8	–	64,844
Debt investments at fair value through other comprehensive income	66,406	55,822	78,225	1,394,875	–	12,644	1,607,972
Restricted statutory deposits	579	4,898	1,225	–	–	149	6,851
Financial liabilities:							
Securities sold under agreements to repurchase	181,567	–	–	–	–	128	181,695
Bonds payable	–	–	9,999	–	–	287	10,286

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk: (continued)

	31 December 2023						
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Non-interest bearing	Total
Financial assets:							
Cash at bank and on hand with maturity of no more than three months	549	–	–	–	30,901	3	31,453
Securities purchased under agreements to resell	2,808	–	–	–	–	–	2,808
Term deposits	49,777	59,485	51,545	500	–	4,194	165,501
Financial investments:							
Financial assets at fair value through profit or loss	10,671	18,102	12,588	160,723	–	3,400	205,484
Financial assets at amortised cost	14,651	18,737	5,884	42,962	100	–	82,334
Debt investments at fair value through other comprehensive income	48,318	114,044	71,084	1,002,494	–	11,495	1,247,435
Restricted statutory deposits	3,442	2,273	1,040	–	–	350	7,105
Financial liabilities:							
Securities sold under agreements to repurchase	115,695	–	–	–	–	124	115,819
Bonds payable	–	–	9,999	–	–	286	10,285

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and shareholder's equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit and shareholder's equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet date, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The following tables show the pre-tax impact of fair value change of debt investments on profit and shareholder's equity.

Change in RMB interest rate	31 December 2024	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	(4,446)	(77,481)
–50 basis points	4,669	86,912

Change in RMB interest rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	(3,121)	(52,577)
–50 basis points	3,276	58,879

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities (continued)

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit and shareholder's equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2024	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	146	146
-50 basis points	(146)	(146)

Change in RMB interest rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	155	155
-50 basis points	(155)	(155)

Sensitivities on insurance contract liabilities

The following tables show the pre-tax impact that insurance contract liabilities have on the Group's profit and shareholder's equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2024	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	2,427	84,733
-50 basis points	(4,680)	(98,663)

Change in RMB interest rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	4,261	68,027
-50 basis points	(5,082)	(78,143)

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Financial investments exposed to market price risk mainly consist of stocks and equity investment funds under financial assets at fair value through profit or loss and equity investments at fair value through other comprehensive income.

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(3) Price risk (continued)

Assuming that the market price of listed stocks and equity investment funds rises or falls by 10% (based on the book value as at the balance sheet date, taking into account the impact on listed equities and securities investment funds and insurance contract liabilities) and other variables remain unchanged, the pre-tax impact of the above financial instruments on the Group's profit and shareholder's equity based at the end of the reporting date is as follows.

Changes in equity prices	31 December 2024			
	Impact on investments	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity before tax
+10%	48,932	25,418	46,354	23,514
-10%	(48,932)	(25,392)	(46,378)	(23,540)

Changes in equity prices	31 December 2023			
	Impact on investments	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity before tax
+10%	30,743	12,430	10,688	18,313
-10%	(30,743)	(12,430)	(10,688)	(18,313)

3. Credit risk

Credit risk is the risk that one party to a financial instrument or an insurance contract will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, financial assets at amortised cost, debt investments at fair value through other comprehensive income, securities purchased under agreements to resell, reinsurance contract assets and other assets.

Due to the restriction of The National Administration of Financial Regulation, majority of the Group's financial assets are government bonds, government institutional bonds, enterprise bonds, term deposits, debt investment plans and wealth management products. Term deposits are placed with national commercial banks or comparatively sound financial institutions, and most of enterprise bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge, and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements. The Group grants a short credit period and arranges instalment payment to reduce the property and casualty insurance businesses credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly entered into with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss

In accordance with the new accounting standard for financial instruments, the Group applies the “expected credit loss model” to measure the impairment of financial assets such as financial assets at amortised cost and debt investments at fair value through other comprehensive income.

Criteria for judging significant changes in credit risk

Under the new financial instruments accounting standard, the Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has changed significantly since its initial recognition when considering the credit risk stages of financial assets. When determining the impairment stage of financial assets, the Group fully considers all reasonable and well-founded information, including forward-looking information, that reflects whether there has been a significant change in its credit risk. The main factors to be considered are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, etc. The Group based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine the stage classification of financial instruments by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to determine whether the credit risk of financial instruments has changed significantly since the initial recognition, mainly including changes in the debtor’s probability of default (“PD”), changes in credit risk classification, and other circumstances indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, the Group considers overdue more than 30 days as one of the criteria for a significant increase in credit risk in accordance with the requirements of the Standard.

Definition of financial assets that are credit-impaired

The criteria adopted by the Group in determining whether credit impairment has incurred are consistent with internal credit risk management objectives for the relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether a debtor has incurred credit impairment, the Group mainly considers the following factors:

- The debtor is more than 90 days overdue after the due date of payment in the contract;
- Internal credit rating is a default rating;
- For economic or contractual reasons related to the debtor’s financial difficulties, the creditor gives the debtor concessions that the creditor would not otherwise consider;
- Significant financial difficulties of the issuer or debtor;
- Breach of contract by the debtor, such as default or overdue payment of interest or principal;
- The debtor is likely to go bankrupt or other financial restructuring;
- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for that financial asset;
- Purchase or originate a financial asset at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by a combination of multiple events, not necessarily by individually identifiable events.

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Parameters of the expected credit loss measurement

The models, parameters and assumptions used in measuring expected credit loss are described as follows:

Impairment provisions are measured in terms of expected credit losses over the next 12 months or throughout the lifetime of the assets, based on whether there has been a significant increase in credit risk and whether the asset has undergone credit impairment. The expected credit loss is the result of discounting the product of the company's exposure at default ("EAD"), PD and rate of loss given default ("LGD") under reasonable and evidence-based forward-looking information that can be obtained without undue cost or effort.

- i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime;
- ii) PD is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout the remaining lifetime;
- iii) LGD is the Group's expectation of the percentage of loss on the EAD will be lost. LGD varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Group takes into account changes in the risk of default over the expected lifetime of the financial instruments. The lifetime PD is derived from the 12-month PD based on the maturity information. Impairment for assets assessed on a collective basis is based on observable historical data and on the assumption that assets with the same credit rating and in the same portfolio for collective assessment are in the same situation. The above analysis is based on industry experience and supported by historical data.

Credit risk exposure

Without regard to the impact of guarantees or other credit enhancement methods, the carrying amount of financial assets in the Group's balance sheet reflects its maximum credit risk exposure at the balance sheet date.

The following table sets out the credit risk exposure of financial instruments under the scope of the expected credit loss assessment:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Cash at bank and on hand	29,357	–	–	29,357
Derivative financial assets	26	–	–	26
Securities purchased under agreements to resell	10,905	–	–	10,905
Term deposits	172,113	1,705	–	173,818
Financial Investments:	1,663,534	6,321	2,961	1,672,816
Financial assets at amortised cost	62,770	1,517	557	64,844
Debt investments at fair value through other comprehensive income	1,600,764	4,804	2,404	1,607,972
Restricted statutory deposits	6,851	–	–	6,851
Others	13,235	210	70	13,515
Total	1,896,021	8,236	3,031	1,907,288

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table sets out the credit risk exposure of financial instruments under the scope of the expected credit loss assessment: (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Cash at bank and on hand	31,455	–	–	31,455
Derivative financial assets	17	–	–	17
Securities purchased under agreements to resell	2,808	–	–	2,808
Term deposits	165,501	–	–	165,501
Financial Investments:	1,324,659	1,302	3,808	1,329,769
Financial assets at amortised cost	81,291	155	888	82,334
Debt investments at fair value through other comprehensive income	1,243,368	1,147	2,920	1,247,435
Restricted statutory deposits	7,105	–	–	7,105
Others	10,523	683	28	11,234
Total	1,542,068	1,985	3,836	1,547,889

As at December 31, 2024 and December 31, 2023, the collateral for the financial assets that have suffered credit impairment is mainly equity.

The Group closely monitors collateral for financial assets that have undergone credit impairment.

The following table sets out the maximum exposure to credit risk of insurance contracts at the end of reporting period:

	31 December 2024	31 December 2023
Insurance contracts issued	112,950	110,425
Reinsurance contracts held	46,081	39,754

The Group assesses the credit standing of ceded reinsurance recipients on the timely basis, including financial performance, solvency level, etc., and then select those companies with high credit qualifications to carry out reinsurance business. At the end of the year, there was no material change in the credit standing of the Group's ceded reinsurance recipients.

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year:

Gross carrying amount	2024						
	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	
Financial assets at amortised cost	Stage 1	81,334	(17,001)	(1,533)	–	–	–
	Stage 2	156	(32)	1,533	–	–	–
	Stage 3	2,221	(237)	–	–	–	–
Debt investments at fair value through other comprehensive income	Stage 1	1,243,368	362,513	(5,117)	–	–	–
	Stage 2	1,147	(1,460)	5,117	–	–	–
	Stage 3	2,920	(516)	–	–	–	–
							31 December

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year: (continued)

2024								
Impairment provision	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs	31 December
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Financial assets at amortised cost	Stage 1	43	126	(139)	–	–	–	30
	Stage 2	1	–	139	–	–	–	140
	Stage 3	1,333	94	–	–	–	–	1,427
Debt investments at fair value through other comprehensive income	Stage 1	222	(7)	(6)	–	–	–	209
	Stage 2	11	98	6	–	–	–	115
	Stage 3	3,696	200	–	–	–	–	3,896

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

2023								
Gross carrying amount	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs	31 December
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Financial assets at amortised cost	Stage 1	89,716	(8,262)	(120)	–	–	–	81,334
	Stage 2	1,586	(297)	120	–	(1,253)	–	156
	Stage 3	944	24	–	–	1,253	–	2,221
Debt investments at fair value through other comprehensive income	Stage 1	1,108,746	135,114	(492)	–	–	–	1,243,368
	Stage 2	4,204	(1,029)	492	–	(2,520)	–	1,147
	Stage 3	6,374	(5,974)	–	–	2,520	–	2,920

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year: (continued)

Impairment provision	2023						
	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	
Financial assets at amortised cost	Stage 1	49	(6)	–	–	–	–
	Stage 2	112	(7)	–	–	(104)	–
	Stage 3	657	572	–	–	104	–
Debt investments at fair value through other comprehensive income	Stage 1	250	(28)	–	–	–	–
	Stage 2	257	(20)	–	–	(226)	–
	Stage 3	2,177	1,293	–	–	226	–

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as “low risk”, “medium risk”, “high risk” and “default” according to the internal rating scale. “Low risk” means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. “Medium risk” means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. “High risk” means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of “default” are consistent with those of “credit-impaired”.

The following table analyses the credit risk’s stages of financial assets at amortised cost and debt investments at fair value through other comprehensive income within the scope of ECLs. The net carrying value of the following financial assets disclosed at the balance sheet is their maximum exposure to credit risk:

	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Financial assets at amortised cost				
Credit level				
Low	62,599	25	–	62,624
Medium	201	1,632	–	1,833
High	–	–	–	–
Default	–	–	1,984	1,984
Total carrying amount	62,800	1,657	1,984	66,441
Impairment provisions	(30)	(140)	(1,427)	(1,597)
Net carrying amount	62,770	1,517	557	64,844

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table analyses the credit risk's stages of financial assets at amortised cost and debt investments at fair value through other comprehensive income within the scope of ECLs. The net carrying value of the following financial assets disclosed at the balance sheet is their maximum exposure to credit risk: (continued)

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Financial assets at amortised cost				
Credit level				
Low	79,345	—	—	79,345
Medium	1,989	156	—	2,145
High	—	—	—	—
Default	—	—	2,221	2,221
Total carrying amount	81,334	156	2,221	83,711
Impairment provisions	(43)	(1)	(1,333)	(1,377)
Net carrying amount	81,291	155	888	82,334
	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Debt investments at fair value through other comprehensive income				
Credit level				
Low	1,597,629	167	—	1,597,796
Medium	3,135	4,637	579	8,351
High	—	—	—	—
Default	—	—	1,825	1,825
Net carrying amount	1,600,764	4,804	2,404	1,607,972

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table analyses the credit risk's stages of financial assets at amortised cost and debt investments at fair value through other comprehensive income within the scope of ECLs. The net carrying value of the following financial assets disclosed at the balance sheet is their maximum exposure to credit risk: (continued)

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Debt investments at fair value through other comprehensive income				
Credit level				
Low	1,236,417	29	–	1,236,446
Medium	6,951	1,118	–	8,069
High	–	–	–	–
Default	–	–	2,920	2,920
Net carrying amount	1,243,368	1,147	2,920	1,247,435

4. Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of repaying maturing debts or fulfilling other payment obligations.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group.

When surrender, reduction or other forms of early termination happens, the Group determines the amounts that are payable on demand to policyholders in accordance with the terms of insurance contracts, which are usually the unearned premiums or the cash values of the relevant part of contracts, after deducting the applicable early termination fees. The Group seeks to manage its liquidity risk by setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to match the maturities of investment assets with the maturities of corresponding insurance liabilities, to provide funds for the Group to fulfil payment obligations in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the risk management committee of the Group. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting up emergency fund plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

XII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	31 December 2024					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	29,136	221	–	–	–	29,357
Derivative financial assets	–	13	13	–	–	26
Securities purchased under agreements to resell	–	10,905	–	–	–	10,905
Term deposits	–	26,288	160,777	–	–	187,065
Financial investments:						
Financial assets at fair value through profit or loss	388	29,170	63,209	306,695	366,452	765,914
Financial assets at amortised cost	–	17,996	19,883	49,370	–	87,249
Debt investments at fair value through other comprehensive income	–	120,725	331,984	2,187,048	–	2,639,757
Equity investments at fair value through other comprehensive income	–	–	–	–	164,475	164,475
Restricted statutory deposits	–	739	6,534	–	–	7,273
Others	1,107	7,857	4,934	45	2	13,945
Sub-total	30,631	213,914	587,334	2,543,158	530,929	3,905,966
Financial liabilities:						
Derivative financial liabilities	–	14	82	–	–	96
Securities sold under agreements to repurchase	–	181,748	–	–	–	181,748
Bonds payable	–	367	11,101	–	–	11,468
Commission and brokerage payable	923	4,385	608	26	–	5,942
Lease liabilities	–	846	1,447	692	–	2,985
Others	714	40,240	1,700	–	–	42,654
Sub-total	1,637	227,600	14,938	718	–	244,893
Net amount	28,994	(13,686)	572,396	2,542,440	530,929	3,661,073

XII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity analysis of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows: (continued)

	31 December 2023					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	30,906	549	–	–	–	31,455
Derivative financial assets	–	17	–	–	–	17
Securities purchased under agreements to resell	–	2,809	–	–	–	2,809
Term deposits	–	52,866	124,687	587	–	178,140
Financial investments:						
Financial assets at fair value through profit or loss	454	26,543	55,426	200,178	367,031	649,632
Financial assets at amortised cost	–	17,859	34,492	56,912	–	109,263
Debt investments at fair value through other comprehensive income	–	96,126	347,151	1,604,815	–	2,048,092
Equity investments at fair value through other comprehensive income	–	4,662	25,680	1,033	69,488	100,863
Restricted statutory deposits	–	3,883	3,648	–	–	7,531
Others	958	8,612	2,112	–	2	11,684
Sub-total	32,318	213,926	593,196	1,863,525	436,521	3,139,486
Financial liabilities:						
Derivative financial liabilities	–	10	11	–	–	21
Securities sold under agreements to repurchase	–	115,892	–	–	–	115,892
Bonds payable	–	367	11,468	–	–	11,835
Commission and brokerage payable	994	4,160	693	14	–	5,861
Lease liabilities	–	1,021	1,772	731	–	3,524
Others	405	31,660	1,814	–	–	33,879
Sub-total	1,399	153,110	15,758	745	–	171,012
Net amount	30,919	60,816	577,438	1,862,780	436,521	2,968,474

The tables below summarise the maturity analysis of the Group's insurance contract liabilities' present value of the future cash flows as at the balance sheet date. The maturity analysis does not include the parts of insurance contract liabilities that relate to remaining coverage under the premium allocation approach:

	31 December 2024						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Present value of the future cash flows of insurance contract liabilities	(4,195)	(28,617)	29,908	43,158	67,489	1,691,778	1,799,521

XII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2024				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flows not included in lease liabilities	33	26	45	7	111

	As at 31 December 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flows not included in lease liabilities	62	68	124	108	362

The table below summarises the expected utilisation or settlement of assets and liabilities:

	As at 31 December 2024		Total
	Current	Non-current	
Assets:			
Cash at bank and on hand	29,357	–	29,357
Derivative financial assets	13	13	26
Securities purchased under agreements to resell	10,905	–	10,905
Term deposits	25,296	148,522	173,818
Financial investments:			
Financial assets at fair value through profit or loss	383,995	283,204	667,199
Financial assets at amortised cost	15,430	49,414	64,844
Debt investments at fair value through other comprehensive income	66,871	1,541,101	1,607,972
Equity investments at fair value through other comprehensive income	103,727	38,287	142,014
Restricted statutory deposits	626	6,225	6,851
Insurance contract assets	22	–	22
Reinsurance contract assets	21,524	24,557	46,081
Others	9,106	4,409	13,515
Total	666,872	2,095,732	2,762,604
Liabilities:			
Derivative financial liabilities	14	82	96
Securities sold under agreements to repurchase	181,695	–	181,695
Bonds payable	–	10,286	10,286
Insurance contract liabilities	60,975	2,168,539	2,229,514
Commission and brokerage payable	5,308	634	5,942
Lease liabilities	797	1,925	2,722
Others	40,854	1,800	42,654
Total	289,643	2,183,266	2,472,909

XII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities: (continued)

	As at 31 December 2023		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	31,455	–	31,455
Derivative financial assets	17	–	17
Securities purchased under agreements to resell	2,808	–	2,808
Term deposits	51,561	113,940	165,501
Financial investments:			
Financial assets at fair value through profit or loss	386,825	194,777	581,602
Financial assets at amortised cost	14,056	68,278	82,334
Debt investments at fair value through other comprehensive income	48,934	1,198,501	1,247,435
Equity investments at fair value through other comprehensive income	73,209	24,756	97,965
Restricted statutory deposits	3,740	3,365	7,105
Insurance contract assets	335	–	335
Reinsurance contract assets	21,632	18,122	39,754
Others	9,262	1,972	11,234
Total	643,834	1,623,711	2,267,545
Liabilities:			
Derivative financial liabilities	10	11	21
Securities sold under agreements to repurchase	115,819	–	115,819
Bonds payable	286	9,999	10,285
Insurance contract liabilities	56,359	1,816,261	1,872,620
Commission and brokerage payable	5,154	707	5,861
Lease liabilities	911	2,184	3,095
Others	32,065	1,814	33,879
Total	210,604	1,830,976	2,041,580

5. Operational risk

Operation risk is the risk of loss arising from existed issues on internal procedures, employees and information system failure, and impacts from the external events. When controls fail to perform, operational risk can affect the steady development and reputation of the company, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational system procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

XII. RISK MANAGEMENT (continued)

6. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is lack of investment in assets with a duration of sufficient length to match the duration of its medium and long-term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the board of directors of the Group has the Strategy and Investment Decision & ESG Committee and Risk Management Committee to make significant decisions on asset-liability management. Besides, the Executive Management Committee of the Group has an asset-liability working group which is responsible for providing professional support for asset-liability management and matching.

7. Capital management risk

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholder value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

Group	31 December 2024	31 December 2023
Core capital	358,078	303,908
Actual capital	503,745	456,938
Minimum required capital	197,079	178,017
Core solvency margin ratio	182%	171%
Comprehensive solvency margin ratio	256%	257%

CPIC Life	31 December 2024	31 December 2023
Core capital	213,418	173,981
Actual capital	345,510	312,005
Minimum required capital	164,313	148,723
Core solvency margin ratio	130%	117%
Comprehensive solvency margin ratio	210%	210%

XII. RISK MANAGEMENT (continued)

7. Capital management risk (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules: (continued)

CPIC Property	31 December 2024	31 December 2023
Core capital	58,153	47,415
Actual capital	70,698	61,775
Minimum required capital	31,852	28,898
Core solvency margin ratio	183%	164%
Comprehensive solvency margin ratio	222%	214%

CPIC Health	31 December 2024	31 December 2023
Core capital	3,294	3,134
Actual capital	4,040	3,488
Minimum required capital	1,716	1,352
Core solvency margin ratio	192%	232%
Comprehensive solvency margin ratio	235%	258%

PAAIC	31 December 2024	31 December 2023
Core capital	2,868	2,836
Actual capital	3,153	3,128
Minimum required capital	940	831
Core solvency margin ratio	305%	341%
Comprehensive solvency margin ratio	335%	376%

XIII. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 6 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of the Group's unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

XIII. STRUCTURED ENTITIES (continued)

As at 31 December 2024, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2024				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by the Group	278,279	–	–	–	Management fee
Insurance asset management products managed by the Group	505,223	142,907	144,544	144,135	Investment income and management fee
Securities investment funds managed by the Group	99,806	6,475	6,497	–	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	146,094	151,516	151,158	Investment income
Trust products managed by third parties	Note 1	58,347	58,646	58,564	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	9,228	9,331	9,331	Investment income
Securities investment funds managed by third parties	Note 1	59	37	37	Investment income
Total		363,110	370,571	363,225	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities was not publicly available.

The Group's interests in unconsolidated structured entities are included in the investment in asset management products, debt investment plans and funds under financial assets at fair value through profit or loss, debt investment plans and trust products under financial assets at amortised cost, and debt investment plans, trust products and long-term equity investments under debt investments at fair value through other comprehensive income.

XIV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 28).

The Group's financial assets mainly include cash at bank and on hand, derivative financial assets, securities purchased under agreements to resell, term deposits, financial assets at fair value through profit or loss, financial assets at amortised cost, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income, and restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase and bonds payable, etc.

XIV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of financial assets at amortised cost and bonds payable (31 December 2023: financial assets at amortised cost and bonds payable) whose fair values are not presented in the consolidated balance sheet.

	31 December 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets at amortised cost	64,844	70,062	82,334	84,956
Financial liabilities:				
Bonds payable	10,286	10,758	10,285	10,462

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

XV. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted prices from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

XV. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determination to classify fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	31 December 2024			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Term deposits measured at fair value	–	–	132,893	132,893
Financial assets at fair value through profit or loss				
– Stocks	178,823	–	190	179,013
– Funds	63,249	7,223	–	70,472
– Bonds	8,902	265,045	388	274,335
– Others	15,117	4,939	123,323	143,379
	266,091	277,207	123,901	667,199
Debt investments at fair value through other comprehensive income				
– Bonds	1,538	1,341,350	3,107	1,345,995
– Others	–	851	261,126	261,977
	1,538	1,342,201	264,233	1,607,972
Equity investments at fair value through other comprehensive income				
– Stocks	71,506	–	4,546	76,052
– Preferred stocks	–	12,642	–	12,642
– Others	547	18,878	33,895	53,320
	72,053	31,520	38,441	142,014
Derivative financial assets	–	26	–	26
Liabilities measured at fair value				
Derivative financial liabilities	–	96	–	96
Assets for which fair values are disclosed				
Financial assets at amortised cost (Note XIV)	–	25,765	44,297	70,062
Investment properties (Note VI 11)	–	–	14,169	14,169
Liabilities for which fair values are disclosed (Note XIV)				
Bonds payable	–	–	10,758	10,758

XV. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities (continued):

	31 December 2023			Total fair value
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Term deposits measured at fair value	–	–	131,307	131,307
Financial assets at fair value through profit or loss				
– Stocks	160,555	–	790	161,345
– Funds	58,491	7,326	–	65,817
– Bonds	9,113	190,384	454	199,951
– Others	14,482	22,379	117,628	154,489
	242,641	220,089	118,872	581,602
Debt investments at fair value through other comprehensive income				
– Bonds	542	937,447	–	937,989
– Others	–	604	308,842	309,446
	542	938,051	308,842	1,247,435
Equity investments at fair value through other comprehensive income				
– Stocks	23,963	–	3,147	27,110
– Preferred stocks	–	12,597	–	12,597
– Others	–	28,477	29,781	58,258
	23,963	41,074	32,928	97,965
Derivative financial assets	–	17	–	17
Liabilities measured at fair value				
Derivative financial liabilities	–	21	–	21
Assets for which fair values are disclosed				
Financial assets at amortised cost (Note XIV)	–	27,579	57,377	84,956
Investment properties (Note VI 11)	–	–	15,783	15,783
Liabilities for which fair values are disclosed (Note XIV)				
Bonds payable	–	–	10,462	10,462

For the year ended 31 December 2024, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. For the year ended 31 December 2024, the Group transferred the bonds with a carrying amount of approximately RMB 223 million from Level 1 to Level 2 and no bond was transferred from Level 2 to Level 1. For the year ended 31 December 2023, the Group has no bond transferred from Level 1 to Level 2 and from Level 2 to Level 1.

XV. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	2024							End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Transferred out Level 3	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	
Financial assets at fair value through profit or loss	118,872	24,871	(19,878)	3,698	–	(3,662)	–	123,901
– Stocks	790	138	(791)	–	–	53	–	190
– Bonds	454	–	–	–	–	(66)	–	388
– Others	117,628	24,733	(19,087)	3,698	–	(3,649)	–	123,323
Debt investments at fair value through other comprehensive income	308,842	22,238	(71,711)	3,119	–	(152)	1,897	264,233
– Bonds	–	–	–	3,119	–	–	(12)	3,107
– Others	308,842	22,238	(71,711)	–	–	(152)	1,909	261,126
Equity investments at fair value through other comprehensive income	32,928	10,909	(4,601)	–	–	–	(795)	38,441
– Stocks	3,147	4,478	(2,117)	–	–	–	(962)	4,546
– Others	29,781	6,431	(2,484)	–	–	–	167	33,895

	2023							End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Transferred out Level 3	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	
Financial assets at fair value through profit or loss	105,822	34,852	(18,000)	52	(4,396)	542	–	118,872
– Stocks	8,897	1,327	(5,831)	52	(3,010)	(645)	–	790
– Bonds	2,544	–	(1,281)	–	(1,386)	577	–	454
– Others	94,381	33,525	(10,888)	–	–	610	–	117,628
Debt investments at fair value through other comprehensive income	342,224	70,736	(105,163)	–	(1,664)	(114)	2,823	308,842
– Bonds	3,119	–	(1,400)	–	(1,664)	(61)	6	–
– Others	339,105	70,736	(103,763)	–	–	(53)	2,817	308,842
Equity investments at fair value through other comprehensive income	34,045	5,076	(6,755)	–	–	–	562	32,928
– Stocks	3,070	–	–	–	–	–	77	3,147
– Others	30,975	5,076	(6,755)	–	–	–	485	29,781

XV. FAIR VALUE MEASUREMENT (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments, etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use parameters as unobservable inputs to the model, major assumptions include the expected time-to-market of unlisted equity investments, and the major parameters include discount rate, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

As at 31 December 2024, the major unobservable parameters of the Group's major Level 3 financial instruments are as follows:

Valuation method	Unobservable inputs	Range	Impact on fair value
Discounted cash flow	Discount rate	1.45%-39.06%	Fair value is inversely proportional to the discount rate
Comparable company analysis	Liquidity discount	0.00%-30.00%	Fair value is inversely proportional to the liquidity discount

As at 31 December 2023, the major unobservable parameters of the Group's major Level 3 financial instruments are as follows:

Valuation method	Unobservable inputs	Range	Impact on fair value
Discounted cash flow	Discount rate	3.00%-15.08%	Fair value is inversely proportional to the discount rate
Comparable company analysis	Liquidity discount	0.00%-30.00%	Fair value is inversely proportional to the liquidity discount

XVI. EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant post balance sheet events.

XVII. OTHER IMPORTANT EVENT

1. Directors' and supervisors' remuneration

(in RMB thousand)	2024	2023
Fees	1,600	1,350
Other remuneration		
– Salaries, allowances and other short-term benefits	5,311	5,526
– Contributions to defined contribution plans	1,311	1,491
– Deferred bonus (Note)	–	–
– Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	–	–
Sub-total	6,622	7,017
Total	8,222	8,367

Note: In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

XVII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(1) Independent non-executive directors

Included in the fees is an amount of RMB 1,600 thousand paid to independent non-executive directors for the year ended 31 December 2024 (2023: RMB 1,350 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2024.

(in RMB thousand)	2024					Total
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
LAM Tyng Yih, Elizabeth	350	—	—	—	—	350
CHEN Jizhong ¹	—	—	—	—	—	—
JIANG Xuping	350	—	—	—	—	350
LIU Xiaodan	350	—	—	—	—	350
CHIN Hung-i, David ²	250	—	—	—	—	250
LO Yuen Man, Elaine	300	—	—	—	—	300
	1,600	—	—	—	—	1,600

¹ In February 2024, Mr. CHEN Jizhong ceased to serve as the independent non-executive director.

² In February 2024, Mr. CHIN Hung-i, David started to serve as the independent non-executive director.

(in RMB thousand)	2023					Total
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
LAM Tyng Yih, Elizabeth	350	—	—	—	—	350
CHEN Jizhong	—	—	—	—	—	—
JIANG Xuping	350	—	—	—	—	350
LIU Xiaodan	350	—	—	—	—	350
WOO Ka Biu, Jackson	175	—	—	—	—	175
LO Yuen Man, Elaine	125	—	—	—	—	125
	1,350	—	—	—	—	1,350

XVII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors

	2024				
(in RMB thousand)	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei ^{1,2}	—	71	31	—	102
FU Fan ¹	—	857	365	—	1,222
ZHAO Yonggang ^{1,3}	—	1,015	366	—	1,381
Non-executive directors:					
HUANG Dinan	—	—	—	—	—
CHEN Ran	—	300	—	—	300
WU Junhao ⁴	—	—	—	—	—
WANG Tayu	—	300	—	—	300
ZHOU Donghui	—	—	—	—	—
John Robert Dacey	—	—	—	—	—
LU Qiaoling	—	300	—	—	300
XIE Weiqing ⁵	—	—	—	—	—
CAI Qiang ⁵	—	75	—	—	75
	—	2,918	762	—	3,680

¹ The final amount of remuneration of Mr. KONG Qingwei, Mr. FU Fan and Mr. ZHAO Yonggang is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

² In January 2024, Mr. KONG Qingwei ceased to serve as executive director of the Company due to his age.

³ In April 2024, Mr. ZHAO Yonggang served as executive director of the Company.

⁴ In February 2024, due to the expiration of his term of office, Mr. WU Junhao ceased to serve as a non-executive director of the Company.

⁵ In September 2024, Mr. XIE Weiqing and Mr. CAI Qiang served as non-executive directors of the Company.

XVII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors (continued)

(in RMB thousand)	2023				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
Executive directors:					
KONG Qingwei ¹	—	856	373	—	1,229
FU Fan	—	1,015	373	—	1,388
Non-executive directors:					
HUANG Dinan	—	—	—	—	—
CHEN Ran	—	300	—	—	300
WU Junhao	—	—	—	—	—
WANG Tayu	—	300	—	—	300
ZHOU Donghui	—	—	—	—	—
John Robert Dacey	—	—	—	—	—
LU Qiaoling	—	300	—	—	300
	—	2,771	746	—	3,517

¹ For the remuneration of executive directors and non-executive directors disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2023, excluding the amount disclosed above, is as follows: Mr. KONG Qingwei RMB 0.796 million (before tax).

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB 300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB 50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao, Mr. XIE Weiqing, Mr. ZHOU Donghui and Mr. John Robert Dacey, the non-executive director, waived remuneration during 2024 (2023: Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui and Mr. John Robert Dacey). Mr. CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2024 (2023: Mr. CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. XIE Weiqing, Mr. ZHOU Donghui, Mr. John Robert Dacey and Mr. CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2024.

XVII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(3) Supervisors

(in RMB thousand)	2024				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
ZHU Yonghong	—	—	—	—	—
JI Zhengrong ^{1,2}	—	128	62	—	190
ZHOU Liyun ^{1,4}	—	257	122	—	379
LU Ning ³	—	—	—	—	—
DONG Zhiqiang ⁴	—	—	—	—	—
GU Qiang	—	2,008	365	—	2,373
	—	2,393	549	—	2,942

¹ The final amount of remuneration of Mr. JI Zhengrong and Ms. ZHOU Liyun are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

² In February 2024, Mr. JI Zhengrong ceased to serve as supervisor of the Company due to his age.

³ In September 2024, due to the expiration of his term of office, Mr. LU Ning ceased to serve as the supervisor of the Company.

⁴ In September 2024, Ms. ZHOU Liyun and Mr. DONG Zhiqiang served as supervisors of the Company.

(in RMB thousand)	2023				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
ZHU Yonghong	—	—	—	—	—
JI Zhengrong	—	771	373	—	1,144
LU Ning	—	—	—	—	—
GU Qiang	—	1,983	373	—	2,356
	—	2,754	746	—	3,500

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB 300,000 (before tax) per year. Mr. ZHU Yonghong, Mr. LU Ning and Mr. DONG Zhiqiang, the supervisor, had waived remuneration during 2024. Except for Mr. ZHU Yonghong, Mr. LU Ning and Mr. DONG Zhiqiang, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2024 (2023: ZHU Yonghong and LU Ning).

XVII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(4) Directors' retirement benefits

There were no retirement benefits paid to directors during 2024 and 2023.

(5) Directors' termination benefits

There were no termination benefits paid to directors during 2024 and 2023.

(6) Consideration provided to third parties for making available directors' services

There were no payments to third parties for making available directors' services during 2024 and 2023.

(7) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2024 and 2023.

(8) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

2. Five highest paid individuals

The five individuals whose remuneration were the highest for the year ended 31 December 2024 in the Group include no director (2023: no director) whose emoluments were reflected in the analysis presented in Note XVII 1.

The number of non-directors, highest paid individuals whose remuneration fell within the following bands is set out below:

	2024	2023
HKD 3,500,001 to HKD 4,000,000	1	–
HKD 4,000,001 to HKD 4,500,000	3	–
HKD 4,500,001 to HKD 5,000,000	1	–
HKD 5,000,001 to HKD 5,500,000	–	–
HKD 5,500,001 to HKD 6,000,000	–	–
HKD 6,000,001 to HKD 6,500,000	–	–
HKD 6,500,001 to HKD 7,000,000	–	–
HKD 7,000,001 to HKD 7,500,000	–	–
HKD 7,500,001 to HKD 8,000,000	–	–
HKD 8,000,001 to HKD 8,500,000	–	–
HKD 8,500,001 to HKD 9,000,000	–	–
HKD 9,000,001 to HKD 9,500,000	–	2
HKD 9,500,001 to HKD 10,000,000	–	2
HKD 10,000,001 to HKD 10,500,000	–	–
HKD 10,500,001 to HKD 11,000,000	–	–
HKD 11,000,001 to HKD 11,500,000	–	–
HKD 11,500,001 to HKD 12,000,000	–	–
HKD 12,000,001 to HKD 12,500,000	–	–
HKD 12,500,001 to HKD 13,000,000	–	1
Total	5	5

XVII. OTHER IMPORTANT EVENT (continued)

2. Five highest paid individuals (continued)

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	2024	2023
Salaries, allowances and other short-term benefits	8,370	16,728
Discretionary bonuses	8,699	27,184
Contributions to defined contribution plans	2,260	2,737
	19,329	46,649
The number of non-director individuals for the above remuneration	5	5

XVIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 26 March 2025.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2024		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	16.6%	4.67	4.67
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	16.6%	4.67	4.67

The Company had no dilutive potential ordinary shares in 2024.

	2023		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	11.4%	2.83	2.83
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	11.4%	2.82	2.82

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	2024	2023
Net profit attributable to shareholders of the parent	44,960	27,257
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(220)	(219)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(2)	(23)
Custody fees of entrusted operation	(5)	(62)
Other net non-operating income and expenses other than aforesaid items	161	128
Effect of income tax relating to non-recurring profit or loss	32	53
Net profit less non-recurring gains	44,926	27,134
Less: Net non-recurring profit or loss attributable to non-controlling interests	–	1
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	44,926	27,135

It is implemented in accordance with the provisions of the Explanatory Announcement No. 1 on Information Disclosure of the Companies Issuing Securities Publicly – Non-Recurring Profit or Loss (Revised in 2023) issued by the China Securities Regulatory Commission in December 2023.

Auditor's Report

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

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

(I) Opinion

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

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

(II) Basis for opinion

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

(III) Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities As at 31 December 2023, the carrying amount of CPIC's insurance contract liabilities was RMB 1,872.6 billion, representing 90% of the total liabilities. We identified the valuation of insurance contract liabilities as a key audit matter, as it requires significant estimations and judgements. The valuation of insurance contract liabilities involves significant judgements and estimates over the level of aggregation of insurance contracts, the appropriateness of the measurement approach, the determination of coverage units and the uncertain future cash flows. The valuation of insurance contract liabilities also involves the application of complex actuarial models, and a high degree of judgement and estimation is used by management in determining assumptions as well. Key assumptions used in measuring insurance contract liabilities include mortality, morbidity, surrender rates, discount rates, expenses assumptions, loss ratios, policy dividends assumptions and risk adjustment for non-financial risk, etc. Relevant disclosures are included in Note III 21, Note III 31, Note VII 29 and Note XIII 1 of the consolidated financial statements.	With the support of our internal experts, we performed relevant audit procedures, which mainly included the following: - Reviewed CPIC's accounting policies in relation to the valuation of insurance contract liabilities, including tests of significant insurance risk, the level of aggregation, recognition and valuation of insurance contracts, and transition, etc. - Understood, evaluated and tested the management's design and operating effectiveness of relevant internal controls over the valuation of insurance contract liabilities, including the internal controls over determination and approval of key assumptions, data collection and analysis, the IT systems, IT general controls, data transmission between systems and computation, etc. in relation to the valuation of insurance contract liabilities. - Tested the completeness and accuracy of the underlying data used in the valuation of insurance contract liabilities. - Evaluated key assumptions used in the valuation of insurance contract liabilities by comparison with CPIC's historical data and applicable industry experiences and considering the reasonableness of the relevant management's judgements. - Assessed the appropriateness of the valuation approaches of insurance contract liabilities, reviewed by performing procedures such as independent recalculation of insurance contract liabilities of selected major typical insurance products or groups of insurance contracts. - Evaluated the overall reasonableness of the insurance contract liabilities by analysing the movements of insurance contract liabilities during the reporting period and assessing the impact of key changes.
Valuation of level 3 investments measured at fair value As at 31 December 2023, the carrying amount of CPIC's level 3 investments measured at fair value was RMB 591.9 billion, representing 25% of the total assets. We identified the valuation of level 3 investments measured at fair value as a key audit matter, as they were measured based on valuation models and inputs and assumptions that are not directly observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 investments measured at fair value was considered significant. Relevant disclosures are included in Note III 29, Note III 31 and Note XVI to the consolidated financial statements.	We performed relevant audit procedures which mainly included the following: Understood, evaluated and tested the key controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuation inputs provided by data vendors. The audit procedures related to the measurement of level 3 investments measured at fair value: - Assessed valuation model methodologies against industry practice and valuation guidelines; - Compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields; - Performed independent check of the valuation results of selected illiquid investments by using inputs from external sources that were not directly observable.

(IV) Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Guo Hangxiang
(Engagement partner)

Chinese Certified Public Accountant: Wang Ziqing

Beijing,

The People's Republic of China

28 March 2024

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

The financial statements are signed by the persons below:

FU Fan
Legal representative

ZHANG Yuanhan
Principal in charge of accounting

XU Zhen
Head of accounting department

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

CONSOLIDATED INCOME STATEMENT (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

CONSOLIDATED CASH FLOW STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

I. GENERAL INFORMATION

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

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

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

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

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

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

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

II. BASIS OF PREPARATION

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

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

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

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

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

1. Accounting year

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

2. Reporting currency

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

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

3. Basis of accounting and measurement bases

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

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

4. Determination and selection of materiality

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

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

5. Business combinations

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control

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

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

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

5. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

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

- (1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment;
- (2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

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

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

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

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

5. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

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

6. Consolidated financial statements

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

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

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

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

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

6. Consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

6. Consolidated financial statements (continued)

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

- (1) In the separate financial statements, the remaining equity is recognised as long-term equity investments or other related financial assets at the carrying amount; if, after partial disposal of equity investment, the remaining equity interest enables the Group to exercise joint control or significant influence over the original subsidiary, the equity investment is accounted for using the equity method in accordance with the relevant requirements for change of the accounting method from the cost method;
- (2) In the consolidated financial statements, the remaining equity is remeasured at the fair value at the date when the control is lost; the difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the portion of net assets calculated continuously from the acquisition date of the original subsidiaries based on the original shareholding proportion is recognised as investment income for the current period in which the control is lost; and other comprehensive income related to the original subsidiaries' equity investment is transferred into investment income for the period in which the control is lost.

7. Cash equivalents

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

8. Foreign currency transactions

Foreign currency transactions are converted into the reporting currency.

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

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

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

8. Foreign currency transactions (continued)

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

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

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

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

10. Long-term equity investments

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

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

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

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

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

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

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

10. Long-term equity investments (continued)

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

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

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

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

11. Investment properties

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

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

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

11. Investment properties (continued)

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

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

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

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

12. Fixed assets

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

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

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

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

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

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

13. Construction in progress

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

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

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

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

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

14. Intangible assets (continued)

The useful lives of major intangible assets are as follows:

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

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

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

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

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

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

15. Long-term deferred expenses

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

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

16. Debt assets

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

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

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

17. Financial instruments (applicable from 1 January 2023)

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

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

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

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

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

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

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

Classification and measurement of financial assets (continued)

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

Debt investments measured at amortised cost

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

Debt investments at fair value through other comprehensive income

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

Equity investments at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

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

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

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

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities measured at amortised cost

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

Impairment of financial assets

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

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

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

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

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

Impairment of financial assets (continued)

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

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

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

Offsetting of financial instruments

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

Derivative financial instruments

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

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

Transfer of financial assets

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

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

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

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

18. Financial instruments (only applicable for 2022)

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

Recognition and derecognition of financial instruments

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

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

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

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

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

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

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

Classification and measurement of financial assets

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

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

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

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivative financial instruments

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

Impairment of financial assets

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

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

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

Impairment of financial assets (continued)

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

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

Financial assets at amortised cost

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

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

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

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

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

Impairment of financial assets (continued)

Available-for-sale financial assets

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

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

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

Transfer of financial assets

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

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

Offsetting of financial assets and financial liabilities

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

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

19. Asset impairment

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

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

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

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

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

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

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

20. Insurance security fund

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

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

21. Insurance contracts

21.1 Definition of insurance contracts

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

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

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

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

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

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

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

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

21.2 Identification, combination and separation of insurance contracts

Identification of insurance contracts

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

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

21. Insurance contracts (continued)

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

Identification of insurance contracts (continued)

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

- (a) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to pay significant additional amounts, even if the insured event is extremely unlikely, or even if the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts payable if an insured event occurs that exceed those that would be payable if no insured event had occurred (including claims handling and assessment costs). Absence of discernible effect on the economics indicates lack of commercial substance;
- (b) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to incur a loss on a present value basis. A loss is determined to be incurred due to the insured event if such event causes the future cash outflows to exceed inflows, on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

Combination of insurance contracts

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

Separating components from insurance contracts

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

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

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

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

21. Insurance contracts (continued)

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

Separating components from insurance contracts (continued)

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

- (a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if one of the following conditions are met:
 - (i) it is unable to measure a component separately, i.e., it is unable to measure one component without considering the other. If the value of one component varies according to the value of the other, the two components are highly interrelated;
 - (ii) the policyholder is unable to benefit from a component separately, and can only benefit when both components are present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated.
- (b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

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

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

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

21.3 Grouping of insurance contracts

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

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

21. Insurance contracts (continued)

21.3 Grouping of insurance contracts (continued)

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

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

21.4 Recognition of insurance contracts

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

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

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

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

21.5 Measurement of insurance contracts

21.5.1 General model

Measurement on initial recognition

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

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

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.1 General model (continued)

Measurement on initial recognition (continued)

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

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

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

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.1 General model (continued)

Subsequent measurement

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.1 General model (continued)

Subsequent measurement (continued)

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

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

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

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

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

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

- (a) the effect of contracts added to the group in the period on the contractual service margin;
- (b) the change in the amount of the Group's share of the fair value of the underlying items, except to the extent that:
 - if the Group mitigates the effect of financial risk using derivatives or reinsurance contracts held, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the amount of the Group's share of the underlying items as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
 - the decrease in the amount of the Group's share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss;
 - the increase in the amount of the Group's share of the fair value of the underlying items reverses the loss component of the liability for remaining coverage.
- (c) the changes in fulfilment cash flows relating to future service and do not vary based on the returns on underlying items, except to the extent that:
 - if the Group mitigates the effect of financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the fulfilment cash flows as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
 - such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss;
 - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

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

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

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

21.5.3 Special measurement approach for onerous groups of contracts

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

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

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

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

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

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

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

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

21.6 Recognition and measurement of investment contracts with discretionary participation features

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

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

21.7 Recognition and measurement of groups of reinsurance contracts held

21.7.1 Recognition of groups of reinsurance contracts held

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

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

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

21. Insurance contracts (continued)

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

21.7.2 Measurement of groups of reinsurance contracts held

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

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

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

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

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

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

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

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

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

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

21. Insurance contracts (continued)

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

21.7.2 Measurement of groups of reinsurance contracts held (continued)

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

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.8 Modification and derecognition

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

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

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

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

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

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

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

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

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

21. Insurance contracts (continued)

21.9 Presentation

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

22. Provisions

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

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

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

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

23. Dividend distribution

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

24. Revenue

Insurance revenue

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

Interest income

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

Management fee income

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

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

25. Leases

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

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

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

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

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

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

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

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

26. Government grants

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

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

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

26. Government grants (continued)

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

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

27. Income tax

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

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

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

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

- (1) When the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss and the initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

27. Income tax (continued)

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

- (1) When the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or deductible loss and the initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

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

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

If the Group has the legal right to settle current income tax assets and current income tax liabilities through net amount, and the deferred income tax is relevant to the same taxpayer and the same tax collection and administration department, the net amount, obtained after the deferred income tax assets and the deferred income tax liabilities are offset, is presented.

28. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

According to relevant Chinese laws and regulations, all employees of the Group within the territory of China must participate in employee social security plans, including pension schemes, medical insurance, housing fund and other welfare benefits, organised and administered by the governmental authorities. For Hong Kong employees of the Group, the Group participates in the Mandatory Provident Fund Scheme in accordance with the contribution ratio required by corresponding regulations.

The Group's obligation to the above social securities is to pay social pooling insurance fees to social insurance authorities in accordance with the prescribed percentage of total wages. The contribution shall be managed and paid to retired employees through labour and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the social security plans. Forfeited contributions by those employees are not used to reduce the existing level of contributions.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Employee benefits (continued)

The Group's employees in some regions of China have also participated in the employer-sponsored enterprise annuity plan (the "Annuity Plan"). The Group shall contribute to the Annuity Fund in accordance with agreed base and percentage. Forfeited contributions by those employees who quit the Annuity Plan prior to the full vesting of their contributions are not used to reduce the existing level of contributions but are transferred to the public account of the Annuity Plan to be allocated to the members of the Annuity Plan after fulfilling the approval procedures by the Group.

In addition, the Group is not liable for any significant legal obligation or constructive obligation to further pay employee retirement benefits. Above expenses are recognised in profit or loss as incurred. The above retirement benefit plan falls into the defined contribution plan.

The Group pays various benefit expenses for employees who accept voluntary retirement before the normal retirement date stipulated by the state as approved by the Group from the month after the early retirement through the normal retirement date stipulated by the state, including the retirement pensions, and various insurance coordination fees to local social insurance authorities, etc. For early retirement benefits qualified for recognition, the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised by the Group as liabilities and charged to profit or loss for the current period.

The Group also operates deferred bonus plans for senior management and some of the key employees, which are accrued during the periods when employees provide services and are recognised as liabilities. The bonus is awarded based on the Group's annual performance appraisal indicators for the employees and the enterprises, and the payment is deferred.

29. Fair value measurement

Fair value is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on the measurement date. The Group measures relevant assets or liabilities at fair value. It is assumed that the sale of the assets or the transfer of liabilities is carried out in the principal market for the assets or liabilities. In case of no principal market, the Group assumes that the transaction is carried out in the most advantageous market for the assets or liabilities. The principal market (or the most advantageous market) is the trade market that the Group can enter on the measurement date. The Group adopts the assumptions that market participants use to maximise their economic benefits when pricing the assets or liabilities.

To measure non-financial assets at fair value, consider the ability of market participants to generate economic benefits by using the asset for optimal purpose, or to sell the asset to other market participants who are able to use it for optimal purpose.

The Group adopts the valuation technique that is applicable in the current circumstances and contains sufficient available data and other information supports, chooses inputs with features of assets or liabilities that are consistent with those market participants consider in related transactions of assets or liabilities, and should give priority to relevant observable inputs. Unobservable inputs are adopted only when relevant observable inputs are not available or feasible.

30. Contingent liabilities

Contingent liabilities are obligations arising from past events that may require the Group to assume. The Group does not recognise such obligations as they arise from events that cannot be fully controlled by the Group, or the outflow of economic benefits resulted from such obligations cannot be reliably measured. They are recognised as contingent liabilities when the above events that cannot be fully controlled by the Group occur or the outflow of economic benefits of such obligations can be reliably measured.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, the uncertainty of these assumptions and estimates may result in outcomes that may require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Estimates and judgements are continually evaluated by the Group based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances.

Significant judgements

In the process of applying the Group's accounting policies, the management has made the following judgements, which have significant effect on the amounts recognised in the financial statements:

(1) Business models (applicable from 1 January 2023)

The classification of financial assets at initial recognition should be based on the Group's business model for managing the financial assets. When determining the business model, what the Group considers include how the performance of financial assets are evaluated and reported to the key management, the risks affecting the performance of financial assets and the way in which those risks are managed and how the relevant managers of the business are compensated, etc.

(2) Contractual cash flow characteristics (applicable from 1 January 2023)

The classification of financial assets at initial recognition should be based on the financial asset's contractual cash flow characteristics, and the judgements on whether the contractual cash flows are consistent with a basic lending arrangement, which are solely payments of principal and interest on the outstanding principal. For example, when assessing the modification of the time value of money in the contractual cash flows, the judgement is needed to determine whether there is any significant difference from the benchmark cash flows, etc.

(3) Provision for impairment of available-for-sale equity financial instruments (only applicable for 2022)

The Group determines that provision for impairment of available-for-sale equity financial instruments should be made when there is a significant or prolonged decline in the fair value. The determination of what is significant or prolonged requires judgement by the management. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the severity of the decline in fair value and the financial position of the investees, etc.

(4) Determination of control over structured entities

When determining whether the Group controls the structured entities in which it acts as an asset manager, the Group considers all relevant facts and circumstances in assessing whether it is acting as an agent or as a principal to make decisions. If the Group is acting as a principal, it controls the structured entities. In assessing whether the Group is acting as a principal, the Group considers factors such as scope of the asset manager's decision-making authority in structured entities; substantial rights held by other parties, remuneration to which it is entitled and exposure to variability of returns by holding interest in the structured entities. Once the factors change because of the changes of relevant facts and circumstances, the Group will reassess.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Significant judgements (continued)

(5) Level of aggregation and recognition of insurance contracts

For insurance contracts issued to which the premium allocation approach is not applied, judgement is needed in assessing whether contracts that are onerous at initial recognition or have no significant possibility of becoming onerous subsequently, including the consideration of:

- the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- information used to make estimates of the profitability of the products.

(6) Appropriateness of measurement methods for insurance contracts

The Group assesses at inception of the insurance contracts whether they meet the conditions for applying premium allocation approach or variable fee approach. When making such assessments, management's judgement is needed based on a combined consideration of the contractual characteristics and relevant facts and circumstances.

(7) Determination of the coverage units

The Group allocates the contractual service margin to each coverage unit provided in the current period and expected to be provided in the future and recognises the allocated amounts to profit or loss in the current or future periods. The Group determines the number of coverage units in a group of contracts in each period during the coverage period based on the pattern of the provision of insurance contract services properly, i.e., considering the amount or quantity of the benefits provided under each contract and expected coverage period.

The Group estimates the amount or quantity of benefits provided by insurance contracts based on the pattern of the provision of insurance coverage service, investment-return service and investment-related service (if applicable) and the consideration of characteristics of the terms and claims of insurance contracts. For contracts providing multiple services, the Group estimates the relative weighting of the services based on the factors related to each service (including the maximum claim amount, investment components, etc).

The Group estimates the expected coverage period based on the terms of insurance contracts and the mortality and morbidity, surrender rates etc. as mentioned in the section 'Measurement of fulfilment cash flows of insurance contracts'.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are detailed below:

(1) Measurement of fulfilment cash flows of insurance contracts

As at the balance sheet date, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the fulfilment cash flows within the boundary of each insurance contract. The estimates of the fulfilment cash flows are determined by the possible outcomes and associated possibilities calculated under all circumstances, considering all reasonable and supportable information available at the balance sheet date without undue cost or effort, with consideration of certain non-financial risk.

The main assumptions used in measuring fulfilment cash flows include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expenses, policy dividend assumptions and risk adjustment for non-financial risk etc.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Estimation uncertainty (continued)

(1) Measurement of fulfilment cash flows of insurance contracts (continued)

(a) Discount rates

For cash flows of insurance contracts that do not vary based on the returns on underlying items, the discount rates are determined by a bottom-up approach, on the basis of considering the impact of the time value of money, the discounted rates assumption is determined by adding comprehensive premiums to the underlying interest rate curve. The comprehensive premiums include taxation impacts, the liquidity, and other relevant factors. The discounted rates assumption adopted as at 31 December 2023 was 2.67% to 4.80% (31 December 2022: 2.48% to 4.80%).

For cash flows of insurance contracts that vary based on the returns on underlying items, the discount rates are determined based on expected rate of returns of the corresponding investment portfolio.

The assumption of discount rates is affected by uncertain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors. The Group determines discount rate assumption based on the information available at the balance sheet date.

(b) Mortality and morbidity

Mortality assumption is determined based on the Group's historical mortality experiences as well as current and expected future development trends, etc. The Group presents its mortality assumptions using appropriate percentages of China Life Insurance Mortality Table (2010-2013).

Morbidity assumption is determined based on the industry's morbidity or the Group's products pricing assumption, analysis of historical morbidity experiences and expectations of current and future developments.

The uncertainty of mortality and morbidity are affected by factors, such as national lifestyle changes in the future, future development of medical technologies, continuing advancements in social conditions and other factors. The Group determines mortality and morbidity assumption based on all reasonable and supportable information available at the balance sheet date.

(c) Loss ratios

The Group determines reasonable estimates as loss ratio assumptions based on analysis of its historical claim experience and future development trends.

(d) Surrender rates

Surrender rate assumption is determined based on the Group's product types, the historical experiences, and estimates on current and future expectations. The surrender rate assumption varies by interest rates, product types and sale channels. The uncertainty of surrender rate is affected by factors, such as future macro-economy and market competition. The Group determines surrender rate assumption based on all reasonable and supportable information available at the balance sheet date.

(e) Expenses

Expense assumption is determined based on the analysis of expense and future expectation, including insurance acquisition cash flows, policy administration and maintenance costs, claim expenses, etc.

The uncertainty of expenses is affected by factors, such as inflation, and market competition. The Group determines expense assumption based on all reasonable and supportable information available at the balance sheet date.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Estimation uncertainty (continued)

(1) Measurement of fulfilment cash flows of insurance contracts (continued)

(f) Policy dividend

Policy dividend assumption is determined based on expected rate of returns of participating accounts, the Group's dividend policy, reasonable expectations of policyholders, etc.

The uncertainty of policy dividend is affected by the above factors. The Group determines policy dividend assumption based on all reasonable and supportable information available at the balance sheet date.

(g) Risk adjustment for non-financial risk

The Group applies techniques such as confidence level technique to determine the risk adjustment for non-financial risk. As at 31 December 2023, the confidence level for insurance contracts and reinsurance contracts that the Group issued and measured is 75% (the confidence level as at 31 December 2022: 75%).

(2) Fair values of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as reference to prices used in the most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same, a discounted cash flow analysis and option pricing models. For reference to other financial instruments, the instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are the best estimations made based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

(3) Impairment of financial instruments (applicable from 1 January 2023)

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

IV. CHANGE IN ACCOUNTING POLICIES

New financial instruments standards

In 2017, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting, Accounting Standard for Business Enterprises No. 37 - Financial Instruments Disclosure (collectively hereinafter referred to as the "new financial instruments standards"). The Group has adopted the "new financial instruments standards" since 1 January 2023.

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

In accordance with the new financial instruments standards, the Group chose not to restate the comparative information, and the Group recognised the adjustments to carrying amounts of financial assets and financial liabilities at the date of initial application in the opening balance of retained earnings or other comprehensive income of the period. The disclosures of related comparative information remain unchanged from the disclosure made in prior years.

The implementation of the new financial instruments standards has also resulted in changes in the recognition, classification and measurement of the Group's financial assets and financial liabilities, and in the accounting policies for the impairment of financial assets.

Details of accounting policies that the Group applied in the current periods under the new financial instruments standards are disclosed in Note III.17.

The following table summarises the impact of the implementation of new financial instruments standards on the Group's financial statement on 1 January 2023:

	31 December 2022	Impacted Amount	1 January 2023
ASSETS	2,071,336	34,410	2,105,746
Including: Cash at bank and on hand	33,134	4	33,138
Financial assets at fair value through profit or loss	26,560	(26,560)	-
Securities purchased under agreements to resell	21,124	10	21,134
Interest receivables	19,656	(19,656)	-
Term deposits	204,517	6,717	211,234
Available-for-sale financial assets	715,085	(715,085)	-
Held-to-maturity financial assets	514,250	(514,250)	-
Investments classified as loans and receivables	397,270	(397,270)	-
Financial investments:	-	1,711,596	1,711,596
Financial assets at fair value through profit or loss	-	415,758	415,758
Financial assets at amortised cost	-	91,428	91,428
Debt investments at fair value through other comprehensive income	-	1,119,324	1,119,324
Equity investments at fair value through other comprehensive income	-	85,086	85,086
Restricted statutory deposits	7,290	313	7,603
Deferred income tax assets	19,661	(11,298)	8,363
Other assets	11,227	(111)	11,116
LIABILITIES	1,869,664	43	1,869,707
Including: Securities sold under agreements to repurchase	119,665	166	119,831
Interest payable	469	(469)	-
Bonds payable	9,999	303	10,302
Deferred income tax liabilities	568	(63)	505
Other liabilities	38,572	106	38,678
EQUITY	201,672	34,367	236,039
Including: Other comprehensive income	(11,581)	18,051	6,470
General reserves	21,071	1,621	22,692
Retained profits	92,588	14,180	106,768
Non-controlling interests	5,195	515	5,710

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023:

	Under the original financial instrument standards 31 December 2022		Reclassification	Remeasurement	Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount			Measurement categories	Carrying amount
Cash at bank and on hand	Amortised costs	33,134	4	-	Amortised costs	33,138
Securities purchased under agreements to resell	Amortised costs	21,124	10	-	Amortised costs	21,134
Restricted statutory deposits	Amortised costs	7,290	315	(2)	Amortised costs	7,603
Term deposits	Amortised costs	204,517	6,148	569	Amortised costs/Fair value through other comprehensive income	211,234
Including: Term deposits at fair value through other comprehensive income	Not applicable		163,523	592	Fair value through other comprehensive income	164,115
Term deposits at amortised cost		204,517	(157,375)	(23)	Amortised costs	47,119
Financial assets at fair value through profit or loss	Not applicable		415,696	62	Fair value through profit or loss	415,758
Transfer from: Financial assets at fair value through profit or loss			26,560	-		
Transfer from: Available-for-sale financial assets			383,895	-		
Transfer from: Held-to-maturity financial assets			1,225	(15)		
Transfer from: Investments classified as loans and receivables			3,096	77		
Transfer from: Interest receivables			920	-		
Financial assets at amortised cost	Not applicable		91,788	(360)	Amortised costs	91,428
Transfer from: Available-for-sale financial assets			14,591	(207)		
Transfer from: Held-to-maturity financial assets			16,148	-		
Transfer from: Investments classified as loans and receivables			60,260	(153)		
Transfer from: Interest receivables			789	-		
Debt investments at fair value through other comprehensive income	Not applicable		1,073,774	45,550	Fair value through other comprehensive income	1,119,324
Transfer from: Available-for-sale financial assets			231,513	-		
Transfer from: Held-to-maturity financial assets			496,877	42,960		
Transfer from: Investments classified as loans and receivables			333,914	2,590		
Transfer from: Interest receivables			11,470	-		

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023 (continued):

	Under the original financial instrument standards 31 December 2022		Reclassification	Remeasurement	Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount			Measurement categories	Carrying amount
Equity investments at fair value through other comprehensive income		Not applicable	85,086	-	Fair value through other comprehensive income	85,086
Transfer from: Available-for-sale financial assets			85,086	-		
Financial assets at fair value through profit or loss	Fair value through profit or loss	26,560	(26,560)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(26,560)	-		
Available-for-sale financial assets	Fair value through other comprehensive income	715,085	(715,085)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(383,895)	-		
Transfer to: Financial assets at amortised cost			(14,591)	-		
Transfer to: Debt investments at fair value through other comprehensive income			(231,513)	-		
Transfer to: Equity investments at fair value through other comprehensive income			(85,086)	-		
Held-to-maturity financial assets	Amortised costs	514,250	(514,250)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(1,225)	-		
Transfer to: Financial assets at amortised cost			(16,148)	-		
Transfer to: Debt investments at fair value through other comprehensive income			(496,877)	-		
Investments classified as loans and receivables	Amortised costs	397,270	(397,270)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(3,096)	-		
Transfer to: Financial assets at amortised cost			(60,260)	-		
Transfer to: Debt investments at fair value through other comprehensive income			(333,914)	-		
Interest receivables	Amortised costs	19,656	(19,656)			Not applicable
Securities sold under agreements to repurchase	Amortised costs	119,665	166		Amortised costs	119,831
Bonds payable	Amortised costs	9,999	303		Amortised costs	10,302
Interest payable	Amortised costs	469	(469)			Not applicable

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The table below summarises the effects on provision for impairment of financial assets on account of reclassification and remeasurement on the day of adopting to new financial instruments standards:

	31 December 2022	1 January 2023
Available-for-sale financial assets	10,221	-
Held-to-maturity financial assets	45	-
Investments classified as loans and receivables	1,221	-
Financial assets at amortised cost	-	818
Debt investments at fair value through other comprehensive income	-	2,684
Other financial assets	219	443
Total	11,706	3,945

The following table reconciles the impairment provisions measured by incurred loss model as at 31 December 2022 to which measured by ECLs under the new financial instruments standards as at 1 January 2023:

	Impairment provisions 31 December 2022	Reclassification	Remeasurement	Impairment provisions 1 January 2023
Financial assets at amortised cost	Not applicable	659	159	818
Transfer from: Available-for-sale financial assets		-	6	
Transfer from: Held-to-maturity financial assets		45	-	
Transfer from: Investments classified as loans and receivables		614	153	
Debt investments at fair value through other comprehensive income	Not applicable	2,172	512	2,684
Transfer from: Available-for-sale financial assets		1,608	65	
Transfer from: Held-to-maturity financial assets		-	8	
Transfer from: Investments classified as loans and receivables		564	439	

New insurance standard

In 2020, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 25 - Insurance Contracts (hereinafter referred to as the "new insurance standard"). The Group has adopted the new insurance standard from 1 January 2023, and comparatives information were restated according to requirements of the new insurance standard. The implementation of the new insurance standard resulted in significant changes in the recognition of insurance revenue and insurance service expenses, the measurement of insurance contract liabilities, the presentation in the financial statements, etc. Details of accounting policies related to insurance contracts that the Group applied in accordance with the new insurance standard are disclosed in Note III.21.

According to the requirements of the new insurance standard, the Group adopts the retrospective approach for the differences in accounting treatments of insurance contracts that are required by the new insurance standard and those that were applied before the date of initial application, except that for groups of contracts to which the full retrospective approach is impracticable on the transition date, the Group adopts the modified retrospective approach or the fair value approach for transition treatment.

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New insurance standard (continued)

In accordance with the new insurance standard, the Group is not required to disclose the amount of the retrospective adjustment for each financial statement line item affected for the current period and each prior period presented. Therefore, the Group has only summarised the impact of the adoption of the new insurance standard on key financial indicators for the comparative period, as disclosed below:

	Before changes in accounting policies 31 December 2022	Effect of changes in accounting policies	After changes in accounting policies 31 December 2022
Total assets	2,176,299	(104,963)	2,071,336
Total liabilities	1,942,171	(72,507)	1,869,664
Equity attributable to shareholders of the parent	228,446	(31,969)	196,477

V. TAXES

The main types of taxes and tax rates applicable to the Group in China are set out below:

Corporate income tax	-	25% on its taxable income under current tax laws and relevant regulations
Value-added tax ("VAT")	-	The taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) determined under current tax laws and relevant regulations, applicable tax rates: 3%, 5%, 6%, 9% or 13%
City maintenance and construction tax	-	1%, 5% or 7% of the VAT actually paid
Educational supplementary tax	-	3% of the VAT actually paid
Local educational supplementary tax	-	2% of the VAT actually paid

The main types of taxes and tax rates of payable by the Group with regard to its overseas businesses are paid in accordance with relevant regulations of local tax laws.

The taxes to be paid by the Group will be verified by relevant tax authorities.

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	19,948,088	19,948,088	98.50	-	98.50	(1)
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Joint stock limited company	Life and health insurance	Shanghai	The PRC	8,628,200	8,628,200	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited liability company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd. ("CPIC H.K.")	Limited liability company	Property and casualty insurance	Hong Kong	Hong Kong	HK\$ 250,000 thousand	HK\$ 250,000 thousand	100.00	-	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Shanghai Pacific Insurance Real Estate Management Co., Ltd. ("CPIC Real Estate")	Limited liability company	Real estate management	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Joint stock limited company	Pension fund and insurance asset management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited liability company	Investment management	Hong Kong	Hong Kong	HK\$ 200,000 thousand	HK\$ 200,000 thousand	12.25	87.46	100.00	
City Island Developments Limited ("City Island")	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 1,000	-	98.29	100.00	
Great Winwick Limited*	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Newscott Investments Limited *	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Shanghai Xin Hui Property Development Co., Ltd. * ("Xin Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 15,600 thousand	US\$ 15,600 thousand	-	98.29	100.00	
Shanghai He Hui Property Development Co., Ltd. * ("He Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 46,330 thousand	US\$ 46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited liability company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited liability company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited liability company	Senior living property investment and management, etc.	Shanghai	Shanghai	5,000,000	5,000,000	-	98.29	100.00	
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	The PRC	3,600,000	3,600,000	85.05	14.69	100.00	
Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	1,080,000	1,080,000	-	66.76	67.78	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited liability company	Medical consulting services, etc.	Shanghai	Shanghai	1,000,000	1,000,000	-	98.29	100.00	
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited liability company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited liability company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited liability company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	987,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	1,006,000	-	98.29	100.00	(2)
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited liability company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	900,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited liability company	Seniors care and health consultation, etc.	Chengdu	Chengdu	60,000	43,000	-	98.29	100.00	
CPIC Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company")	Limited liability company	Senior living property investment and construction, etc.	Nanjing	Nanjing	702,000	348,556	-	98.29	100.00	(3)
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	Limited liability company	"Migrant-style" senior living, etc.	Dali	Dali	608,000	608,000	-	74.70	76.00	(4)
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Limited liability company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	250,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Limited liability company	Seniors care and health consultation, etc.	Hangzhou	Hangzhou	60,000	30,200	-	98.29	100.00	(5)
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Senior living property investment and construction, etc.	Wuhan	Wuhan	980,000	980,000	-	98.29	100.00	(6)
CPIC Capital Company Limited. ("CPIC Capital")	Limited liability company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	
Shanghai Chongming Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Chongming)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	1,253,000	1,070,000	-	98.29	100.00	(7)

Operating results

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Shanghai	Shanghai	30,000	19,000	-	98.29	100.00	(8)
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited liability company	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00	
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited liability company	Life and health insurance	Hong Kong	Hong Kong	HK\$ 1,000,000 thousand	HK\$ 1,000,000 thousand	-	98.29	100.00	
CPIC Senior Living Development (Qingdao) Co., Ltd. ("Qingdao Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	193,000	-	98.29	100.00	(9)
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd. ("Pacific Care Home at Xiamen")	Limited liability company	Seniors care and health consultation, etc.	Xiamen	Xiamen	40,000	20,000	-	98.29	100.00	(10)
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Zhengzhou	Zhengzhou	650,000	368,500	-	98.29	100.00	(11)
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Beijing	Beijing	800,000	757,000	-	98.29	100.00	(12)
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	Technical services, cloud computing services, big data services	Shanghai	Shanghai	700,000	700,000	100.00	-	100.00	
Xinbaoyu (Guangzhou) Co., Ltd. ("Xinbaoyu")	Limited liability company	Business service, property management, and lease of non-residential real estate	Guangzhou	Guangzhou	3,650,000	3,649,990	-	98.46	100.00	
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Technical services, technical consulting services	Wuhan	Wuhan	100,000	100,000	-	100.00	100.00	
Pacific Health Management (Sanya) Co., Ltd. ("Sanya Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Sanya	Sanya	490,000	313,880	-	98.29	100.00	(13)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd. ("Pacific Care Home at Nanjing")	Limited liability company	Elderly services, health consulting services, etc.	Nanjing	Nanjing	30,000	7,000	-	98.29	100.00	(14)
Shanghai (Jing'an) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Jing'an)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	426,367	426,367	-	98.29	100.00	(15)
Pacific Care Home (Wuhan) Senior Living Service Co., Ltd. ("Pacific Care Home at Wuhan")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Wuhan	Wuhan	30,000	2,500	-	98.29	100.00	(16)
Xiamen Yuanshen Rehabilitation Hospital Co., Ltd. ("Yuanshen Hospital")	Limited liability company	Medical service, hospital management, etc.	Xiamen	Xiamen	160,000	-	-	98.29	100.00	(17)

* Subsidiaries of City Island

(1) CPIC Property

According to the "Proposal on the conversion of any provident fund into share capital and related party transactions of China Pacific Property Insurance Co., Ltd." approved by the shareholders' general meeting of CPIC Property, CPIC Property transferred 478,087,650 shares to all shareholders with discretionary surplus reserve, with a total amount of RMB 1.2 billion. The matter was approved by the former China Banking and Insurance Regulatory Commission on 27 February 2023, and the total share capital after the change is RMB 19.948 billion.

(2) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 1,200 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to RMB 1,006 million.

(3) Nanjing Project Company

Nanjing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 702 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to approximately RMB 349 million.

(4) Pacific Care Home at Dali

Pacific Care Home at Dali, a subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 608 million. As of 31 December 2023, CPIC Senior Living Investment has paid up all the investment.

(5) Pacific Care Home at Hangzhou

Pacific Care Home at Hangzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 60 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to approximately RMB 30 million.

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

(6) Wuhan Project Company

Wuhan Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 980 million. As of 31 December 2023, CPIC Life has paid up all the investment.

(7) Pacific Care Home at Shanghai (Chongming)

Pacific Care Home at Shanghai (Chongming) (originally named as Shanghai Fankun Real Estate Development Co., Ltd.), a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 1.253 billion. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 1,070 million.

(8) Pacific Care Home at Shanghai (Putuo)

Pacific Care Home at Shanghai (Putuo), a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 19 million.

(9) Qingdao Project Company

Qingdao Project Company, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 227 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 193 million.

(10) Pacific Care Home at Xiamen

Pacific Care Home at Xiamen, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 40 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 20 million.

(11) Zhengzhou Project Company

Zhengzhou Project Company, a wholly-owned subsidiary invested by CPIC Life, with registered capital of RMB 650 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to approximately RMB 369 million.

(12) Beijing Project Company

Beijing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 800 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to RMB 757 million.

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

(13) Sanya Project Company

Sanya Service Company, a wholly-owned subsidiary invested by CPIC Life, with registered capital of RMB 490 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to approximately RMB 314 million.

(14) Pacific Care Home at Nanjing

Pacific Care Home at Nanjing, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 7 million.

(15) Pacific Care Home at Shanghai (Jing'an)

In February 2023, CPIC Senior Living Investment entered into a property rights transaction contract with Shanghai Yuanmao Real Estate Co., Ltd. ("Yuanmao Real Estate"), acquiring 100% equity interest in Pacific Care Home at Shanghai (Jing'an) from Yuanmao Real Estate. As of 31 December 2023, the registered capital and paid-in capital of Pacific Care Home at Shanghai (Jing'an) are both approximately RMB 426 million, the unified social credit code is 91310106133028680F.

(16) Pacific Care Home at Wuhan

Pacific Care Home at Wuhan, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91420105MACL34TR0N in June 2023, with registered capital of RMB 30 million. As of 31 December 2023, CPIC Senior Living Investment has paid up the investment amount of approximately RMB 3 million.

(17) Yuanshen Hospital

CPIC Yuanshen Rehabilitation Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("Yuanshen Fund") and Shanghai Yanfu Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Yanfu"), which are the two consolidated structured entities of the Group, found the Yuanshen Hospital in together, holding the percentage of equity with 99.94% and 0.06% respectively. Yuanshen obtained the business license for the legal entity with unified social credit code 91350200MAD474TX82 in November 2023, with the registered capital of RMB 0.16 billion. As of December 2023, Yuanshen Fund and Shanghai Yanfu have not paid up the investment.

VI. SCOPE OF CONSOLIDATION (continued)

2. As of 31 December 2023, material consolidated structured entities material to the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
China Pacific Changhang Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("China Pacific Changhang")	99.98	8,501,505	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the Asset Management Association of China ("AMAC")) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).
CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	79.26	8,426,809	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	7,683,713	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Shanxi Coking Coal Debt Investment Plan	69.93	7,150,000	Investing in Shanxi Li-Liu Mining Area Pangpangta Coal Mine Project operated by Shanxi Coking Coal Group Co., Ltd. through a debt investment plan.
CPIC Health Industry Private Investment Fund (Shanghai) Partnership (Limited Partnership) ("CPIC Health Fund")	90.90	4,951,000	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the AMAC) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).

CPIC Asset Management, CPIC Funds, CPIC Capital etc. are the asset managers of these consolidated structured entities included in the scope of the Group.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2023		
		Original currency	Exchange rate	RMB
Cash	RMB	2	1.00000	2
	Sub-total			2
Bank deposits	RMB	24,825	1.00000	24,825
	USD	754	7.08270	5,340
	HKD	208	0.90622	188
	Others			2
	Sub-total			30,355
Other cash balances	RMB	1,098	1.00000	1,098
	Sub-total			1,098
Total				31,455

	Currency	31 December 2022		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	23,353	1.00000	23,353
	USD	1,174	6.96460	8,175
	HKD	846	0.89327	756
	Others			1
	Sub-total			32,285
Other cash balances	RMB	849	1.00000	849
	Sub-total			849
Total				33,134

As of 31 December 2023, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 884 million (31 December 2022: amounted equivalent to RMB 2,157 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

As of 31 December 2023, RMB 808 million in the Group's other cash balances are recorded as minimum settlement deposits (31 December 2022: RMB 825 million).

As of 31 December 2023, RMB 549 million are term deposits with original maturity of no more than three months (31 December 2022: RMB 659 million).

As of 31 December 2023, RMB 520 million in the Group's cash at bank and on hand balance are restricted for special-purpose use (31 December 2022: RMB 449 million).

Bank deposits comprise current deposits and short-term time deposits. Current deposits earn interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash at bank and on hand approximate their fair values.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss (only applicable for 2022)

	31 December 2022
Listed	3,460
Unlisted	23,100
Total	26,560
Equity investments	
- Stocks	9
- Funds and insurance asset management products	3,725
- Wealth management products	6,502
- Other equity investments	9,813
Debt investments	
- Government bonds	326
- Finance bonds	3,134
- Corporate bonds	3,018
- Wealth management products	3
- Debt investment plans	30
Total	26,560

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 31 December 2022 amounted to RMB 21,571 million. The rest are trading assets, with no material limitation in realisation.

3. Derivative financial instruments

The contract notional amount and fair value of derivative financial instruments held by the Group are as follows. The contract notional amount of derivative financial instruments is only the basis for comparing the fair value of assets or liabilities recognised in the balance sheet. It does not reflect the future cash flow nor present fair value, therefore cannot reflect the risk faced by the Group.

		31 December 2023	
	Nominal amount	Assets	Liabilities
Treasury bond futures	41	-	-
Stock index futures	7	-	-
Foreign exchange forward contracts	4,475	17	21
Sub-total	4,523	17	21

		31 December 2022	
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	3,612	197	8

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Securities purchased under agreements to resell

	31 December 2023	31 December 2022
Securities - bonds		
Inter-bank market	2,019	17,909
Stock exchange	789	3,215
Sub-total	2,808	21,124
Less: Impairment provisions	-	-
Total	2,808	21,124

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

5. Interest receivables (only applicable for 2022)

	31 December 2022
Interest receivables from debt investments	13,221
Interest receivables from deposits	6,482
Interest receivables from securities purchased under agreements to resell	10
Sub-total	19,713
Less: Provision for bad debts	(57)
Net value	19,656

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

6. Term deposits

Term to maturity	31 December 2023	31 December 2022
At amortised cost		
Within 3 months (inclusive)	4,664	30,034
3 months to 1 year (inclusive)	2,703	47,181
1 to 2 years (inclusive)	7,759	47,749
2 to 3 years (inclusive)	7,856	23,388
3 to 4 years (inclusive)	8,509	27,005
4 to 5 years (inclusive)	2,723	29,160
Less: Impairment provisions	(20)	-
Fair value through other comprehensive income		
Within 3 months (inclusive)	38,205	-
3 months to 1 year (inclusive)	5,845	-
1 to 2 years (inclusive)	16,585	-
2 to 3 years (inclusive)	28,607	-
3 to 4 years (inclusive)	21,464	-
4 to 5 years (inclusive)	20,101	-
Over 5 years	500	-
Including:		
- Amortised cost	130,521	-
- Accumulated changes in fair value	786	-
Total	165,501	204,517

As at 31 December 2023, the impairment provision recognised for term deposits at fair value through other comprehensive income was RMB 56 million.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Available-for-sale financial assets (only applicable for 2022)

Available-for-sale financial assets are summarised by category as follows:

	31 December 2022
Listed	267,226
Unlisted	447,859
Total	715,085
Equity investments	
- Stocks	182,173
- Funds and insurance asset management products	83,160
- Other equity investments	138,541
- Wealth management products	757
- Preferred shares	12,335
Debt investments	
- Government bonds	108,345
- Finance bonds	56,845
- Corporate bonds	129,536
- Debt investment plans	700
- Wealth management products	2,693
Total	715,085

Related information of available-for-sale financial assets is analysed as follows:

	31 December 2022
Debt investments	
Fair value	298,119
Including: Amortised cost	287,635
Accumulated amount recognised in other comprehensive income	12,755
Total impairment provisions	(2,271)
Equity investments	
Fair value	416,966
Including: Cost	423,209
Accumulated amount recognised in other comprehensive income	1,707
Total impairment provisions	(7,950)
Total	
Fair value	715,085
Including: Amortised cost/Cost	710,844
Accumulated amount recognised in other comprehensive income	14,462
Total impairment provisions	(10,221)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Held-to-maturity financial assets (only applicable for 2022)

	31 December 2022
Listed	14,895
Unlisted	499,400
Sub-total	514,295
Less: Impairment provisions	(45)
Net value	514,250
Debt investments	
- Government bonds	417,053
- Finance bonds	41,289
- Corporate bonds	55,891
- Wealth management products	62
Sub-total	514,295
Less: Impairment provisions	(45)
Net value	514,250

As at the balance sheet date, the Group's intention and ability to hold these assets were evaluated by itself and proved unchanged.

9. Investments classified as loans and receivables (only applicable for 2022)

	31 December 2022
Debt investments	
Finance bonds	500
Debt investment plans	241,072
Wealth management products	120,580
Preferred shares	32,000
Loans	4,339
Sub-total	398,491
Less: Impairment provisions	(1,221)
Net value	397,270

10. Financial assets at fair value through profit or loss (only applicable for 2023)

	31 December 2023
Listed	198,622
Unlisted	382,980
Total	581,602
Bonds	199,951
Government bonds	2,889
Finance bonds	169,449
Corporate bonds	27,613
Stocks	161,345
Funds	65,817
Unlisted equity shares investments	62,919
Debt investment plans	44,676
Investment in wealth management products	38,720
Others	8,174
Total	581,602

As at 31 December 2023, there was no financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss had no material limitation in realisation.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial assets at amortised cost (only applicable for 2023)

	31 December 2023
Listed	3,902
Unlisted	79,809
Sub-total	83,711
Less: Impairment provisions	(1,377)
Net value	82,334
Bonds	25,688
Government bonds	15,944
Corporate bonds	9,744
Debt investment plans	42,846
Investment trust	11,000
Others	4,177
Sub-total	83,711
Less: Impairment provisions	(1,377)
Net value	82,334

12. Debt investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Listed	60,381
Unlisted	1,187,054
Total	1,247,435
Bonds	937,989
Government bonds	741,151
Finance bonds	64,922
Corporate bonds	131,916
Debt investment plans	186,881
Investment trust	80,073
Preferred shares	33,020
Others	9,472
Total	1,247,435
Including:	
Amortised cost	1,143,108
Accumulated changes in fair value	104,327

As at 31 December 2023, the impairment provision for the Group's debt investment at fair value through other comprehensive income was RMB 3.929 billion.

13. Equity investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Stocks	27,110
Preferred shares	12,597
Perpetual bonds	28,477
Others	29,781
Total	97,965
Including:	
Cost	95,710
Accumulated changes in fair value	2,255

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Equity investments at fair value through other comprehensive income (only applicable for 2023) (continued)

The equity instruments at fair value through other comprehensive income, designated by the Group, are non-trading equity investments with the primary objective of being held for a long time or obtaining dividends during the holding period.

For the year ended 31 December 2023, the Group disposed equity investments at fair value through other comprehensive income of RMB 9.563 billion because of the optimisation of asset allocation and asset and liability management. Due to the sale of the above equity investments, RMB 5 million transferred from other comprehensive income to retained profits.

For the year ended 31 December 2023, the Group has received dividends of RMB 4.769 billion from the above equity investments. Relevant disclosures are included in Note VII.40.

14. Long-term equity investments

	31 December 2023								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method:									
Joint venture									
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,812	-	(27)	-	-	-	9,785	-
Others	52	64	(20)	3	-	-	-	47	-
Sub-total	9,887	9,876	(20)	(24)	-	-	-	9,832	-
Associate									
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan") (Note 1)	2,662	2,870	162	(12)	-	-	(2)	3,018	-
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund")	1,882	2,674	(88)	157	-	-	(59)	2,684	-
Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech")	1,856	1,873	-	37	-	-	(37)	1,873	-
Shanghai Sci-Tech Innovation Centre Capital II LLP ("Sci-Tech Innovation II") (Note 2)	1,197	959	297	72	-	-	(17)	1,311	-
Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP")	1,057	1,053	-	40	-	-	(40)	1,053	-
Shanghai Biomedical Industry Equity Investment Fund LLP. (Shanghai Biomedical)	940	964	-	2	-	-	(1)	965	-
Jiaxing Yishang Equity Investment LLP ("Jiaxing Yishang")	901	941	-	(2)	-	-	-	939	-
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin") (Note 3)	-	2,623	(2,416)	102	-	-	(309)	-	-
Others	3,279	2,270	180	(758)	(73)	390	(1)	2,008	(499)
Sub-total	13,774	16,227	(1,865)	(362)	(73)	390	(466)	13,851	(499)
Total	23,661	26,103	(1,885)	(386)	(73)	390	(466)	23,683	(499)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

Note 1: In 2023, CPIC Life made an additional capital contribution of approximately RMB 0.162 billion to Taijiashan, and its ownership interest changed to 99.01%.

Note 2: In 2023, CPIC Life made an additional capital contribution of approximately RMB 0.297 billion to Sci-Tech Innovation II, and its ownership interest remained as 25.00%.

Note 3: In July 2023, CPIC Life has recovered its investment of Ningbo Zhilin of approximately RMB 2.416 billion.

As at 31 December 2023, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Ge Qing	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	-	68.80	57.14

As at 31 December 2023, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Taijiashan (Note 2)	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	2,688,887	91310000MA1FL7MH5H	-	97.32	Not applicable
Yangtze River Delta Fund	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	6,257,459	91310000MA1FL62E0U	-	27.28	Not applicable
Hi-Tech	Limited liability company	Shanghai	Xue Han	Business services	453,250	453,250	913100006072011086	-	19.65	9.09
Sci-Tech Innovation II	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	4,800,800	91310000MA1FL7X9X1	-	24.57	Not applicable
Lingang GLP.	Limited liability company	Shanghai	Zhao Mingqi	Real estate	US\$ 119,990 thousand	US\$ 119,990 thousand	913100007709009105	-	19.65	12.50
Shanghai Biomedical	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	7,730,036	91310000MA1FL7HY2Y	-	12.00	Not applicable
Jiaxing Yishang (Note 3)	Limited liability partnership	Jiaxing	Not applicable	Equity investment	Not applicable	950,501	91330402MA2BCWUX4C	-	93.18	Not applicable

Note 1: CPIC Life holds over 50% of the ownership interest of Ruiyongjing Real Estate. Since CPIC Group cannot unilaterally dominate the relevant activities of Ruiyongjing Real Estate according to the Articles of Association of Ruiyongjing Real Estate, Ruiyongjing Real Estate is accounted under equity method as a joint venture.

Note 2: CPIC Life holds over 50% shares of Taijiashan. Since CPIC Group cannot unilaterally dominate the relevant activities of Taijiashan according to the partnership agreement of Taijiashan, Taijiashan is accounted under equity method as an associate.

Note 3: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot unilaterally dominate the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method as an associate.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

Summarised financial information for major joint ventures:

	31 December 2023			31 December 2022		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Ruiyongjing Real Estate	19,698	5,727	13,971	18,532	4,514	14,018

Summarised financial information for other joint ventures:

	31 December 2023			31 December 2022		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Others	2,224	1,895	329	2,358	1,944	414

Net (loss)/profit of joint ventures:

	2023	2022
Net (loss)/profit of joint ventures	(18)	(12)

For unrecognised commitments in relation to the investments in joint ventures, please refer to Note XII.

Summarised financial information for major associates:

	31 December 2023 / 2023			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Taijiashan	3,001	1	(19)	(80)
Yangtze River Delta Fund	9,849	175	516	442
Ningbo Zhilin	Not applicable	Not applicable	93	90

Summarised financial information for other associates:

	2023	2022
Net loss	(2,474)	(3,449)
Other comprehensive income/(loss)	(718)	(467)
Total comprehensive loss	(3,192)	(3,916)
Total comprehensive loss attributable to the Group	(682)	(302)
Total carrying amount of the Group's investment as at the year end	7,650	7,786

As at 31 December 2023, the Group's long-term equity investments had impairment of RMB 499 million. (As at 31 December 2022: RMB 274 million).

The Group performs impairment tests on long-term equity investments that has objective evidence of impairment. When evaluating impairment of long-term equity investments, the recoverable amount is determined mainly at fair value less estimated costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset.

Fair value is primarily based on the fair value of shares issued in the public market and is determined using appropriate valuation techniques. The present value of future cash flow is based on business budget approved by management and adjusted discount rates using the discounted cash flow method. Cash flows beyond the business budget period have been extrapolated using a stable growth rate and terminal value.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Restricted statutory deposits

	31 December 2023	31 December 2022
CPIC Property	3,989	3,894
CPIC Life	1,726	1,726
CPIC Health	720	840
PAAIC	320	230
Changjiang Pension	-	600
Sub-total	6,755	7,290
Add: Interest receivables	352	Not applicable
Less: Impairment provisions	(2)	Not applicable
Total	7,105	7,290

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, CPIC Health and PAAIC should place 20% of its issued capital as restricted statutory deposits, respectively.

16. Investment properties

	Buildings
Cost	
1 January 2022	10,543
Additions	3,074
Transfer from fixed assets, net	1,130
Disposal	(1)
31 December 2022	14,746
Transfer to fixed assets, net	(79)
Transfer from intangible assets, net	34
Disposal	(14)
31 December 2023	14,687
Accumulated depreciation	
1 January 2022	(3,029)
Charge for the year	(502)
Transfer from fixed assets, net	(13)
31 December 2022	(3,544)
Charge for the year	(476)
Transfer to fixed assets, net	2
Transfer from intangible assets, net	(7)
Disposal	5
31 December 2023	(4,020)
Carrying amount	
31 December 2023	10,667
31 December 2022	11,202

The fair values of investment properties of the Group as at 31 December 2023 amounted to RMB 15,783 million (31 December 2022: RMB 16,100 million), which were estimated by the Group based on the independent appraisers' valuations.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2022	21,032	1,112	5,813	27,957
Procurement	1,003	53	571	1,627
Transfer from construction in progress	865	-	-	865
Transfer to investment properties, net	(1,130)	-	-	(1,130)
Decrease	(16)	(47)	(402)	(465)
31 December 2022	21,754	1,118	5,982	28,854
Procurement	25	68	510	603
Transfer from construction in progress	2,150	-	3	2,153
Transfer from investment properties, net	79	-	-	79
Acquisition of subsidiaries	22	-	-	22
Decrease	(15)	(83)	(332)	(430)
31 December 2023	24,015	1,103	6,163	31,281
Accumulated depreciation				
1 January 2022	(5,363)	(880)	(4,201)	(10,444)
Depreciation charge	(657)	(76)	(648)	(1,381)
Transfer to investment properties, net	13	-	-	13
Decrease	2	45	385	432
31 December 2022	(6,005)	(911)	(4,464)	(11,380)
Depreciation charge	(706)	(66)	(609)	(1,381)
Transfer from investment properties, net	(2)	-	-	(2)
Decrease	9	81	326	416
31 December 2023	(6,704)	(896)	(4,747)	(12,347)
Provision for impairment loss				
1 January 2022, 31 December 2022, and 31 December 2023	(9)	-	-	(9)
Carrying amount				
31 December 2023	17,302	207	1,416	18,925
31 December 2022	15,740	207	1,518	17,465

As at 31 December 2023, the Group's motor vehicles and other equipment with a cost of approximately RMB 4,174 million (31 December 2022: RMB 3,666 million) are fully depreciated but still in use.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Construction in progress

The Group's construction in progress mainly comprises office building construction projects, and the movements are detailed as follows:

Item	31 December 2023								
	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	2,889	762	1,089	(885)	-	(1)	-	965	64%
Fujian	1,639	717	240	(957)	-	-	-	-	58%
Hubei	1,620	272	511	-	-	-	-	783	48%
Jiangsu	394	234	20	(254)	-	-	-	-	64%
Liaoning	175	158	6	(1)	-	-	-	163	94%
Yunnan	831	59	49	-	-	-	-	108	13%
Henan	1,060	17	206	-	-	-	-	223	21%
Guizhou	35	13	-	-	-	-	-	13	37%
Hainan	888	-	87	-	-	-	-	87	10%
Beijing	1,330	4	85	-	-	-	-	89	7%
Others	2,108	55	117	(56)	(88)	-	-	28	8%
		2,291	2,410	(2,153)	(88)	(1)	-	2,459	

Item	31 December 2022								
	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	1,863	466	317	(21)	-	-	-	762	42%
Fujian	1,639	268	449	-	-	-	-	717	44%
Hubei	1,620	69	203	-	-	-	-	272	17%
Jiangsu	414	99	150	(1)	-	-	(14)	234	60%
Liaoning	175	157	1	-	-	-	-	158	90%
Yunnan	831	12	47	-	-	-	-	59	7%
Henan	1,060	-	17	-	-	-	-	17	2%
Guizhou	35	13	-	-	-	-	-	13	37%
Beijing	1,330	-	4	-	-	-	-	4	0%
Zhejiang	2,010	567	193	(759)	-	-	-	1	38%
Others	2,895	63	115	(84)	(37)	(3)	-	54	6%
		1,714	1,496	(865)	(37)	(3)	(14)	2,291	

The capital sources of the Group's construction in progress are all self-owned funds, and there are no capitalised interest expenses in the balance of construction in progress.

There was no such case as the recoverable amount was lower than the carrying amount of the construction in progress at the end of the year, thus no provision for impairment of construction in progress was required.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2022	6,343	4	20	6,367
Increase	1,568	4	4	1,576
Decrease	(1,611)	(3)	(6)	(1,620)
31 December 2022	6,300	5	18	6,323
Increase	2,540	5	10	2,555
Decrease	(1,329)	(4)	(1)	(1,334)
31 December 2023	7,511	6	27	7,544
Accumulated depreciation				
1 January 2022	(2,882)	(4)	(6)	(2,892)
Depreciation charge	(1,365)	(3)	(3)	(1,371)
Decrease	965	3	2	970
31 December 2022	(3,282)	(4)	(7)	(3,293)
Depreciation charge	(1,322)	(3)	(3)	(1,328)
Decrease	439	2	1	442
31 December 2023	(4,165)	(5)	(9)	(4,179)
Carrying amount				
31 December 2023	3,346	1	18	3,365
31 December 2022	3,018	1	11	3,030

There was no such case as the recoverable amount was lower than the carrying amount of the right-of-use assets at the end of the year, thus no provision for impairment of right-of-use assets was required.

20. Intangible assets

	Land use rights	Software use rights	License	Total
Cost				
1 January 2022	2,127	8,298	646	11,071
Increase	968	1,132	-	2,100
Transfers from construction in progress	-	37	-	37
31 December 2022	3,095	9,467	646	13,208
Increase	133	1,182	-	1,315
Acquisition of subsidiaries	286	-	-	286
Transfers from construction in progress	-	88	-	88
Transfer to investment properties, net	(34)	-	-	(34)
Disposal	-	(5)	-	(5)
31 December 2023	3,480	10,732	646	14,858
Accumulated Amortisation				
1 January 2022	(97)	(5,465)	-	(5,562)
Amortisation	(70)	(910)	-	(980)
31 December 2022	(167)	(6,375)	-	(6,542)
Amortisation	(83)	(1,113)	-	(1,196)
Transfer to investment properties, net	7	-	-	7
Disposal	-	5	-	5
31 December 2023	(243)	(7,483)	-	(7,726)
Provision for impairment loss				
1 January 2022 and 31 December 2022	-	-	-	-
Provision for impairment	-	(15)	-	(15)
31 December 2023	-	(15)	-	(15)
Carrying amount				
31 December 2023	3,237	3,234	646	7,117
31 December 2022	2,928	3,092	646	6,666

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Goodwill

	31 December 2023			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	15	-	-	15
Sub-total	1,372	-	-	1,372
Less: Provision for impairment	-	(15)	-	(15)
Net value	1,372	(15)	-	1,357

	31 December 2022			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	15	-	-	15
Sub-total	1,372	-	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,372	-	-	1,372

Provision for impairment of goodwill

	Opening balance	Increase	Decrease	Ending balance
		Provision	Disposal	
Borui Heming	-	(15)	-	(15)

The Group performs impairment test to goodwill annually. The recoverable amounts for asset groups and combinations of asset groups containing goodwill are determined by means of fair value net of expected disposal costs and at the present value of projected future cash flows.

Fair value refers to the trading prices of similar assets in the market and is determined using appropriate valuation techniques. The present value of future cash flows is based on business plans approved by management and adjusted discount rates using the discounted cash flow method. Cash flows beyond the period have been extrapolated using a stable growth rate and terminal value. As at 31 December 2023, discount rates used by the Group range from 13% to 15%, and the growth rate is about 2%.

As at 31 December 2023, apart from Borui Heming, there was no indication that the recoverable amount of asset groups and combinations of asset groups is less than its carrying amount, thus no impairment loss is recognised.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Deferred income tax assets and liabilities

	31 December 2023		31 December 2022	
	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Deferred income tax assets				
Insurance contract liabilities /assets	22,300	89,200	17,507	70,028
Changes in fair value of financial instruments	184	736	52	208
Commission and brokerage expenses	790	3,160	522	2,088
Provision for asset impairment	611	2,444	3,093	12,372
Deductible losses	3,198	12,792	1,383	5,532
Lease liabilities	774	3,095	680	2,718
Others	2,215	8,860	1,831	7,324
Sub-total	30,072	120,287	25,068	100,270
Deferred income tax liabilities				
Changes in fair value of financial instruments	(22,126)	(88,504)	(4,144)	(16,576)
Adjustment in fair value arising from acquisition of subsidiaries	(797)	(3,188)	(828)	(3,312)
Right-of-use assets	(841)	(3,365)	(758)	(3,030)
Others	(351)	(1,404)	(245)	(980)
Sub-total	(24,115)	(96,461)	(5,975)	(23,898)

Deferred income tax assets and liabilities of the Group set out as the net amount after offsetting:

	31 December 2023		31 December 2022	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	(22,996)	7,076	(5,407)	19,661
Deferred income tax liabilities	22,996	(1,119)	5,407	(568)

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract liabilities /assets	Changes in fair value of financial instruments	Commission and brokerage expenses	Provision for asset impairment	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
Balance of 31 December 2021	3,027	(6,841)	360	2,289	-	(858)	420	(1,603)
Changes in accounting policy of new insurance standard	16,476	(5,047)	-	-	-	-	-	11,429
Balance of 1 January 2022	19,503	(11,888)	360	2,289	-	(858)	420	9,826
Recognised in profit or loss	(2,431)	(248)	162	804	1,383	30	1,088	788
Recognised in equity	435	8,044	-	-	-	-	-	8,479
Balance of 31 December 2022	17,507	(4,092)	522	3,093	1,383	(828)	1,508	19,093
Changes in accounting policy of new financial instruments standards	-	(8,492)	-	(2,743)	-	-	-	(11,235)
Balance of 1 January 2023	17,507	(12,584)	522	350	1,383	(828)	1,508	7,858
Recognised in profit or loss	(7,543)	3,255	268	569	1,815	31	271	(1,334)
Recognised in equity	12,336	(12,613)	-	(308)	-	-	18	(567)
Balance of 31 December 2023	22,300	(21,942)	790	611	3,198	(797)	1,797	5,957

As at 31 December 2023, the deductible temporary differences and deductible losses not recognised as deferred income tax assets by the Group amounted to RMB 13.2 billion (31 December 2022: RMB 206 million).

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Other assets

		31 December 2023	31 December 2022
Other receivables	(1)	9,990	7,877
Improvements of right-of-use assets	(2)	1,052	982
Others		2,459	2,368
Total		13,501	11,227

(1) Other receivables

	31 December 2023	31 December 2022
Due from external undertakings	2,630	1,558
Receivable from securities sold but not settled	1,801	732
Due from related parties*	1,772	1,775
Deposits	289	209
Due from agents	175	134
Co-insurance receivables	60	65
Prepaid tax	20	-
Others	3,562	3,561
Sub-total	10,309	8,034
Less: Provision for bad debts	(319)	(157)
Net value	9,990	7,877

* As at 31 December 2023, the payments made by the Group on behalf of Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") for the purchase of land and related taxes and expenses amounted to approximately RMB 1,772 million (31 December 2022: RMB 1,775 million), which accounting for 17% (31 December 2022: 22%) of the total other receivables.

The category of other receivables is analysed below:

	31 December 2023			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Provisions for impairment considered on the grouping basis	10,309	100%	(319)	3%

	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,320	66%	(142)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	2,714	34%	(15)	1%
Total	8,034	100%	(157)	2%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Other assets (continued)

(1) Other receivables (continued)

The aging of other receivables and related provisions for bad debts are analysed as follows:

Aging	31 December 2023			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	5,700	55%	(54)	5,646
3 months to 1 year (inclusive)	1,854	18%	(15)	1,839
1 to 3 years (inclusive)	887	9%	(117)	770
Over 3 years	1,868	18%	(133)	1,735
Total	10,309	100%	(319)	9,990

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	3,257	41%	-	3,257
3 months to 1 year (inclusive)	2,033	25%	(4)	2,029
1 to 3 years (inclusive)	860	11%	(32)	828
Over 3 years	1,884	23%	(121)	1,763
Total	8,034	100%	(157)	7,877

The top five other receivables of the Group are as follows:

	31 December 2023	31 December 2022
Total amount of the top five other receivables	2,572	2,587
Total provision for bad debts	(2)	-
% of total other receivables	25%	32%

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

(2) Improvement of right-of-use assets

	Improvement of right-of-use assets
Cost	
At 1 January 2022	4,161
Additions	450
Transfer from construction in progress	3
At 31 December 2022	4,614
Additions	479
Transfer from construction in progress	1
At 31 December 2023	5,094
Accumulated amortisation	
At 1 January 2022	(3,237)
Amortisation charge	(395)
At 31 December 2022	(3,632)
Amortisation charge	(410)
At 31 December 2023	(4,042)
Carrying amount	
At 31 December 2023	1,052
At 31 December 2022	982

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Provision for impairment of assets

	31 December 2023				
	Opening balance	Charge for the year	Reversal	Derecognition	Ending balance
Impairment provision of term deposits	92	8	(24)	-	76
Impairment provision of restricted statutory deposits	2	-	-	-	2
Impairment provision of debt investments at fair value through other comprehensive income	2,684	1,773	(449)	(79)	3,929
Impairment provision of financial assets at amortised cost	818	618	(55)	(4)	1,377
Impairment provision of long-term equity investments	274	225	-	-	499
Impairment provision of other assets					
- Other receivables	287	74	(7)	(35)	319
- Debt assets	20	-	-	-	20
- Others	62	77	(4)	-	135
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of intangible assets	-	15	-	-	15
Provision for impairment of other long-term assets	25	-	-	-	25
Provision for impairment of goodwill	-	15	-	-	15
Total	4,273	2,805	(539)	(118)	6,421

	31 December 2022				
	Opening balance	Charge for the year	Reversal	Derecognition	Ending balance
Provision for bad debts	227	20	(17)	(16)	214
- Interest receivables	44	13	-	-	57
- Other receivables	183	7	(17)	(16)	157
Provision for impairment of available-for-sale financial assets	8,405	4,745	(487)	(2,442)	10,221
- Debt instruments	1,904	871	(487)	(17)	2,271
- Equity instruments	6,501	3,874	-	(2,425)	7,950
Provision for impairment of held-to-maturity financial assets	217	-	(173)	1	45
Provision for impairment of investments classified as loans and receivables	280	1,050	(109)	-	1,221
Provision for losses on loans	5	-	-	-	5
Provision for impairment of long-term equity investments	-	274	-	-	274
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	25	-	-	-	25
Total	9,188	6,089	(786)	(2,457)	12,034

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Securities sold under agreements to repurchase

	31 December 2023	31 December 2022
Securities - bonds		
Inter-bank market	91,646	99,895
Stock exchange	24,173	19,770
Total	115,819	119,665

As at 31 December 2023, the Group's bonds with par value of approximately RMB 97,966 million (31 December 2022: approximately RMB 111,987 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2023, the Group's bonds with par value of approximately RMB 24,080 million (31 December 2022: approximately RMB 19,770 million) were pledged for the stock exchange securities sold under agreements to repurchase.

Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

26. Employee benefits payable

	1 January 2023	Increase	Decrease	31 December 2023
Wages and salaries, bonus, allowances and subsidies	6,850	18,715	(18,776)	6,789
Staff welfare	12	930	(930)	12
Social security contributions	124	4,001	(4,018)	107
Housing funds	11	1,375	(1,372)	14
Labour union funds	54	367	(366)	55
Employee education funds	872	193	(100)	965
Deferred bonus to management	53	163	(43)	173
Early retirement benefits	659	923	(450)	1,132
Total	8,635	26,667	(26,055)	9,247

	1 January 2022	Increase	Decrease	31 December 2022
Wages and salaries, bonus, allowances and subsidies	5,789	19,212	(18,151)	6,850
Staff welfare	3	918	(909)	12
Social security contributions	78	3,816	(3,770)	124
Housing funds	9	1,314	(1,312)	11
Labour union funds	55	357	(358)	54
Employee education funds	737	192	(57)	872
Deferred bonus to management	53	-	-	53
Early retirement benefits	662	449	(452)	659
Total	7,386	26,258	(25,009)	8,635

The Group had no significant non-monetary benefits and compensation for termination of employment.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Taxes payable

	31 December 2023	31 December 2022
Corporate income tax	1,792	3,301
Unpaid VAT	533	652
Withholding individual income tax	163	153
Others	1,048	1,060
Total	3,536	5,166

28. Bonds payable

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 5.10% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%. According to the "Announcement on the Execution of the Right of Redeeming the First Phase Capital Replenishment Bonds in 2018" issued by CPIC Property on 16 February 2023, CPIC Property fully redeemed these capital replenishment bonds on 23 March 2023.

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 4.99% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%. According to the "Announcement on the Execution of the Right of Redeeming the Second Phase Capital Replenishment Bonds in 2018" issued by CPIC Property on 20 June 2023, CPIC Property fully redeemed these capital replenishment bonds on 27 July 2023.

On 9 March 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 7 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 3.72% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.72%.

On 3 April 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 3 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 3.55% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.55%.

Issuer	31 December 2022	Changes in accounting policies	1 January 2023	Issuance	Amortisation of bond premium or discount	Interest accrued in the year	Interest payment/reimbursement in the year	31 December 2023
CPIC Property	9,999	303	10,302	9,998	2	487	(10,504)	10,285

29. Insurance contract liabilities/assets

31 December 2023						
	Insurance contract assets (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract assets	Insurance contract liabilities (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract liabilities
Insurance contracts issued (including reinsurance contracts held)	335	-	335	1,872,620	-	1,872,620

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

31 December 2022						
	Insurance contract assets (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract assets	Insurance contract liabilities (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract liabilities
Insurance contracts issued (including reinsurance contracts held)	305	-	305	1,664,848	-	1,664,848

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows:

	2023								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component			Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	1,510,301	6,179	29,846	1,546,326	44,668	7,932	64,136	1,786	118,522
Insurance contract assets as at 1 January	-	-	-	-	(120)	-	(185)	-	(305)
Net liabilities of insurance contracts as at 1 January	1,510,301	6,179	29,846	1,546,326	44,548	7,932	63,951	1,786	118,217
Contracts under the fair value approach	(4,776)	-	-	(4,776)	-	-	-	-	-
Contracts under the modified retrospective approach	(65,730)	-	-	(65,730)	(18)	-	-	-	(18)
Other contracts	(12,460)	-	-	(12,460)	(183,183)	-	-	-	(183,183)
Insurance revenue	(82,966)	-	-	(82,966)	(183,201)	-	-	-	(183,201)
Incurring claims and other expenses	-	(1,570)	31,806	30,236	-	-	138,547	1,089	139,636
Amortisation of insurance acquisition cash flows	21,752	-	-	21,752	46,185	-	-	-	46,185
Losses on onerous contracts and reversals of those losses	-	3,550	-	3,550	-	194	-	-	194
Changes in liabilities for incurred claims	-	-	(1,444)	(1,444)	-	-	(8,122)	(964)	(9,086)
Insurance service expenses	21,752	1,980	30,362	54,094	46,185	194	130,425	125	176,929
Insurance service result	(61,214)	1,980	30,362	(28,872)	(137,016)	194	130,425	125	(6,272)
Insurance finance expenses	92,832	120	792	93,744	1,022	-	1,321	-	2,343
Other changes recognised in other comprehensive income	-	-	-	-	(4)	-	4	1	1
Total changes of other comprehensive income	31,618	2,100	31,154	64,872	(135,998)	194	131,750	126	(3,928)
Investment components	(59,592)	-	59,592	-	(12,202)	-	12,202	-	-
Premium received	249,781	-	-	249,781	207,829	-	-	-	207,829
Insurance acquisition cash flows paid	(22,492)	-	-	(22,492)	(46,267)	-	-	-	(46,267)
Claims and other insurance service expenses paid	-	-	(91,203)	(91,203)	-	-	(139,817)	-	(139,817)
Other cash flows	761	-	-	761	(9,179)	-	-	-	(9,179)
Total cash flows	228,050	-	(91,203)	136,847	152,383	-	(139,817)	-	12,566
Other movements	(498)	-	(438)	(936)	(690)	-	(989)	-	(1,679)
Net liabilities of insurance contracts as at 31 December	1,709,879	8,279	28,951	1,747,109	48,041	8,126	67,097	1,912	125,176
Insurance contract assets as at 31 December	-	-	-	-	(3,480)	411	2,677	57	(335)
Insurance contract liabilities as at 31 December	1,709,879	8,279	28,951	1,747,109	51,521	7,715	64,420	1,855	125,511

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows (continued):

	2022								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage			Total	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Liabilities for incurred claims		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	1,344,172	3,487	30,502	1,378,161	46,767	7,099	52,946	1,462	108,274
Insurance contract assets as at 1 January	-	-	-	-	(97)	-	(148)	-	(245)
Net liabilities of insurance contracts as at 1 January	1,344,172	3,487	30,502	1,378,161	46,670	7,099	52,798	1,462	108,029
Contracts under the fair value approach	(4,591)	-	-	(4,591)	-	-	-	-	-
Contracts under the modified retrospective approach	(72,614)	-	-	(72,614)	(644)	-	-	-	(644)
Other contracts	(4,105)	-	-	(4,105)	(167,791)	-	-	-	(167,791)
Insurance revenue	(81,310)	-	-	(81,310)	(168,435)	-	-	-	(168,435)
Incurring claims and other expenses	-	(1,429)	30,337	28,908	-	-	120,187	918	121,105
Amortisation of insurance acquisition cash flows	21,722	-	-	21,722	42,138	-	-	-	42,138
Losses on onerous contracts and reversals of those losses	-	4,076	-	4,076	-	833	-	-	833
Changes in liabilities for incurred claims	-	-	(2,154)	(2,154)	-	-	(2,039)	(601)	(2,640)
Insurance service expenses	21,722	2,647	28,183	52,552	42,138	833	118,148	317	161,436
Insurance service result	(59,588)	2,647	28,183	(28,758)	(126,297)	833	118,148	317	(6,999)
Insurance finance expenses	57,042	45	742	57,829	971	-	1,053	-	2,024
Other changes recognised in other comprehensive income	-	-	-	-	1	-	25	6	32
Total changes of other comprehensive income	(2,546)	2,692	28,925	29,071	(125,325)	833	119,226	323	(4,943)
Investment component	(55,284)	-	55,284	-	(8,697)	-	8,697	-	-
Premium received	242,610	-	-	242,610	184,281	-	-	-	184,281
Insurance acquisition cash flows paid	(17,754)	-	-	(17,754)	(42,931)	-	-	-	(42,931)
Claims and other insurance service expenses paid	-	-	(84,384)	(84,384)	-	-	(115,932)	-	(115,932)
Other cash flows	(400)	-	-	(400)	(8,755)	-	-	-	(8,755)
Total cash flows	224,456	-	(84,384)	140,072	132,595	-	(115,932)	-	16,663
Other movements	(497)	-	(481)	(978)	(695)	-	(838)	1	(1,532)
Net liabilities of insurance contracts as at 31 December	1,510,301	6,179	29,846	1,546,326	44,548	7,932	63,951	1,786	118,217
Insurance contract assets as at 31 December	-	-	-	-	(120)	-	(185)	-	(305)
Insurance contract liabilities as at 31 December	1,510,301	6,179	29,846	1,546,326	44,668	7,932	64,136	1,786	118,522

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	2023						
	Contractual service margin						Total
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Insurance contract liabilities as at 1 January	1,198,000	20,664	12,304	305,352	10,006	327,662	1,546,326
Amortisation of contractual service margin	-	-	(1,447)	(23,719)	(1,036)	(26,202)	(26,202)
Changes in risk adjustment for non-financial risk	-	(1,132)	-	-	-	-	(1,132)
Experience adjustments	(3,644)	-	-	-	-	-	(3,644)
Changes that relate to current services	(3,644)	(1,132)	(1,447)	(23,719)	(1,036)	(26,202)	(30,978)
Contracts initially recognised in the year	(12,864)	2,643	-	-	12,550	12,550	2,329
Changes in estimates that adjust the contractual service margin	(2,052)	(3,522)	2,574	1,866	1,134	5,574	-
Changes in estimates that do not adjust the contractual service margin	1,272	(51)	-	-	-	-	1,221
Changes that relate to future services	(13,644)	(930)	2,574	1,866	13,684	18,124	3,550
Adjustments to liabilities for incurred claims	(1,302)	(142)	-	-	-	-	(1,444)
Changes that relate to past services	(1,302)	(142)	-	-	-	-	(1,444)
Insurance service result	(18,590)	(2,204)	1,127	(21,853)	12,648	(8,078)	(28,872)
Insurance finance expenses	86,659	943	474	5,019	649	6,142	93,744
Total changes of other comprehensive income	68,069	(1,261)	1,601	(16,834)	13,297	(1,936)	64,872
Premiums received	249,781	-	-	-	-	-	249,781
Insurance acquisition cash flows paid	(22,492)	-	-	-	-	-	(22,492)
Claims and other insurance service expenses paid	(91,203)	-	-	-	-	-	(91,203)
Other cash flows	761	-	-	-	-	-	761
Total cash flows	136,847	-	-	-	-	-	136,847
Other movements	(936)	-	-	-	-	-	(936)
Insurance contract liabilities as at 31 December	1,401,980	19,403	13,905	288,518	23,303	325,726	1,747,109

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2022						
	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin				Total
			Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Insurance contract liabilities as at 1 January	1,015,946	18,781	12,399	331,025	10	343,434	1,378,161
Amortisation of contractual service margin	-	-	(1,516)	(26,068)	(286)	(27,870)	(27,870)
Changes in risk adjustment for non-financial risk	-	(1,115)	-	-	-	-	(1,115)
Experience adjustments	(1,695)	-	-	-	-	-	(1,695)
Changes that relate to current services	(1,695)	(1,115)	(1,516)	(26,068)	(286)	(27,870)	(30,680)
Contracts initially recognised in the year	(10,189)	2,119	-	-	9,533	9,533	1,463
Changes in estimates that adjust the contractual service margin	3,879	(269)	938	(5,157)	609	(3,610)	-
Changes in estimates that do not adjust the contractual service margin	2,568	45	-	-	-	-	2,613
Changes that relate to future services	(3,742)	1,895	938	(5,157)	10,142	5,923	4,076
Adjustments to liabilities for incurred claims	(2,085)	(69)	-	-	-	-	(2,154)
Changes that relate to past services	(2,085)	(69)	-	-	-	-	(2,154)
Insurance service result	(7,522)	711	(578)	(31,225)	9,856	(21,947)	(28,758)
Insurance finance expenses	50,482	1,172	483	5,552	140	6,175	57,829
Total changes of other comprehensive income	42,960	1,883	(95)	(25,673)	9,996	(15,772)	29,071
Premiums received	242,610	-	-	-	-	-	242,610
Insurance acquisition cash flows paid	(17,754)	-	-	-	-	-	(17,754)
Claims and other insurance service expenses paid	(84,384)	-	-	-	-	-	(84,384)
Other cash flows	(400)	-	-	-	-	-	(400)
Total cash flows	140,072	-	-	-	-	-	140,072
Other movements	(978)	-	-	-	-	-	(978)
Insurance contract liabilities as at 31 December	1,198,000	20,664	12,304	305,352	10,006	327,662	1,546,326

As of 31 December 2023, the Group expects that 65% (31 December 2022: 67%) of the contractual service margin of insurance contracts that do not apply the premium allocation approach will be recognised in profit or loss within the next 10 years.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The impact on the balance sheet of the current period's initial recognition of insurance contracts that do not measure under the premium allocation approach is as follows:

	2023		Total
	Profitable contracts issued	Onerous contracts issued	
Estimates of present value of future cash outflows - insurance acquisition cash flows	18,094	5,257	23,351
Estimates of present value of future cash outflows - others	107,329	44,309	151,638
Subtotal of estimates of present value of future cash outflows	125,423	49,566	174,989
Estimates of present value of future cash inflows	(139,959)	(47,894)	(187,853)
Risk adjustment for non-financial risk	1,986	657	2,643
Contractual service margin	12,550	-	12,550
Impact of contracts initially recognised in the current year	-	2,329	2,329

	2022		Total
	Profitable contracts issued	Onerous contracts issued	
Estimates of present value of future cash outflows - insurance acquisition cash flows	14,249	3,470	17,719
Estimates of present value of future cash outflows- others	89,117	38,719	127,836
Subtotal of estimates of present value of future cash outflows	103,366	42,189	145,555
Estimates of present value of future cash inflows	(114,589)	(41,155)	(155,744)
Risk adjustment for non-financial risk	1,690	429	2,119
Contractual service margin	9,533	-	9,533
Impact of contracts initially recognised in the current year	-	1,463	1,463

The following table describes the composition of the assets or liabilities and their fair values of the underlying items corresponding to insurance contracts with direct participation in profit-sharing features:

	31 December 2023	31 December 2022
Available-for-sale financial assets	-	374,925
Held-to-maturity financial assets	-	163,379
Investments classified as loans and receivables	-	257,813
Financial assets at fair value through profit or loss	286,162	-
Debt investments at fair value through other comprehensive income	574,582	-
Equity investments at fair value through other comprehensive income	63,107	-
Others	104,316	173,599
	1,028,167	969,716

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows:

	2023								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component			Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets as at 1 January	10,547	201	318	11,066	1,445	1,017	19,369	308	22,139
Reinsurance contract liabilities as at 1 January	-	-	-	-	(322)	-	(487)	-	(809)
Net assets of reinsurance contracts as at 1 January	10,547	201	318	11,066	1,123	1,017	18,882	308	21,330
Allocation of reinsurance premiums	(621)	-	-	(621)	(15,217)	-	-	-	(15,217)
Amounts recoverable for claims and other related expenses incurred during the year	-	(30)	226	196	-	-	15,580	226	15,806
Recognition and reversals of loss-recovery component	-	240	-	240	-	184	-	-	184
Changes in fulfillment cash flows related to reinsurance contracts assets for incurred claims	-	-	(9)	(9)	-	-	(1,821)	(169)	(1,990)
Effect of changes in non-performance of reinsurers	-	-	-	-	-	-	(28)	-	(28)
Recoveries of insurance service expenses from reinsurers	-	210	217	427	-	184	13,731	57	13,972
Reinsurance service results	(621)	210	217	(194)	(15,217)	184	13,731	57	(1,245)
Reinsurance finance income for reinsurance contracts held	679	8	1	688	169	-	312	-	481
Other changes recognised in other comprehensive income	-	-	-	-	(3)	-	(3)	-	(6)
Total changes in other comprehensive income	58	218	218	494	(15,051)	184	14,040	57	(770)
Investment components	(211)	-	211	-	(5,080)	-	5,080	-	-
Reinsurance premiums paid	665	-	-	665	20,092	-	-	-	20,092
Amounts received from recoveries of claims and other related expenses incurred	-	-	(130)	(130)	-	-	(14,399)	-	(14,399)
Other cash flows	(24)	-	-	(24)	1,430	-	-	-	1,430
Total cash flows	641	-	(130)	511	21,522	-	(14,399)	-	7,123
Reinsurance contract assets as at 31 December	11,035	419	617	12,071	2,514	1,201	23,603	365	27,683

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows (continued):

	2022								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage		Liabilities for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component			Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	10,440	100	348	10,888	3,136	872	16,816	271	21,095
Reinsurance contract liabilities as at 1 January	-	-	-	-	(339)	-	(405)	-	(744)
Net assets of reinsurance contracts as at 1 January	10,440	100	348	10,888	2,797	872	16,411	271	20,351
Allocation of reinsurance premiums	(681)	-	-	(681)	(14,746)	-	-	-	(14,746)
Amounts recoverable for claims and other related expenses incurred during the year	-	(14)	19	5	-	-	14,076	73	14,149
Recognition and reversals of loss-recovery component	-	112	-	112	-	145	-	-	145
Changes in fulfillment cash flows related to reinsurance contracts assets for incurred claims	-	-	34	34	-	-	(1,784)	(39)	(1,823)
Effect of changes in non-performance of reinsurers	-	-	-	-	-	-	(13)	-	(13)
Recoveries of insurance service expenses from reinsurers	-	98	53	151	-	145	12,279	34	12,458
Reinsurance service results	(681)	98	53	(530)	(14,746)	145	12,279	34	(2,288)
Reinsurance finance income for reinsurance contracts held	653	3	-	656	228	-	224	-	452
Other changes recognised in other comprehensive income	-	-	-	-	(7)	-	1	3	(3)
Total changes in other comprehensive income	(28)	101	53	126	(14,525)	145	12,504	37	(1,839)
Investment components	(199)	-	199	-	(3,773)	-	3,773	-	-
Reinsurance premiums paid	396	-	-	396	17,345	-	-	-	17,345
Amounts received from recoveries of claims and other related expenses incurred	-	-	(282)	(282)	-	-	(13,806)	-	(13,806)
Other cash flows	(62)	-	-	(62)	(721)	-	-	-	(721)
Total cash flows	334	-	(282)	52	16,624	-	(13,806)	-	2,818
Net assets of reinsurance contracts at 31 December	10,547	201	318	11,066	1,123	1,017	18,882	308	21,330
Reinsurance contract assets at 31 December	10,547	201	318	11,066	1,445	1,017	19,369	308	22,139
Reinsurance contract liabilities at 31 December	-	-	-	-	(322)	-	(487)	-	(809)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	2023						
	Contractual service margins						Total
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Reinsurance contract assets as at 1 January	8,138	213	2,630	-	85	2,715	11,066
Amortisation of contractual service margin	-	-	(186)	-	(8)	(194)	(194)
Changes in risk adjustment for non-financial risk	-	(4)	-	-	-	-	(4)
Experience adjustments	(227)	-	-	-	-	-	(227)
Changes that relate to current services	(227)	(4)	(186)	-	(8)	(194)	(425)
Reinsurance contracts initially recognised in the year	(25)	7	-	-	18	18	-
Changes in estimates that adjust the contractual service margin	255	(36)	(140)	-	(79)	(219)	-
Recognition and reversals of loss-recovery component	-	-	42	-	198	240	240
Changes that relate to future services	230	(29)	(98)	-	137	39	240
Adjustments to reinsurance amortisation of assets for incurred claims	(7)	(2)	-	-	-	-	(9)
Changes related to past services	(7)	(2)	-	-	-	-	(9)
Insurance service result	(4)	(35)	(284)	-	129	(155)	(194)
Reinsurance finance income for reinsurance contracts held	589	10	85	-	4	89	688
Total changes of other comprehensive income	585	(25)	(199)	-	133	(66)	494
Reinsurance premiums paid	665	-	-	-	-	-	665
Amounts received from recoveries of claims and other related expenses incurred	(130)	-	-	-	-	-	(130)
Other cash flows	(24)	-	-	-	-	-	(24)
Total cash flows	511	-	-	-	-	-	511
Reinsurance contract assets at 31 December	9,234	188	2,431	-	218	2,649	12,071

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2022						
			Contractual service margins				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Reinsurance contract assets as at 1 January	8,461	202	2,225	-	-	2,225	10,888
Amortisation of contractual service margin	-	-	(204)	-	(22)	(226)	(226)
Changes in risk adjustment for non-financial risk	-	(3)	-	-	-	-	(3)
Experience adjustments	(447)	-	-	-	-	-	(447)
Changes that relate to current services	(447)	(3)	(204)	-	(22)	(226)	(676)
Reinsurance contracts initially recognised in the year	(108)	19	-	-	89	89	-
Changes in estimates that adjust the contractual service margin	(425)	(17)	454	-	(12)	442	-
Recognition and reversals of loss-recovery component	-	-	84	-	28	112	112
Changes that relate to future services	(533)	2	538	-	105	643	112
Adjustments to reinsurance amortisation of assets for incurred claims	35	(1)	-	-	-	-	34
Changes related to past services	35	(1)	-	-	-	-	34
Insurance service result	(945)	(2)	334	-	83	417	(530)
Reinsurance finance income for reinsurance contracts held	570	13	71	-	2	73	656
Total changes of other comprehensive income	(375)	11	405	-	85	490	126
Reinsurance premiums paid	396	-	-	-	-	-	396
Amounts received from recoveries of claims and other related expenses incurred	(282)	-	-	-	-	-	(282)
Other cash flows	(62)	-	-	-	-	-	(62)
Total cash flows	52	-	-	-	-	-	52
Reinsurance contract assets at 31 December	8,138	213	2,630	-	85	2,715	11,066

As of 31 December 2023, the Group expects that 63% (31 December 2022: 70%) of the contractual service margin of reinsurance contracts that do not apply the premium allocation approach will be recognised in profit or loss within the next 10 years.

The impact of reinsurance contracts that do not initially recognised under the premium allocation approach on the balance sheet is as follows:

	2023	2022
Estimates of present value of future cash inflows	353	541
Estimates of present value of future cash outflows	(378)	(649)
Risk adjustment for non-financial risk	7	19
Contractual service margin	18	89
Impact of contracts initially recognised during the year	-	-

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Other liabilities

		31 December 2023	31 December 2022
Other payables	(1)	30,512	26,990
Accrued expenses		2,100	2,315
Insurance security fund		372	544
Dividends payable		4	4
Others		4,390	4,080
Total		37,378	33,933

(1) Other payables

		31 December 2023	31 December 2022
Payables to third-party investors of consolidated structured entities		13,845	20,854
Payables related to asset-backed securities		8,308	-
Payables to be claimed by customers		1,885	1,635
Co-insurance payable		1,229	489
Payables for purchases		1,210	1,491
Payables for construction and purchasing office building		940	1,153
Deposits		801	533
Payables for securities purchased but not settled		289	206
Compulsory automobile insurance rescue fund		287	273
Reimbursement payables		97	60
Others		1,621	296
Total		30,512	26,990

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

32. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2023		Increase of number of shares		31 December 2023	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with trading restrictions						
Shares held by domestic non-state owned legal persons	-	0%	-	-	-	0%
Sub-total	-	0%	-	-	-	0%
II. Shares without trading restrictions						
Ordinary shares denominated in RMB	6,844	71%	-	-	6,844	71%
Foreign shares listed overseas	2,776	29%	-	-	2,776	29%
Sub-total	9,620	100%	-	-	9,620	100%
III. Total	9,620	100%	-	-	9,620	100%

As at 31 December 2023, the number of shares which the Company issued and fully paid at RMB 1 per share was 9,620 million.

As at 31 December 2022, the number of shares which the Company issued and fully paid at RMB 1 per share was 9,620 million.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Capital reserves

	31 December 2023	31 December 2022
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,105
Impact of equity transactions with non-controlling interests	(131)	(131)
Impact of other changes in the equity of investees accounted for using the equity method	351	66
Redistribution of cumulative changes in fair value of available-for-sale financial assets when purchasing equity from non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,950	79,665

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed on the LSE in 2020 which also increased the capital reserves.

34. Surplus reserves

	Statutory surplus reserve (the "SSR")
1 January 2022	5,114
Appropriations	-
31 December 2022 and 31 December 2023	5,114

35. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group's subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

	General reserves
31 December 2021	19,521
Changes in accounting policy of new insurance standard	(2,669)
1 January 2022	16,852
Appropriations	4,219
31 December 2022	21,071
Changes in accounting policy of new financial instruments standards	1,621
1 January 2023	22,692
Appropriations	2,770
31 December 2023	25,462

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the amount determined under CASS, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

- (1) Making up for losses brought forward from prior years;
- (2) Appropriating to SSR at 10% of the net profit;
- (3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
- (4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company does not set aside SSR in 2023.

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company does not set aside DSR in 2023.

Pursuant to the resolution of the 2nd meeting of the 10th Board of Directors of the Company held on 28 March 2024, a final dividend of approximately RMB 9,813 million (equivalent to annual cash dividend of RMB 1.02 per share (including tax)) was proposed. The profit distribution plan is subject to the approval of the general shareholders' meeting.

Of the Group's retained profits in the consolidated financial statements, RMB 23,929 million as at 31 December 2023 (31 December 2022: RMB 20,666 million) represents the Company's share of its subsidiaries' surplus reserve fund.

According to the resolution of the 27th meeting of the 7th Board of Directors of CPIC Property on April 21 2023, CPIC Property proposed to appropriate RMB 2,522 million of DSR from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 18 May 2023.

37. Non-controlling interests

	31 December 2023	31 December 2022
CPIC Property	827	773
CPIC Life*	14,029	1,243
Changjiang Pension	1,536	1,523
CPIC Funds	589	554
PAAIC	998	964
Pacific Care Home at Dali	139	138
Total	18,118	5,195

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

37. Non-controlling interests (continued)

* On 5 December 2023, CPIC Life issued an undated capital bond with a total face value of RMB 12,000 million in the interbank market. The duration of the bond is aligned with the duration of CPIC Life considered as going concern. CPIC Life shall have the right to redeem the bond in whole or in part at face value five years after the date of issue on each interest payment date (including the fifth interest payment date after the date of issue). As of 31 December 2023, non-controlling interests of the Group included RMB 12,029 million of perpetual bonds issued by CPIC Life. The perpetual bonds are classified as an equity instrument and presented as non-controlling interests in the Group's consolidated financial statements.

38. Insurance revenue

	2023	2022
Insurance contracts not measured under the premium allocation approach		
Amounts relating to the changes in the liability for remaining coverage	61,214	59,588
Amortisation of contractual service margin	26,202	27,870
Changes in the risk adjustment for non-financial risk	1,274	1,175
Insurance service expenses expected to be incurred in the period	31,983	29,166
Experience adjustments for premium receipts relating to current and past services	1,755	1,377
Amortisation of insurance acquisition cash flows	21,752	21,722
Subtotal of insurance contracts not measured under the premium allocation approach	82,966	81,310
Insurance contracts measured under the premium allocation approach	183,201	168,435
Total of insurance revenue	266,167	249,745

39. Interest income (only applicable for 2023)

	2023
Interest income of debt investments at fair value through other comprehensive income	45,764
Interest income of term deposits	7,480
Interest income of financial assets at amortised cost	4,069
Interest income of restricted statutory deposits	277
Interest income of securities purchased under agreements to resell	224
Others	448
Total	58,262

40. Investment income

	2023
Realised gains/(losses)	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	(12,078)
Debt investments at fair value through other comprehensive income	712
Net gains on disposal of derivatives	55
Gains during the holding period	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	13,981
Dividend income from equity investments at fair value through other comprehensive income that terminated	351
Dividend income from equity investments at fair value through other comprehensive income that still hold	4,418
Share of losses of associates and joint ventures	(386)
Total	7,053

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Investment income (continued)

	2022
Net gains on disposal of stock investments	1,093
Net gains on disposal of fund investments	269
Net gains on disposal of bond investments	476
Interest on securities purchased under agreements to resell	173
Interest income from debt investments	51,648
Interest income from other fixed-interest investments	9,959
Fund dividend income	2,570
Stock dividend income	4,707
Income from other equity investments	6,253
Share of profits of associates and joint ventures	401
Others	(39)
Total	77,510

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

(1) Interest and dividend income

	2022
Financial assets at fair value through profit or loss	
- Fixed maturity investments	55
- Funds	35
- Other equity investments	525
Sub-total	615
Held-to-maturity financial assets	
- Fixed maturity investments	19,684
Loans and receivables	
- Fixed maturity investments	30,379
Available-for-sale financial assets	
- Fixed maturity investments	11,662
- Funds	2,535
- Stocks	4,709
- Other equity investments	5,706
Sub-total	24,612
Total	75,290

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Investment income (continued)

(2) Realised gains

	2022
Financial assets at fair value through profit or loss	
- Fixed maturity investments	86
- Funds	3
- Stocks	3
- Other equity investments	8
- Derivative instruments	(41)
Sub-total	59
Available-for-sale financial assets	
- Fixed maturity investments	390
- Funds	266
- Stocks	1,090
- Other equity investments	14
Sub-total	1,760
Total	1,819

41. Losses arising from changes in fair value

	2023	2022
Bond investments	(3,591)	178
Fund investments	2,143	(21)
Derivatives	193	69
Stock investments	13,940	3
Others	(973)	(168)
Total	11,712	61

42. Other operating income

	2023	2022
Income from asset management fee	2,022	2,187
Rental income from investment properties	727	703
Others	993	764
Total	3,742	3,654

43. Gains on disposal of assets

	2023	2022
Gains on disposal of fixed assets	23	24

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

44. Total investment results of insurance business segment and net insurance finance result

	2023	2022
Investment return		
Interest income	56,071	-
Investment income	7,048	76,840
Losses arising from changes in fair value	(12,898)	(119)
Impairment losses on financial assets	(2,007)	-
Impairment losses on other assets	(225)	-
Asset impairment losses	-	(5,694)
Total amounts recognised in the profit or loss	47,989	71,027
Total amounts recognised in other comprehensive income	51,795	(32,873)
Total investment return	99,784	38,154
Insurance finance income/(expenses) from insurance contracts issued		
Changes in fair value of underlying items of insurance contracts with direct participation features	(40,179)	(13,594)
Interest accreted on insurance contracts and effect of changes in interest rates and other financial assumptions	(55,912)	(46,225)
Net foreign exchange gains/(losses)	4	(34)
Total insurance finance income/(expenses) from insurance contracts issued	(96,087)	(59,853)
Represented by:		
Amounts recognised in profit or loss	(46,741)	(58,074)
Amounts recognised in other comprehensive income/(loss)	(49,346)	(1,779)
Reinsurance finance income/(expenses) from reinsurance contracts held	1,169	1,108
Represented by:		
Amounts recognised in profit or loss	1,174	1,108
Amounts recognised in other comprehensive income/(loss)	(5)	-
Investment results	4,866	(20,591)
Represented by:		
Amounts recognised in profit or loss	2,422	14,061
Amounts recognised in other comprehensive income/(loss)	2,444	(34,652)

45. Interest expenses

	2023	2022
Securities sold under agreements to repurchase	1,851	1,941
Debt	496	508
Interest expenses on lease liabilities	93	101
Others	188	202
Total	2,628	2,752

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

46. Taxes and surcharges

	2023	2022
City maintenance and construction tax	386	380
Educational surcharge	283	280
Others	514	461
Less: Insurance acquisition cash flows incurred in the year	(690)	(636)
Other insurance fulfilment cash flows incurred in the year	(48)	(61)
Total	445	424

47. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	2023	2022
Payroll and welfare benefits	23,950	23,589
Advertising expenses (including business publicity expenses)	6,777	5,951
Professional service fees	5,151	3,900
Outsourcing service fees	2,727	2,235
General office expenses	2,566	2,528
Insurance security funds withdrawal	2,159	1,335
Prevention expenses	1,644	1,755
Depreciation of right-of-use assets	1,299	1,337
Depreciation of fixed assets	1,265	1,343
Amortisation of intangible assets	1,142	940
Property management fees	806	808
Labour costs	645	720
Consulting fees	538	629
Amortisation of other long-term assets	449	423
Entrusted management fees	261	392
Travel expenses	199	106
Compulsory automobile rescue fund	158	123
Transportation expenses	85	87
Rent for short-term and low-value asset leases	77	84
Audit fee	35	25
Others	3,392	4,464
Subtotal	55,325	52,774
Less: Insurance acquisition cash flows incurred in the year	(36,227)	(35,481)
Other insurance fulfilment cash flows incurred in the year	(11,701)	(11,089)
Total	7,397	6,204

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Impairment losses on financial assets (only applicable for 2023)

	2023
Impairment loss of debt investments at fair value through other comprehensive income	1,324
Impairment loss of financial assets at amortised cost	563
Impairment loss of term deposits	(16)
Impairment loss of others	142
Total	2,013

49. Asset impairment losses (only applicable for 2022)

	2022
Provision for available-for-sale financial assets impairment, net	4,258
Provision for held-to-maturity financial assets impairment, net	(173)
Provision for investments classified as loans and receivables impairment, net	941
Provision for bad debts, net	3
Provision for long-term equity investments impairment	274
Total	5,303

50. Other operating expenses

	2023	2022
Interest expenses for policyholders' investment contract liabilities	55	46
Depreciation of investment properties	473	448
Others	620	542
Total	1,148	1,036

51. Non-operating income

	2023	2022
Custody fees of entrusted operation	62	55
Government subsidies unrelated to ordinary activities	6	13
Others	68	79
Total	136	147

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Non-operating expenses

	2023	2022
Charitable donations and commercial sponsorship	73	55
Government fines & confiscations and liquidated damages	37	32
Overdue tax payment and fines	4	5
Others	81	112
Total	195	204

53. Income tax

	2023	2022
Current income tax	2,756	5,049
Deferred income tax	1,334	(788)
Total	4,090	4,261

The relationship between income tax expenses and total profit is shown below:

	2023	2022
Total profit	32,001	42,483
Taxes calculated at the statutory tax rate of 25%	8,000	10,621
Income tax adjustment for prior years	(241)	(208)
Non-taxable income	(7,369)	(6,779)
Non-deductible expenses	450	334
Others	3,250	293
Income tax calculated at applicable tax rates	4,090	4,261

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54. Other comprehensive income/(loss)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement					
	1 January 2023	Attributable to the Company - net of tax	31 December 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to the non-controlling interests - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(122)	385	263	533	-	(6)	(133)	385	9
Changes in the fair value of equity investments at fair value through other comprehensive income	593	1,060	1,653	1,452	-	(5)	(363)	1,060	24
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss	(715)	(675)	(1,390)	(919)	-	(1)	230	(675)	(15)
Other comprehensive income/(loss) that will be reclassified to profit or loss	6,592	1,137	7,729	846	740	-	(434)	1,137	15
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(47)	(53)	(100)	(72)	-	-	18	(53)	(1)
Changes in the fair value of debt instruments at fair value through other comprehensive income	42,188	35,972	78,160	49,445	(603)	-	(12,250)	35,972	620
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	2,136	909	3,045	1,316	(83)	-	(308)	909	16
Exchange differences on translation of foreign operations	45	15	60	15	-	-	-	15	-
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(37,730)	(35,701)	(73,431)	(49,853)	1,426	-	12,106	(35,701)	(620)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss	-	(5)	(5)	(5)	-	-	-	(5)	-
Total	6,470	1,522	7,992	1,379	740	(6)	(567)	1,522	24

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54. Other comprehensive income/(loss) (continued)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement					
	1 January 2022	Attributable to the Company - net of tax	31 December 2022	Amount incurred before income tax	Less: Transferred from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) that will be reclassified to profit or loss									
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	-	(47)	(47)	(47)	-	-	-	(47)	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	34,182	(23,551)	10,631	(63,153)	26,843	4,258	8,044	(23,551)	(457)
Exchange differences on translation of foreign operations	(52)	44	(8)	46	-	-	-	44	2
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(20,826)	(1,331)	(22,157)	69	832	(2,680)	435	(1,331)	(13)
Total	13,304	(24,885)	(11,581)	(63,085)	27,675	1,578	8,479	(24,885)	(468)

55. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the weighted average number of ordinary shares issued by the parent.

	2023	2022
Consolidated net profit for the year attributable to shareholders of the parent	27,257	37,381
Weighted average number of ordinary shares in issue (million shares)	9,620	9,620
Basic earnings per share (RMB Yuan)	2.83	3.89

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2023 and 2022.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

56. Notes to items in consolidated statement of cash flow

(1) Significant payments related to other operating activities are listed below:

	2023	2022
Surrenders	23,122	21,434
Advertising expenses (including business publicity expenses)	6,777	5,951
Professional service fees	5,151	3,900
General office expenses	2,566	2,528
Outsourcing service fees	2,727	2,235
Prevention expenses	1,644	1,755
Consulting fees	573	654
Property management fees	806	808
Labour costs	645	720
Entrusted management fees	261	392

(2) Significant receipts related to other financing activities are listed below:

	2023	2022
Cash received related to non-controlling interests of consolidated structured entities, net	1,649	11,672
Cash proceeds from the issue of asset-backed securities	9,000	713

(3) Significant payments related to other financing activities are listed below:

	2023	2022
Cash paid for principal elements of lease payments	1,980	1,686

57. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash:		
Cash at bank and on hand	2	-
Cash at bank readily available for payments	29,833	31,836
Other cash balances readily available for payments	1,097	849
Cash equivalents:		
Investments with an initial term within 3 months	2,808	21,124
Total	33,740	53,809

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

58. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2023	2022
Net profit	27,911	38,222
Add: Impairment losses on financial assets	2,013	-
Impairment losses on other assets	253	-
Asset impairment losses	-	5,303
Depreciation of fixed assets and investment properties	1,857	1,883
Depreciation of right-of-use assets	1,328	1,371
Amortisation of intangible assets	1,196	980
Amortisation of other long-term assets	454	428
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(23)	(24)
Investment income	(7,053)	(77,510)
Interest income	(58,262)	-
Losses arising from changes in fair value	11,712	61
Interest expenses	2,628	2,752
Exchange gains	(159)	(1,085)
Deferred income tax	1,334	(788)
Changes in insurance contract liabilities/ assets, net	158,395	176,574
Changes in reinsurance contract liabilities/ assets, net	(7,363)	(1,157)
Increase in operating receivables	(1,432)	(798)
Increase in operating payables	3,074	2,452
Net cash flows from operating activities	137,863	148,664

(2) Net increase in cash and cash equivalents:

	2023	2022
Cash at the end of year	30,932	32,685
Less: Cash at the beginning of year	(32,685)	(32,195)
Cash equivalents at the end of year	2,808	21,124
Less: Cash equivalents at the beginning of year	(21,124)	(13,432)
Net (decrease)/ increase in cash and cash equivalents	(20,069)	8,182

(3) The changes in liabilities arising from financing activities are as follows:

	2023			
	Bonds payable	Securities sold under agreements to repurchase	Lease liabilities	Others
Balance at the beginning of year	10,302	119,831	2,718	134
Cash activities	(508)	(5,863)	(1,980)	8,113
Non-cash activities	491	1,851	2,357	197
Balance at the end of year	10,285	115,819	3,095	8,444

VIII. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life and health insurance segment (mainly including CPIC Life, CPIC Health and CPIC Life (H.K.)) offers a wide range of life and health insurance in RMB and foreign currencies;
- The property and casualty insurance segment (including CPIC Property, PAAIC and CPIC H.K.) provides a wide range of property and casualty insurance in RMB and foreign currencies;
- Other businesses segment mainly provides corporation management and asset management services, etc.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

In 2023, the scale premium of the top five external customers amounted to 0.46% (in 2022: 0.54%) of the Group's total scale premium.

Items	2023				Total
	Life and health insurance	Property and casualty insurance	Others	Eliminations	
Insurance revenue	87,217	179,488	-	(538)	266,167
Interest income	50,297	5,422	2,556	(13)	58,262
Investment income	6,474	1,148	10,031	(10,600)	7,053
Including: Share of profits/(losses) of associates and joint ventures	9	19	(395)	(19)	(386)
Other income	24	84	143	-	251
Gains/(Losses) arising from changes in fair value	(12,277)	(481)	1,053	(7)	(11,712)
Exchange gains	22	7	130	-	159
Other operating income	1,425	247	8,716	(6,646)	3,742
Gains/(Losses) on disposal of assets	25	2	(4)	-	23
Operating income	133,207	185,917	22,625	(17,804)	323,945
Insurance service expenses	(59,194)	(172,454)	-	625	(231,023)
Allocation of reinsurance premiums	(1,814)	(14,520)	-	496	(15,838)
Less: Recoveries of insurance service expenses from reinsurers	1,160	13,680	-	(441)	14,399
Insurance finance expenses for insurance contracts issued	(41,922)	(2,622)	-	(2,197)	(46,741)
Less: Reinsurance finance income for reinsurance contracts held	670	529	-	(25)	1,174
Others	(10,717)	(2,607)	(7,134)	6,602	(13,856)
Operating expenses	(111,817)	(177,994)	(7,134)	5,060	(291,885)
Operating profit	21,390	7,923	15,491	(12,744)	32,060
Add: Non-operating income	13	102	21	-	136
Less: Non-operating expenses	(62)	(80)	(53)	-	(195)
Profit before tax	21,341	7,945	15,459	(12,744)	32,001
Less: Income tax	(1,896)	(1,446)	(747)	(1)	(4,090)
Net profit for the year	19,445	6,499	14,712	(12,745)	27,911

VIII. SEGMENT INFORMATION (continued)

Items	2023				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Supplementary information:					
Capital expenditure	865	1,348	2,594	-	4,807
Depreciation and amortisation	2,144	1,598	1,049	-	4,791
Impairment losses on financial assets	1,247	772	(6)	-	2,013
As at 31 December 2023					
Long-term equity investments	105,822	230	2,732	(85,600)	23,184
Financial assets*	1,730,738	133,180	146,721	(1,286)	2,009,353
Insurance contract assets	-	335	-	-	335
Reinsurance contract assets	13,378	27,660	-	(1,284)	39,754
Term deposits	133,197	24,487	7,817	-	165,501
Others	38,972	32,097	39,535	(4,769)	105,835
Segment assets	2,022,107	217,989	196,805	(92,939)	2,343,962
Insurance contract liabilities	1,748,571	125,266	-	(1,217)	1,872,620
Bonds payable	-	10,285	-	-	10,285
Securities sold under agreements to repurchase	102,584	5,228	8,007	-	115,819
Others	38,475	20,768	24,619	(6,328)	77,534
Segment liabilities	1,889,630	161,547	32,626	(7,545)	2,076,258

* Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

VIII. SEGMENT INFORMATION (continued)

Items	2022				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Insurance revenue	89,601	160,519	-	(375)	249,745
Investment income	70,612	8,093	10,883	(12,078)	77,510
Including: Share of profits/(losses) of associates and joint ventures	557	54	(189)	(21)	401
Other income	39	40	104	-	183
Gains/(Losses) arising from changes in fair value	(245)	(95)	279	-	(61)
Exchange gains	200	148	737	-	1,085
Other operating income	1,527	206	7,694	(5,773)	3,654
Gains on disposal of assets	2	2	20	-	24
Operating income	161,736	168,913	19,717	(18,226)	332,140
Insurance service expenses	(61,307)	(153,058)	-	377	(213,988)
Allocation of reinsurance premiums	(2,398)	(13,414)	-	385	(15,427)
Less: Recoveries of insurance service expenses from reinsurers	597	12,604	-	(592)	12,609
Insurance finance expenses for insurance contracts issued	(57,308)	(2,198)	-	1,432	(58,074)
Less: Reinsurance finance income for reinsurance contracts held	656	471	-	(19)	1,108
Others	(10,788)	(2,893)	(7,945)	5,798	(15,828)
Operating expenses	(130,548)	(158,488)	(7,945)	7,381	(289,600)
Operating profit	31,188	10,425	11,772	(10,845)	42,540
Add: Non-operating income	32	104	11	-	147
Less: Non-operating expenses	(84)	(80)	(40)	-	(204)
Profit before tax	31,136	10,449	11,743	(10,845)	42,483
Less: Income tax	(1,505)	(2,256)	(491)	(9)	(4,261)
Net profit for the year	29,631	8,193	11,252	(10,854)	38,222

VIII. SEGMENT INFORMATION (continued)

Items	2022				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Supplementary information:					
Capital expenditure	1,019	749	6,979	-	8,747
Depreciation and amortisation	2,348	1,570	711	-	4,629
Asset impairment losses	5,659	860	(1,216)	-	5,303
As at 31 December 2022					
Long-term equity investments	99,866	218	10,590	(84,845)	25,829
Financial assets*	1,396,703	118,074	139,221	(636)	1,653,362
Insurance contract assets	-	305	-	-	305
Reinsurance contract assets	12,988	21,346	-	(1,129)	33,205
Term deposits	159,875	33,963	10,679	-	204,517
Other	88,848	29,508	40,230	(4,468)	154,118
Segment assets	1,758,280	203,414	200,720	(91,078)	2,071,336
Insurance contract liabilities	1,550,569	115,432	-	(1,153)	1,664,848
Reinsurance contract liabilities	-	809	-	-	809
Bonds payable	-	9,999	-	-	9,999
Securities sold under agreements to repurchase	107,018	2,206	10,441	-	119,665
Other	27,491	22,097	30,123	(5,368)	74,343
Segment liabilities	1,685,078	150,543	40,564	(6,521)	1,869,664

* Financial assets include financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity investments, available-for-sale financial assets and investments classified as loans and receivables.

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2023		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	2,042	1.00000	2,042
	USD	598	7.08270	4,235
	HKD	9	0.90622	8
	Sub-total			6,285
Other cash balances	RMB	1	1.00000	1
Total				6,286

	Currency	31 December 2022		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	78	1.00000	78
	USD	924	6.96460	6,434
	HKD	102	0.89327	91
	Sub-total			6,603
Other cash balances	RMB	7	1.00000	7
Total				6,610

As of 31 December 2023, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 2 million (31 December 2022: amounted equivalent to RMB 99 million).

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss (only applicable for 2022)

	31 December 2022
Debt investments	
Corporate bonds	2
Total	2

Financial assets at fair value through profit or loss are all financial assets held for trading, and there is no significant restriction on the realisation of investments.

3. Term deposits

Term to maturity	31 December 2023	31 December 2022
Within 1 year (inclusive)	1,558	4,699
1 to 2 years (inclusive)	2,877	1,500
2 to 3 years (inclusive)	507	2,800
3 to 4 years (inclusive)	-	-
4 to 5 years (inclusive)	519	-
Less: Impairment provisions	(4)	-
Total	5,457	8,999

4. Available-for-sale financial assets (only applicable for 2022)

Available-for-sale financial assets are summarised by category as follows:

	31 December 2022
Debt investments	
Government bonds	4,101
Finance bonds	7,169
Corporate bonds	11,645
Wealth management products	394
Equity investments	
Funds	10,108
Stocks	1,115
Investments in other equity instruments	3,160
Total	37,692

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Available-for-sale financial assets (only applicable for 2022) (continued)

Related information of available-for-sale financial assets is analysed as follows:

	31 December 2022
Debt investments	
Fair value	23,309
Including: Amortised cost	22,900
Accumulated amount recognised in other comprehensive income/(loss)	545
Total impairment provisions	(136)
Equity investments	
Fair value	14,383
Including: Cost	14,356
Accumulated amount recognised in other comprehensive income/(loss)	183
Total impairment provisions	(156)
Total	
Fair value	37,692
Including: Amortised cost/Cost	37,256
Accumulated amount recognised in other comprehensive income/(loss)	728
Total impairment provisions	(292)

5. Investments classified as loans and receivables (only applicable for 2022)

	31 December 2022
Debt investments	
Debt investment plans	10,875
Wealth management products	4,668
Total	15,543

6. Financial assets at fair value through profit or loss (only applicable for 2023)

	31 December 2023
Listed	1,365
Unlisted	15,890
Total	17,255
Bonds	6,154
Government bonds	93
Finance bonds	6,059
Corporate bonds	2
Stocks	818
Funds	3,508
Investment in wealth management products	3,702
Unlisted equity shares investments	3,073
Total	17,255

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Financial assets at amortised cost (only applicable for 2023)

	31 December 2023
Listed	-
Unlisted	12,655
Subtotal	12,655
Less: Impairment provisions	(11)
Net value	12,644
Debt investment plans	8,017
Investment trust	3,104
Others	1,534
Subtotal	12,655
Less: Impairment provisions	(11)
Net value	12,644

8. Debt investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Listed	4,105
Unlisted	19,035
Total	23,140
Bonds	23,140
Government bonds	12,620
Finance bonds	1,731
Corporate bonds	8,789
Total	23,140
Including:	
Amortised cost	22,552
Accumulated changes in fair value	588

As at 31 December 2023, the impairment provision for the Company's debt investment at fair value through other comprehensive income is RMB 78 million.

9. Equity investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Stocks	1,062
Perpetual bonds	322
Others	1,127
Total	2,511
Including:	
Cost	2,612
Accumulated changes in fair value	(101)

The equity instruments at fair value through other comprehensive income, designated by the Company, are the non-trading equity investments with the primary objective of being held for a long time or obtain dividends during the holding period.

For the year ended 31 December 2023, the Company disposed equity investments at fair value through other comprehensive income of RMB 109 million because of the optimisation of asset allocation and asset and liability management. Due to the sale of the above equity investments, RMB 9 million transferred from other comprehensive income to retained profits.

For the year ended 31 December 2023, the received dividends from the above equity investments are disclosed in Note IX.16.

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

10. Long-term equity investments

	31 December 2023	31 December 2022
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	42,366	42,366
CPIC Asset Management	1,360	1,360
CPIC H.K.	240	240
CPIC Real Estate	115	115
CPIC Investment (H.K.)	21	21
CPIC Online Services	200	200
CPIC Health	3,081	3,081
CPIC Technology	700	700
Consolidated structured entities	2,310	1,093
Associate		
Shanghai Health & Elderly Care Co.,Ltd.	295	300
HTCP CAPITAL LPF	138	-
Total	71,250	69,900

The Company does not have any other items that substantially constitute net investment in subsidiaries.

11. Investment properties

	Buildings
Cost:	
1 January 2022	4,454
Transfer from fixed assets, net	532
31 December 2022	4,986
Transfer to fixed assets, net	(16)
Transfer from intangible assets, net	34
31 December 2023	5,004
Accumulated depreciation:	
1 January 2022	(1,462)
Provision	(154)
Transfer from fixed assets, net	(96)
31 December 2022	(1,712)
Provision	(169)
Transfer to fixed assets, net	7
Transfer from intangible assets, net	(7)
31 December 2023	(1,881)
Carrying amount:	
31 December 2023	3,123
31 December 2022	3,274

The fair values of investment properties of the Company as at 31 December 2023 amounted to RMB 6,582 million (31 December 2022: RMB 6,667 million), which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health, Pacific Insurance Agency and CPIC Technology, and charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

12. Other assets

	31 December 2023	31 December 2022
Receivables from subsidiaries	273	268
Improvements of right-of-use assets	52	57
Dividends receivable	22	63
Others	123	176
Total	470	564

13. Securities sold under agreements to repurchase

	31 December 2023	31 December 2022
Securities - bonds		
Inter-bank market	2,026	2,919
Stock exchange	-	1,000
Total	2,026	3,919

As at 31 December 2023, the Company's bond investments of approximately RMB 2,110 million (31 December 2022: RMB 3,174 million) were pledged for inter-bank securities sold under agreements to repurchase.

As at 31 December 2023, the Company has no standardised bonds were pledged for securities sold at stock exchange under agreements to repurchase (As at 31 December 2022, the pledged amount is RMB 1,000 million).

14. Other liabilities

	31 December 2023	31 December 2022
Payables to subsidiaries	199	277
Payables for construction and purchasing office buildings	6	8
Others	573	601
Total	778	886

15. Capital reserves

	31 December 2023	31 December 2022
Capital premium	79,008	79,008
Asset evaluation appreciation	301	301
Others	3	3
Total	79,312	79,312

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

16. Investment income

	2023
Realised gains	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	23
Debt investments at fair value through other comprehensive income	40
Gains during the holding period	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	215
Dividend income from derecognised equity investments at fair value through other comprehensive income	3
Dividend income from equity investments at fair value through other comprehensive income held	106
Dividend income from subsidiaries	10,244
Share of losses of associates and joint ventures	(26)
Total	10,605
	2022
Net gains on sales of stock investments	143
Net gains on sales of bond investments	16
Net gains on sales of fund investments	93
Interest income from securities purchased under agreements to resell	11
Interest income from debt investments	1,677
Interest income from other fixed-interest investments	399
Stock dividend income	40
Fund dividend income	187
Income from other equity investments	28
Dividend income from subsidiaries	11,547
Total	14,141

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IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

17. Other comprehensive income/(loss)

	Other comprehensive income in balance sheet				Other comprehensive income/(loss) in income statement			
	1 January 2023	Attributable to the Company - net of tax	31 December 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(13)	(63)	(76)	(75)	-	(9)	21	(63)
Changes in the fair value of equity investments at fair value through other comprehensive income	(13)	(63)	(76)	(75)	-	(9)	21	(63)
Other comprehensive income/(loss) that will be reclassified to profit or loss	402	97	499	173	(43)	-	(33)	97
Changes in the fair value of debt instruments at fair value through other comprehensive income	295	145	440	237	(43)	-	(49)	145
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	107	(48)	59	(64)	-	-	16	(48)
Total	389	34	423	98	(43)	(9)	(12)	34

	Other comprehensive income in balance sheet				Other comprehensive income/(loss) in income statement			
	1 January 2022	Attributable to the Company - net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company - net of tax
Other comprehensive income/(loss) that will be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	1,354	(808)	546	(875)	(259)	57	269	(808)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

18. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2023	2022
Net profit	10,980	13,020
Add: Impairment losses on financial assets	(60)	-
Asset impairment losses	-	57
Depreciation of fixed assets and investment properties	325	304
Depreciation of right-of-use assets	80	70
Amortisation of intangible assets	86	105
Amortisation of other long-term assets	33	42
Investment income	(10,605)	(14,141)
Losses arising from changes in fair value	434	-
Interest income	(2,027)	-
Interest expenses	27	29
Exchange gains	(130)	(738)
Deferred income tax	(128)	(28)
Decrease in operating receivables	15	433
(Decrease)/Increase in operating payables	(17)	281
Net cash flows used in operating activities	(987)	(566)

(2) Net increase in cash and cash equivalents:

	2023	2022
Cash at the end of year	6,286	6,610
Less: Cash at the beginning of year	(6,610)	(5,261)
Cash equivalents at the end of year	-	-
Less: Cash equivalents at the beginning of year	-	(10)
Net (decrease)/increase in cash and cash equivalents	(324)	1,339

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

During the reporting period, the Company's major related parties comprise:

- (1) Subsidiaries of the Company;
- (2) Investors who exert significant influence on the Company;
- (3) Joint ventures and associates of the Company;
- (4) Key management personnel of the Company and close family members of such individuals;
- (5) Enterprise annuity fund established by the Group; and
- (6) Legal entities or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company is not a related party to the Company.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows:

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2023	Movements for the current year	31 December 2023	1 January 2023	Movements for the current year	31 December 2023
CPIC Property	19,470	478	19,948	98.50%	-	98.50%
CPIC Life	8,628	-	8,628	98.29%	-	98.29%
CPIC Asset Management	2,100	-	2,100	99.67%	-	99.67%
Changjiang Pension	3,000	-	3,000	61.10%	-	61.10%
CPIC H.K.	HKD 250 million	-	HKD 250 million	100.00%	-	100.00%
CPIC Real Estate	115	-	115	100.00%	-	100.00%
CPIC Investment (H.K.)	HKD 200 million	-	HKD 200 million	99.71%	-	99.71%
City Island	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Newscott Investments Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Xin Hui Property	USD 15,600 thousand	-	USD 15,600 thousand	98.29%	-	98.29%
He Hui Property	USD 46,330 thousand	-	USD 46,330 thousand	98.29%	-	98.29%
CPIC Online Services	200	-	200	100.00%	-	100.00%
Tianjin Trophy	354	-	354	98.29%	-	98.29%
CPIC Senior Living Investment	5,000	-	5,000	98.29%	-	98.29%
CPIC Health	3,600	-	3,600	99.74%	-	99.74%
PAAIC	1,080	-	1,080	66.76%	-	66.76%
Pacific Medical & Healthcare	1,000	-	1,000	98.29%	-	98.29%
CPIC Funds	150	-	150	50.83%	-	50.83%
Pacific Insurance Agency	50	-	50	100.00%	-	100.00%
Chengdu Project Company	1,000	-	1,000	98.29%	-	98.29%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows (continued):

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2023	Movements for the current year	31 December 2023	1 January 2023	Movements for the current year	31 December 2023
Hangzhou Project Company	1,200	-	1,200	98.29%	-	98.29%
Xiamen Project Company	900	-	900	98.29%	-	98.29%
Pacific Care Home at Chengdu	60	-	60	98.29%	-	98.29%
Nanjing Project Company	220	482	702	98.29%	-	98.29%
Pacific Care Home at Dali	608	-	608	74.70%	-	74.70%
Shanghai (Putuo) Project Company	250	-	250	98.29%	-	98.29%
Pacific Care Home at Hangzhou	60	-	60	98.29%	-	98.29%
Wuhan Project Company	980	-	980	98.29%	-	98.29%
CPIC Capital	100	-	100	99.67%	-	99.67%
Pacific Care Home at Shanghai (Chongming)	1,253	-	1,253	98.29%	-	98.29%
Pacific Care Home at Shanghai (Putuo)	30	-	30	98.29%	-	98.29%
Borui Heming	52	-	52	98.29%	-	98.29%
CPIC Life (H.K.)	HKD 1,000 million	-	HKD 1,000 million	98.29%	-	98.29%
Qingdao Project Company	227	-	227	98.29%	-	98.29%
Pacific Care Home at Xiamen	40	-	40	98.29%	-	98.29%
Zhengzhou Project Company	650	-	650	98.29%	-	98.29%
Beijing Project Company	800	-	800	98.29%	-	98.29%
CPIC Technology	700	-	700	100.00%	-	100.00%
Xinbaoyu	3,650	-	3,650	98.46%	-	98.46%
CPIC Technology Wuhan	100	-	100	100.00%	-	100.00%
Sanya Project Company	490	-	490	98.29%	-	98.29%
Pacific Care Home at Nanjing	30	-	30	98.29%	-	98.29%
Pacific Care Home at Shanghai (Jing'an)	-	426	426	-	98.29%	98.29%
Pacific Care Home at Wuhan	-	30	30	-	98.29%	98.29%
Yuanshen Hospital	-	160	160	-	98.29%	98.29%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Baoshan Iron & Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Baowu Carbon Technology Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Baoxin Software Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Taiyuan Iron & Steel (Group) Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Ningbo Baoxin Stainless Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Asset Management Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Gas Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Shenergy Company Limited	Subsidiary of shareholders holding over 5% voting rights of the Company
Shanghai LNG Company Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Shanghai Juche Information Technology Co., Ltd. (“Juche”)	Associate of the Company
Zhongdao Automobile Rescue Industry Co., Ltd. (“Zhongdao”)	Associate of the Company
Shanghai Shantai Healthcare and Technology Company Limited (“Shantai Healthcare”)	Associate of the Company
The Company’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services’ enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Health’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment’s enterprise annuity plan	Enterprise annuity fund established by the Group
PAAIC’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate’s enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare’s enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund’s enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Insurance Agency enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Technology enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Capital enterprise annuity plan	Enterprise annuity fund established by the Group
Hwabao WP Fund Management Co., Ltd.	Company of which the Group’s related natural persons serve as directors or senior management personnel in the past 12 months
Haitong Securities Co., Ltd.	Company of which the Group’s related natural persons serve as directors or senior management personnel
Orient Securities Company Limited (“Orient Securities”)	Company of which the Group’s related natural persons serve as directors or senior management personnel
Shanghai Haiyan Investment Management Co., Ltd.	Company of which the Group’s related natural persons serve as directors or senior management personnel

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

Name of entity	Relationship with the Company
Swiss Reinsurance Company Ltd	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Baosteel Group Finance Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

	2023	2022
Baoshan Iron & Steel Co., Ltd.	18	21
Shenergy Company Limited	9	-
Orient Securities	4	-
Shanghai LNG Company Ltd.	4	-
Shanghai Gas Co., Ltd.	3	2
Shanghai International Group Co., Ltd.	2	2
Taiyuan Iron & Steel (Group) Co., Ltd.	2	1
Shanghai Baoxin Software Co., Ltd.	2	1
China Baowu Steel Group Corporation Limited	1	5
Shanghai International Group Asset Management Co., Ltd.	1	2
Shanghai State-Owned Assets Operation Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	1
Haitong Securities Co., Ltd.	-	1
Ningbo Baoxin Stainless Steel Co., Ltd.	-	1
Total	48	38

Sale of insurance contracts to shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company was RMB 4 million for the year ended 2023 (For the year ended 2022: RMB 8 million).

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. The proportion of the scale premium of related parties to the total scale premium of the Group's was less than 1% for both year ended 2023 and 2022.

Note: The transaction amount for the period was calculated since the entity was identified as a related party of the Group.

(2) Fund subscription and redemption transactions

	2023	2022
Hwabao WP Fund Management Co., Ltd.	151	366

(3) Transaction of asset management products

	2023	2022
Haitong Securities Co., Ltd.	1,000	-
Hwabao Trust Co., Ltd.	58	37
Baosteel Group Finance Co., Ltd.	-	1,030
Total	1,058	1,067

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(4) Transaction of selling and buying bonds

	2023	2022
Orient Securities	410	-

(5) Distribution of cash dividends

	2023	2022
Shenergy (Group) Company Limited	1,431	1,386
Hwabao Investments Co., Ltd.	1,310	1,284
Shanghai State-Owned Assets Operation Co., Ltd.	665	634
Shanghai Haiyan Investment Management Co., Ltd.	519	516
Total	3,925	3,820

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,406 million in 2023 (2022: RMB 3,304 million).

(6) Premiums ceded to reinsurers (transaction amount)

	2023	2022
Swiss Reinsurance Company Ltd ^{Note}	3,163	3,372

(7) Expense recoveries from reinsurers (recovered amount)

	2023	2022
Swiss Reinsurance Company Ltd ^{Note}	1,074	1,048

(8) Claim recoveries from reinsurers (recovered amount)

	2023	2022
Swiss Reinsurance Company Ltd ^{Note}	2,075	1,964

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

(9) Remuneration of key management

	2023	2022
Salary and other benefits	38	37

Note: For the remuneration of key management disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2022, excluding the amount disclosed above, is as follows: the remuneration of the relevant personnel was RMB 8.712 million (before tax) (including director's and supervisors' remuneration disclosed in Note XIX 1).

(10) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2023	2022
Contribution to the enterprise annuity plan	700	525

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(11) The major related transactions between the Group and joint ventures during the years are as follows:

	2023	2022
Binjiang-Xiangrui		
Fees for leasing office buildings of Binjiang-Xiangrui	86	86
Ruiyongjing Real Estate		
Grant loans	601	885

(12) The major related transactions between the Group and associates during the years are as follows:

	2023	2022
Purchase service		
Juche	133	130
Zhongdao	161	127
Shantai Healthcare	106	143
Total	400	400

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the years are as follows:

	2023	2022
Purchase of insurance contracts		
CPIC Property	7	10
Rental income from office building		
CPIC Property	96	99
CPIC Technology	36	28
CPIC Life	16	20
Changjiang Pension	9	9
CPIC Senior Living Investment	4	4
CPIC Health	1	1
Total	162	161
Shared service centre fee		
CPIC Property	70	131
CPIC Life	62	121
CPIC Health	5	6
CPIC Asset Management	5	8
CPIC Technology	5	21
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
CPIC Capital	1	1
Pacific Medical & Healthcare	1	-
Changjiang Pension	-	1
Total	151	291
IT/Collaboration service fee		
Changjiang Pension	-	6
CPIC Asset Management	-	5
Total	-	11

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows (continued):

	2023	2022
Equipment rental fee		
CPIC Technology	45	-
Asset management fee		
CPIC Asset Management	19	62
Technology service fee		
CPIC Technology	260	199
Commission fee		
CPIC Real Estate	12	12
Medical examination fee		
CPIC Health	2	4
Rental fee		
CPIC Property	5	3
CPIC Life	2	1
CPIC Real Estate	-	5
Total	7	9
Publicity expenses		
CPIC Technology	1	-
Consulting service fee		
CPIC Asset Management	2	-
Cash dividends received		
CPIC Life	5,852	6,869
CPIC Property	4,027	4,411
CPIC Asset Management	320	240
CPIC H.K.	45	-
Total	10,244	11,520
Capital injection to subsidiaries		
CPIC Life	-	2,458
Investment of setting up subsidiaries		
CPIC Technology	-	700
Fixed assets transfer		
CPIC Technology	-	9

The rent of the office building charged by the Company from CPIC Property, CPIC Technology, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Health is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Property, CPIC Life, CPIC Health, CPIC Asset Management, CPIC Technology, CPIC Senior Living Investment, CPIC Online Services, CPIC Capital, Pacific Medical & Healthcare and Changjiang Pension, is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The IT service or collaboration service fees charged by the Company from Changjiang Pension and CPIC Asset Management is determined at the price negotiated by both parties. The equipment rental fees charged by the Company from CPIC Technology are determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company is determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The technology service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties. The commission fee charged by CPIC Real Estate to the Company is determined at the price negotiated by both parties.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows (continued):

The medical examination fee incurred between the Company and CPIC Health is determined at the price negotiated by both parties. The rent of the office building incurred among the Company, CPIC Property, CPIC Life and CPIC Real Estate is determined at the price negotiated by both parties. Publicity expenses charged by CPIC Technology to the Company are determined at the price negotiated by both parties. Consulting service fee charged by CPIC Asset Management to the Company is determined at the price negotiated by both parties.

(2) The major related transactions between the Company and other related parties of the Group during the years are as follows:

	2023	2022
Fees for leasing office buildings		
Binjiang-Xiangrui	43	42
Xinbaoyu	2	1
Total	45	43

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2023	31 December 2022
Dividends receivable		
CPIC H.K.	-	45
Other receivables		
CPIC Property	136	149
CPIC Life	90	76
CPIC Technology	40	36
CPIC Health	3	2
CPIC Asset Management	2	4
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
Total	273	269
Other payables		
CPIC Technology	172	207
CPIC Asset Management	22	65
CPIC Real Estate	6	5
Total	200	277

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables and payables between the Group and its joint ventures are as follows:

	31 December 2023	31 December 2022
Other receivables		
Binjiang-Xiangrui	1,772	1,775
Other payables		
Binjiang-Xiangrui	266	245
Debt investments at fair value through other comprehensive income		
Ruiyongjing Real Estate	5,312	-
Investments classified as loans and receivables		
Ruiyongjing Real Estate	-	4,339

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(3) Receivables and payables between the Group and other related parties arising from reinsurance are as follows:

	31 December 2023	31 December 2022
Swiss Reinsurance Company Ltd reinsurance receivables	1,186	1,163
Swiss Reinsurance Company Ltd reinsurance payables	361	764

XI. CONTINGENCIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 31 December 2023, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on estimates by the Group and the Group would only be contingently liable for any claim that is in excess of the provision made. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated by the management or the probability of loss is extremely low.

XII. COMMITMENTS

1. Major projects with capital commitments

		31 December 2023	31 December 2022
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)(6)	14,289	13,772
Authorised, but not contracted for	(1)(2)	8,337	6,630
		22,626	20,402

XII. COMMITMENTS (continued)

1. Major projects with capital commitments (continued)

As at 31 December 2023, major projects with capital commitments are as follows:

- (1) CPIC Life and the third party joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2023, the cumulative amount incurred by CPIC Life amounted to approximately RMB 14,775 million. Of the balance, approximately RMB 510 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Life and CPIC Senior Living Investment obtained the use rights of fourteen parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up fourteen project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eleven projects is approximately RMB 16,191 million. As at 31 December 2023, the cumulative amount incurred amounted to approximately RMB 7,209 million. Of the balance, approximately RMB 1,595 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 6,187 million was disclosed as a capital commitment authorised but not contracted for.
- (3) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,050 million. Among which CPIC Life subscribed capital contribution of RMB 5,000 million, accounted for 99.01% of the capital. As at 31 December 2023, CPIC Life has cumulatively made a capital contribution of RMB 2,662 million. Of the balance, RMB 2,338 million was disclosed as a capital commitment contracted but not provided for.
- (4) As at December 31 2023, CPIC Life and CPIC Capital together subscribed 99.98% of the shares of China Pacific Changhang. As of December 31 2023, China Pacific Changhang has invested in two unlisted equities and ten equity investment funds (not including consolidated structured entities included in the scope of the Group) with a total subscribed contribution of RMB 4,843 million, paid-in contribution of RMB 2,860 million, and uncontributed capital of RMB 1,983 million, which are listed as a capital commitment contracted but not provided for.
- (5) As at December 31 2023, the Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As of December 31 2023, CPIC Health Fund has invested in seventeen equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 4,210 million, paid-in contribution of approximately RMB 3,004 million, and uncontributed capital of approximately RMB 1,206 million, which are listed as signed but unallocated capital commitments.
- (6) As at December 31 2023, CPIC Life and CPIC Capital together subscribed 99.99% of the shares of Nanjing Taobao Xinhui Zhiyuan Equity Investment Fund Management Partnership (Limited Partnership) ("Xinhui Zhiyuan"). As of December 31 2023, Xinhui Zhiyuan has invested in four equity investment funds with a total subscribed contribution of RMB 4,120 million, paid-in contribution of approximately RMB 1,590 million, and uncontributed capital of approximately RMB 2,530 million, which are listed as a capital commitment contracted but not provided for.

XII. COMMITMENTS (continued)

2. Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	379	854
1 to 2 years (inclusive)	290	458
2 to 3 years (inclusive)	146	351
3 to 5 years (inclusive)	85	203
More than 5 years	72	124
	972	1,990

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk and concentration of insurance risk

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected;

Severity risk - the possibility that the cost of the events will differ from that expected;

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risk and concentration of insurance risk (continued)

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Three major types of reinsurance agreements, ceding on a quota share basis or a surplus basis or excess reinsurance, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

(2) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumption and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group has measured the impact on insurance contract liabilities of long-term life insurance contracts using sensitivity analysis for reasonably possible movements in key assumptions with all other assumptions held constant.

	31 December 2023		
	Changes in assumptions	Impact on profit before tax (Gross of reinsurance)	Impact on equity before tax (Gross of reinsurance)
Mortality rate	+10%	(132)	(627)
	-10%	(235)	314
Morbidity rate	+10%	(1,907)	(3,290)
	-10%	1,524	2,958
Expenses	+10%	(911)	(1,202)
	-10%	909	1,200
Policy dividend	+5%	(1,037)	(1,037)
Surrender rate	+10%	1,591	1,666
	-10%	(1,609)	(1,518)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

	Changes in assumptions	31 December 2022	
		Impact on profit before tax (Gross of reinsurance)	Impact on equity before tax (Gross of reinsurance)
Mortality rate	+10%	(109)	(588)
	-10%	(383)	141
Morbidity rate	+10%	(1,965)	(3,059)
	-10%	1,471	2,601
Expenses	+10%	(940)	(1,147)
	-10%	896	1,102
Policy dividend	+5%	(1,039)	(1,039)
Surrender rate	+10%	1,405	629
	-10%	(1,499)	(564)

Reinsurance contracts do not have significant influence on the Group's long-term life insurance contracts, therefore the impact on profit before tax and equity of net of reinsurance is similar to the above sensitivity analysis.

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for liability for incurred claims is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk adjustment for non-financial risk, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the liability for incurred claims for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

The Group has measured the impact on insurance contract liabilities of property and casualty and short-term life insurance using sensitivity analysis for reasonably possible movements in key assumptions with all other assumptions held constant.

	Changes in assumption	31 December 2023			
		Impact on profit before tax		Impact on equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Loss ratio	+5%	(3,743)	(2,684)	(3,743)	(2,684)
	-5%	3,743	2,684	3,743	2,684

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

	31 December 2022				
	Changes in assumption	Impact on profit before tax		Impact on equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Loss ratio	+5%	(3,573)	(2,613)	(3,573)	(2,613)
	-5%	3,573	2,613	3,573	2,613

The table below presents the claim reserves of gross of reinsurance for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2019	2020	2021	2022	2023	
Gross of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	71,637	81,244	101,908	109,894	128,386	
One year later	71,010	80,052	98,801	104,854		
Two years later	70,608	79,948	98,681			
Three years later	70,072	79,394				
Four years later	70,037					
Cumulative claims payments	(69,446)	(77,701)	(93,552)	(89,049)	(88,293)	
Sub-total	591	1,693	5,129	15,805	40,093	63,311
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						5,896
Liability for incurred claims						69,207

The table below presents the claim reserves of net of reinsurance for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2019	2020	2021	2022	2023	
Net of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	62,405	71,681	89,762	96,915	111,921	
One year later	61,783	70,520	87,173	93,658		
Two years later	61,350	70,334	87,049			
Three years later	60,897	69,764				
Four years later	60,942					
Cumulative claims payments	(60,583)	(68,520)	(83,065)	(80,330)	(79,037)	
Sub-total	359	1,244	3,984	13,328	32,884	51,799
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						(3,623)
Liability for incurred claims, net						48,176
Total asset for incurred claims						21,031
Liability for incurred claims						69,207

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

The table below presents the claim reserves of gross of reinsurance for short-term life insurance contracts of the Group:

	Short-term life insurance (Accident year)					Total
	2019	2020	2021	2022	2023	
Gross of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	4,628	4,696	4,913	4,075	4,548	
One year later	4,307	4,266	4,547	3,801		
Two years later	4,358	4,180	4,408			
Three years later	4,330	4,138				
Four years later	4,330					
Cumulative claims payments	(4,330)	(4,130)	(4,354)	(3,553)	(3,090)	
Sub-total	-	8	54	248	1,458	1,768
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						3,880
Liability for incurred claims						5,648

The table below presents the claim reserves of net of reinsurance for short-term life insurance contracts of the Group:

	Short-term life insurance (Accident year)					Total
	2019	2020	2021	2022	2023	
Net of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	3,058	3,440	3,967	3,436	4,300	
One year later	3,163	3,339	3,733	3,240		
Two years later	3,222	3,244	3,626			
Three years later	3,195	3,208				
Four years later	3,195					
Cumulative claims payments	(3,195)	(3,200)	(3,571)	(3,011)	(2,944)	
Sub-total	-	8	55	229	1,356	1,648
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						3,866
Liability for incurred claims, net						5,514
Total asset for incurred claims						134
Liability for incurred claims						5,648

XIII. RISK MANAGEMENT (continued)

2. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management and related party transactions committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific insurance contract liabilities and that assets are held to deliver income and gains expected by policyholders.

(1) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the foreign currency.

The following tables summarise the Group's financial assets and financial liabilities by major currency:

	31 December 2023				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Cash at bank and on hand	25,925	5,340	188	2	31,455
Derivative financial instruments	-	17	-	-	17
Securities purchased under agreements to resell	2,808	-	-	-	2,808
Term deposits	164,256	1,222	23	-	165,501
Financial investments:					
Financial assets at fair value through profit or loss	564,127	14,662	2,466	347	581,602
Financial assets at amortised cost	82,334	-	-	-	82,334
Debt investments at fair value through other comprehensive income	1,246,792	643	-	-	1,247,435
Equity investments at fair value through other comprehensive income	97,937	1	27	-	97,965
Restricted statutory deposits	7,105	-	-	-	7,105
Others	11,101	97	28	8	11,234
Sub-total	2,202,385	21,982	2,732	357	2,227,456

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities by major currency (continued):

	31 December 2023				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Derivative financial liabilities	2	12	-	7	21
Securities sold under agreements to repurchase	115,819	-	-	-	115,819
Bonds payable	10,285	-	-	-	10,285
Commission and brokerage payable	5,846	-	15	-	5,861
Lease liabilities	3,077	-	18	-	3,095
Others	33,458	302	119	-	33,879
Sub-total	168,487	314	152	7	168,960
Net value	2,033,898	21,668	2,580	350	2,058,496

	31 December 2022				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Cash at bank and on hand	24,202	8,175	756	1	33,134
Financial assets at fair value through profit or loss	26,240	320	-	-	26,560
Derivative financial assets	-	197	-	-	197
Securities purchased under agreements to resell	21,124	-	-	-	21,124
Interest receivables	19,628	28	-	-	19,656
Term deposits	203,096	1,421	-	-	204,517
Available-for-sale financial assets	700,410	12,001	2,409	265	715,085
Held-to-maturity financial assets	514,115	135	-	-	514,250
Investments classified as loans and receivables	397,270	-	-	-	397,270
Restricted statutory deposits	7,290	-	-	-	7,290
Others	8,456	83	477	7	9,023
Sub-total	1,921,831	22,360	3,642	273	1,948,106

	31 December 2022				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Derivative financial liabilities	1	1	-	6	8
Securities sold under agreements to repurchase	119,665	-	-	-	119,665
Interest payable	469	-	-	-	469
Bonds payable	9,999	-	-	-	9,999
Commission and brokerage payable	4,638	-	1	-	4,639
Lease liabilities	2,683	-	35	-	2,718
Others	29,820	223	138	-	30,181
Sub-total	167,275	224	174	6	167,679
Net amount	1,754,556	22,136	3,468	267	1,780,427

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's insurance contract assets/ liabilities and reinsurance contract assets/ liabilities by major currency:

	31 December 2023			Total
	RMB	USD (in RMB)	HKD (in RMB)	
Insurance contract assets	335	-	-	335
Reinsurance contract assets	35,695	3,579	480	39,754
Insurance contract liabilities	1,865,226	6,556	838	1,872,620

	31 December 2022			Total
	RMB	USD (in RMB)	HKD (in RMB)	
Insurance contract assets	-	-	305	305
Reinsurance contract assets	30,944	1,822	439	33,205
Insurance contract liabilities	1,661,639	2,864	345	1,664,848
Reinsurance contract liabilities	-	-	809	809

Exchange rates used by the Group by major currencies:

	31 December 2023		31 December 2022	
	USD	HKD	USD	HKD
Exchange rate	7.08270	0.90622	6.96460	0.89327

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in spot and forward exchange rates and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities, insurance contract assets/ liabilities and reinsurance contract assets/ liabilities denominated in foreign currency as at the dates indicated.

USD, HKD and other currencies to RMB exchange rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+5%	353	1,088
-5%	(353)	(1,088)

USD, HKD and other currencies to RMB exchange rate	31 December 2022	
	Impact on profit before tax	Impact on equity before tax
+5%	662	1,337
-5%	(662)	(1,337)

The impact on equity arising from monetary financial assets and liabilities, insurance contract assets/ liabilities and reinsurance contract assets/ liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks.

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

	31 December 2023						
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Non-interest bearing	Total
Financial assets:							
Cash at bank and on hand with maturity of no more than three months	549	-	-	-	30,901	3	31,453
Securities purchased under agreements to resell	2,808	-	-	-	-	-	2,808
Term deposits	49,777	59,485	51,545	500	-	4,194	165,501
Financial investments:							
Financial assets at fair value through profit or loss	10,671	18,102	12,588	160,723	-	3,400	205,484
Financial assets at amortised cost	14,651	18,737	5,884	42,962	100	-	82,334
Debt investments at fair value through other comprehensive income	48,318	114,044	71,084	1,002,494	-	11,495	1,247,435
Restricted statutory deposits	3,442	2,273	1,040	-	-	350	7,105
Financial liabilities:							
Securities sold under agreements to repurchase	115,695	-	-	-	-	124	115,819
Bonds payable	-	-	9,999	-	-	286	10,285

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk (continued):

	31 December 2022					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	659	-	-	-	32,475	33,134
Debt investments at fair value through profit or loss	945	768	1,639	3,159	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	21,124
Term deposits	77,215	71,137	56,165	-	-	204,517
Available-for-sale debt investments	36,296	46,472	36,843	178,508	-	298,119
Held-to-maturity financial assets	13,215	23,622	8,640	468,773	-	514,250
Investments classified as loans and receivables	21,465	119,877	56,313	199,615	-	397,270
Restricted statutory deposits	1,459	4,221	1,610	-	-	7,290
Financial liabilities:						
Securities sold under agreements to repurchase	119,665	-	-	-	-	119,665
Bonds payable	5,000	-	-	4,999	-	9,999

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet date, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (2022:available-for-sale financial assets). The following tables show the pre-tax impact of fair value change of debt investments on profit before tax and equity.

Change in RMB interest rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	(3,121)	(52,577)
-50 basis points	3,276	58,879

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	(98)	(6,936)
-50 basis points	103	7,691

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities (continued)

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	155	155
-50 basis points	(155)	(155)

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	122	122
-50 basis points	(122)	(122)

Sensitivities on insurance contract liabilities

The following tables show the pre-tax impact that insurance contract liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2023	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	4,261	68,027
-50 basis points	(5,082)	(78,143)

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity before tax
+50 basis points	3,165	56,979
-50 basis points	(6,268)	(68,221)

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Financial investments exposed to market price risk mainly consist of stocks and equity investment funds under financial assets at fair value through profit or loss and equity investments at fair value through other comprehensive income.

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(3) Price risk (continued)

Assuming that the market price of listed stocks and equity investment funds rises or falls by 10% (based on the book value as at the balance sheet date, taking into account the impact on listed equities and securities investment funds and insurance contract liabilities) and other variables remain unchanged, the impact of the above financial instruments on the Group's equity and net profit based at the end of the reporting date is as follows. For the sensitivity analysis, for equity investments at fair value through other comprehensive income, the effect is considered as the fair value change of equity investments at fair value through other comprehensive income, other than the impairment losses on financial assets which would impact the income statement (only applicable for 2022).

Changes in prices of equity investments	31 December 2023			
	Impact on equity investments	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity before tax
+10%	30,743	12,430	10,688	18,313
-10%	(30,743)	(12,430)	(10,688)	(18,313)

Changes in prices of equity investments	31 December 2022			
	Impact on equity investments	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity before tax
+10%	23,289	12,622	411	10,667
-10%	(23,289)	(12,622)	(411)	(10,667)

3. Credit risk

Credit risk is the risk that one party to a financial instrument or an insurance contract will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, financial assets at amortised cost, debt investments at fair value through other comprehensive income, securities purchased under agreements to resell, reinsurance contract assets and other assets.

Due to the restriction of The National Administration of Financial Regulation, majority of the Group's financial assets are government bonds, government institutional bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are placed with national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge, and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements. The Group grants a short credit period and arranges instalment payment to reduce the property and casualty insurance businesses credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly entered into with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss

In accordance with the new accounting standard for financial instruments, the Group applies the “expected credit loss model” to measure the impairment of financial assets such as financial assets at amortised cost and debt investments at fair value through other comprehensive income.

Criteria for judging significant changes in credit risk

Under the new financial instruments accounting standard, the Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has changed significantly since its initial recognition when considering the credit risk stages of financial assets. When determining the impairment stage of financial assets, the Group fully considers all reasonable and well-founded information, including forward-looking information, that reflects whether there has been a significant change in its credit risk. The main factors to be considered are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, etc. The Group based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine the stage classification of financial instruments by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to determine whether the credit risk of financial instruments has changed significantly since the initial recognition, mainly including changes in the debtor's probability of default (“PD”), changes in credit risk classification, and other circumstances indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, the Group considers overdue more than 30 days as one of the criteria for a significant increase in credit risk in accordance with the requirements of the Standard.

Definition of financial assets that are credit-impaired

The criteria adopted by the Group in determining whether credit impairment has incurred are consistent with internal credit risk management objectives for the relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether a debtor has incurred credit impairment, the Group mainly considers the following factors:

- The debtor is more than 90 days overdue after the due date of payment in the contract;
- Internal credit rating is a default rating;
- For economic or contractual reasons related to the debtor's financial difficulties, the creditor gives the debtor concessions that the creditor would not otherwise consider;
- Significant financial difficulties of the issuer or debtor;
- Breach of contract by the debtor, such as default or overdue payment of interest or principal;
- The debtor is likely to go bankrupt or other financial restructuring;
- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for that financial asset;
- Purchase or originate a financial asset at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by a combination of multiple events, not necessarily by individually identifiable events.

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Parameters of the expected credit loss measurement

The models, parameters and assumptions used in measuring expected credit loss are described as follows:

Impairment provisions are measured in terms of expected credit losses over the next 12 months or throughout the lifetime of the assets, based on whether there has been a significant increase in credit risk and whether the asset has undergone credit impairment. The expected credit loss is the result of discounting the product of the company's exposure at default ("EAD"), PD and rate of loss given default ("LGD") under reasonable and evidence-based forward-looking information that can be obtained without undue cost or effort.

- i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime;
- ii) PD is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout the remaining lifetime;
- iii) LGD is the Group's expectation of the percentage of loss on the EAD will be lost. LGD varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Group takes into account changes in the risk of default over the expected lifetime of the financial instruments. The lifetime PD is derived from the 12-month PD based on the maturity information. Impairment for assets assessed on a collective basis is based on observable historical data and on the assumption that assets with the same credit rating and in the same portfolio for collective assessment are in the same situation. The above analysis is based on industry experience and supported by historical data.

Credit risk exposure

Without regard to the impact of guarantees or other credit enhancement methods, the carrying amount of financial assets in the Group's balance sheet reflects its maximum credit risk exposure at the balance sheet date.

The following table sets out the credit risk exposure of financial instruments under the scope of the expected credit loss assessment (only applicable for 2023):

	31 December 2023			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash at bank and on hand	31,455	-	-	31,455
Derivative financial assets	17	-	-	17
Securities purchased under agreements to resell	2,808	-	-	2,808
Term deposits	165,501	-	-	165,501
Financial Investments:	1,324,659	1,302	3,808	1,329,769
Financial assets at amortised cost	81,291	155	888	82,334
Debt investments at fair value through other comprehensive income	1,243,368	1,147	2,920	1,247,435
Restricted statutory deposits	7,105	-	-	7,105
Others	10,523	683	28	11,234
Total	1,542,068	1,985	3,836	1,547,889

As at December 31, 2023, the collateral for the financial assets that have suffered credit impairment is mainly equity.

The Group closely monitors collateral for financial assets that have undergone credit impairment.

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table sets out the credit risk exposure of financial instruments as at 31 December 2022:

	31 December 2022						Total
	Not due and not impaired	Past due but not impaired			Total past due but not impaired	Financial assets with impairment considered	
		Within 30 days	31 to 90 days	More than 90 days			
Cash at bank and on hand	33,134	-	-	-	-	-	33,134
Debt investments at fair value through profit or loss	6,511	-	-	-	-	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	-	21,124
Interest receivables	19,656	-	-	-	-	-	19,656
Term deposits	204,517	-	-	-	-	-	204,517
Available-for-sale debt investments	290,852	-	-	-	-	7,267	298,119
Held-to-maturity financial assets	514,136	-	-	-	-	114	514,250
Investments classified as loans and receivables	396,222	-	-	-	-	1,048	397,270
Restricted statutory deposits	7,290	-	-	-	-	-	7,290
Others	8,945	-	-	1	1	77	9,023
Total	1,502,387	-	-	1	1	8,506	1,510,894

The following table sets out the maximum exposure to credit risk of insurance contracts at the end of reporting period:

	31 December 2023	31 December 2022
Insurance contracts issued	110,425	105,761
Reinsurance contracts held	39,754	33,205

The Group assesses the credit standing of ceded reinsurance recipients on the timely basis, including financial performance, solvency level, etc., and then select those companies with high credit qualifications to carry out reinsurance business. At the end of the year, there was no material change in the credit standing of the Group's ceded reinsurance recipients.

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year:

Gross carrying amount	2023							31 December
	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs	
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Financial assets at amortised cost	Stage 1	89,716	(8,262)	(120)	-	-	-	81,334
	Stage 2	1,586	(297)	120	-	(1,253)	-	156
	Stage 3	944	24	-	-	1,253	-	2,221
Debt investments at fair value through other comprehensive income	Stage 1	1,108,746	135,114	(492)	-	-	-	1,243,368
	Stage 2	4,204	(1,029)	492	-	(2,520)	-	1,147
	Stage 3	6,374	(5,974)	-	-	2,520	-	2,920

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year (continued):

2023								
Impairment provision	Stage	1 January	Net increase/ (decrease) (Note1)	Stages transfers			Write-offs	31 December
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Financial assets at amortised cost	Stage 1	49	(6)	-	-	-	-	43
	Stage 2	112	(7)	-	-	(104)	-	1
	Stage 3	657	572	-	-	104	-	1,333
Debt investments at fair value through other comprehensive income	Stage 1	250	(28)	-	-	-	-	222
	Stage 2	257	(20)	-	-	(226)	-	11
	Stage 3	2,177	1,293	-	-	226	-	3,696

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of "default" are consistent with those of "credit-impaired".

The following table analyses the credit risk's stages of financial assets at amortised cost and debt investments at fair value through other comprehensive income within the scope of ECLs. The net carrying value of the following financial assets disclosed at the balance sheet is their maximum exposure to credit risk:

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Financial assets at amortised cost				
Credit level				
Low	79,345	-	-	79,345
Medium	1,989	156	-	2,145
High	-	-	-	-
Default	-	-	2,221	2,221
Total carrying amount	81,334	156	2,221	83,711
Impairment provisions	(43)	(1)	(1,333)	(1,377)
Net carrying amount	81,291	155	888	82,334

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table analyses the credit risk's stages of financial assets at amortised cost and debt investments at fair value through other comprehensive income within the scope of ECLs. The net carrying value of the following financial assets disclosed at the balance sheet is their maximum exposure to credit risk (continued):

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Debt investments at fair value through other comprehensive income				
Credit level				
Low	1,236,417	29	-	1,236,446
Medium	6,951	1,118	-	8,069
High	-	-	-	-
Default	-	-	2,920	2,920
Net carrying amount	1,243,368	1,147	2,920	1,247,435

4. Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management and related party transactions committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency fund plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	31 December 2023					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	30,906	549	-	-	-	31,455
Derivative financial assets	-	17	-	-	-	17
Securities purchased under agreements to resell	-	2,809	-	-	-	2,809
Term deposits	-	52,866	124,687	587	-	178,140
Financial investments:						
Financial assets at fair value through profit or loss	454	26,543	55,426	200,178	367,031	649,632
Financial assets at amortised cost	-	17,859	34,492	56,912	-	109,263
Debt investments at fair value through other comprehensive income	-	96,126	347,151	1,604,815	-	2,048,092
Equity investments at fair value through other comprehensive income	-	4,662	25,680	1,033	69,488	100,863
Restricted statutory deposits	-	3,883	3,648	-	-	7,531
Others	958	8,612	2,112	-	2	11,684
Sub-total	32,318	213,926	593,196	1,863,525	436,521	3,139,486
Financial liabilities:						
Derivative financial liabilities	-	10	11	-	-	21
Securities sold under agreements to repurchase	-	115,892	-	-	-	115,892
Bonds payable	-	367	11,468	-	-	11,835
Commission and brokerage payable	994	4,160	693	14	-	5,861
Lease liabilities	-	1,021	1,772	731	-	3,524
Others	405	31,660	1,814	-	-	33,879
Sub-total	1,399	153,110	15,758	745	-	171,012
Net amount	30,919	60,816	577,438	1,862,780	436,521	2,968,474

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity analysis of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows (continued):

	31 December 2022					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	32,425	712	-	-	-	33,137
Financial assets at fair value through profit or loss	-	7,191	2,828	3,822	13,936	27,777
Derivative financial assets	-	197	-	-	-	197
Securities purchased under agreements to resell	-	21,218	-	-	-	21,218
Term deposits	-	79,706	140,228	-	-	219,934
Available-for-sale financial assets	220	54,273	129,096	321,841	406,125	911,555
Held-to-maturity financial assets	-	33,879	108,304	859,015	-	1,001,198
Investments classified as loans and receivables	-	40,430	229,760	229,204	-	499,394
Restricted statutory deposits	-	1,587	6,420	-	-	8,007
Others	1,534	5,844	1,797	2	3	9,180
Sub-total	34,179	245,037	618,433	1,413,884	420,064	2,731,597
Financial liabilities:						
Derivative financial liabilities	-	8	-	-	-	8
Securities sold under agreements to repurchase	-	119,740	-	-	-	119,740
Commission and brokerage payable	961	2,939	728	11	-	4,639
Bonds payable	-	5,505	1,198	5,175	-	11,878
Lease liabilities	-	606	1,999	320	-	2,925
Others	1,884	26,643	1,654	-	-	30,181
Sub-total	2,845	155,441	5,579	5,506	-	169,371
Net amount	31,334	89,596	612,854	1,408,378	420,064	2,562,226

The tables below summarise the maturity analysis of the Group's insurance contract liabilities' present value of the future cash flows as at the balance sheet date. The maturity analysis does not include the parts of insurance contract liabilities that relate to remaining coverage under the premium allocation approach:

	31 December 2023						Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	
Present value of the future cash flows of insurance contract liabilities	(9,116)	(39,497)	3,874	38,773	49,016	1,423,350	1,466,400

	31 December 2022						Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	
Present value of the future cash flows of insurance contract liabilities	(10,730)	(45,578)	(15,832)	9,346	41,357	1,283,573	1,262,136

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flows not included in lease liabilities	62	68	124	108	362

	As at 31 December 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flows not included in lease liabilities	21	17	37	7	82

The table below summarises the expected utilisation or settlement of assets and liabilities:

	As at 31 December 2023		Total
	Current	Non-current	
Assets:			
Cash at bank and on hand	31,455	-	31,455
Derivative financial assets	17	-	17
Term deposits	51,561	113,940	165,501
Financial investments:			
Financial assets at fair value through profit or loss	386,825	194,777	581,602
Financial assets at amortised cost	14,056	68,278	82,334
Debt investments at fair value through other comprehensive income	48,934	1,198,501	1,247,435
Equity investments at fair value through other comprehensive income	73,209	24,756	97,965
Insurance contract assets	335	-	335
Reinsurance contract assets	21,632	18,122	39,754
Others	9,262	1,972	11,234
Total	637,286	1,620,346	2,257,632
Liabilities:			
Derivative financial liabilities	10	11	21
Securities sold under agreements to repurchase	115,819	-	115,819
Bonds payable	286	9,999	10,285
Insurance contract liabilities	56,359	1,816,261	1,872,620
Commission and brokerage payable	5,154	707	5,861
Lease liabilities	911	2,184	3,095
Others	32,065	1,814	33,879
Total	210,604	1,830,976	2,041,580

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities (continued):

	As at 31 December 2022		Total
	Current	Non-current	
Assets:			
Cash at bank and on hand	33,134	-	33,134
Financial assets at fair value through profit or loss	20,994	5,566	26,560
Derivative financial assets	197	-	197
Term deposits	77,215	127,302	204,517
Available-for-sale financial assets	447,168	267,917	715,085
Held-to-maturity financial assets	13,215	501,035	514,250
Investments classified as loans and receivables	21,465	375,805	397,270
Insurance contract assets	305	-	305
Reinsurance contract assets	18,183	15,022	33,205
Others	7,221	1,802	9,023
Total	639,097	1,294,449	1,933,546
Liabilities:			
Derivative financial liabilities	8	-	8
Securities sold under agreements to repurchase	119,665	-	119,665
Bonds payable	5,000	4,999	9,999
Insurance contract liabilities	54,021	1,610,827	1,664,848
Reinsurance contract liabilities	809	-	809
Commission and brokerage payable	3,900	739	4,639
Lease liabilities	577	2,141	2,718
Others	28,527	1,654	30,181
Total	212,507	1,620,360	1,832,867

5. Operational risk

Operation risk is the risk of loss arising from existed issues on internal procedures, employees and information system failure, and impacts from the external events. When controls fail to perform, operational risk can affect the steady development and reputation of the company, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational system procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

XII. RISK MANAGEMENT (continued)

6. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is lack of investment in assets with a duration of sufficient length to match the duration of its medium and long-term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of matching of assets with liabilities.

7. Capital management risk

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholder value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

Group	31 December 2023	31 December 2022
Core capital	303,908	332,414
Actual capital	456,938	479,073
Minimum required capital	178,017	187,333
Core solvency margin ratio	171%	177%
Comprehensive solvency margin ratio	257%	256%

CPIC Life	31 December 2023	31 December 2022
Core capital	173,981	207,848
Actual capital	312,005	344,222
Minimum required capital	148,723	157,802
Core solvency margin ratio	117%	132%
Comprehensive solvency margin ratio	210%	218%

XIII. RISK MANAGEMENT (continued)

7. Capital management risk (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules (continued):

CPIC Property	31 December 2023	31 December 2022
Core capital	47,415	45,266
Actual capital	61,775	55,154
Minimum required capital	28,898	27,246
Core solvency margin ratio	164%	166%
Comprehensive solvency margin ratio	214%	202%

CPIC Health	31 December 2023	31 December 2022
Core capital	3,134	3,089
Actual capital	3,488	3,225
Minimum required capital	1,352	1,216
Core solvency margin ratio	232%	254%
Comprehensive solvency margin ratio	258%	265%

PAAIC	31 December 2023	31 December 2022
Core capital	2,836	2,759
Actual capital	3,128	3,020
Minimum required capital	831	818
Core solvency margin ratio	341%	337%
Comprehensive solvency margin ratio	376%	369%

XIV. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 6 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of the Group's unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

XIV. STRUCTURED ENTITIES (continued)

As at 31 December 2023, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2023				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by the Group	410,993	-	-	-	Management fee
Insurance asset management products managed by the Group	361,581	166,438	167,464	167,464	Investment income and management fee
Securities investment funds managed by the Group	82,365	12,253	11,379	11,379	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	146,777	149,699	149,699	Investment income
Trust products managed by third parties	Note 1	570	570	570	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	10,254	10,335	10,335	Investment income
Securities investment funds managed by third parties	Note 1	9,935	9,674	9,674	Investment income
Total		346,227	349,121	349,121	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities was not publicly available.

The Group's interests in unconsolidated structured entities are included in the investment in wealth management products, debt investment plans and funds under financial assets at fair value through profit or loss, debt investment plans and trust products under financial assets at amortised cost, and debt investment plans, trust products and long-term equity investments under debt investments at fair value through other comprehensive income.

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 29).

The Group's financial assets mainly include cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, term deposits, available-for-sale financial assets, financial assets at fair value through profit or loss, financial assets at amortised cost, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income, held-to-maturity financial assets, investments classified as loans and receivables and restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase and bonds payable, etc.

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of financial assets at amortised cost, and bonds payable (31 December 2022: held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable) whose fair values are not presented in the consolidated balance sheet.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	-	-	514,250	557,800
Investments classified as loans and receivables	-	-	397,270	400,272
Financial assets at amortised cost	82,334	84,956	-	-
Financial liabilities:				
Bonds payable	10,285	10,462	9,999	10,382

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

XVI. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted prices from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determination to classify fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	31 December 2023			Total fair value
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Term deposits measured at fair value	-	-	131,307	131,307
Financial assets at fair value through profit or loss				
- Stocks	160,555	-	790	161,345
- Funds	58,491	7,326	-	65,817
- Bonds	9,113	190,384	454	199,951
- Others	14,482	22,379	117,628	154,489
	242,641	220,089	118,872	581,602
Debt investments at fair value through other comprehensive income				
- Bonds	542	937,447	-	937,989
- Others	-	604	308,842	309,446
	542	938,051	308,842	1,247,435
Equity investments at fair value through other comprehensive income				
- Stocks	23,963	-	3,147	27,110
- Preferred stocks	-	12,597	-	12,597
- Others	-	28,477	29,781	58,258
	23,963	41,074	32,928	97,965
Derivative financial assets	-	17	-	17
Liabilities measured at fair value				
Derivative financial liabilities	-	21	-	21
Assets for which fair values are disclosed				
Financial assets at amortised cost (Note XV)	-	27,579	57,377	84,956
Investment properties (Note VII 16)	-	-	15,783	15,783
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,462	10,462

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities (continued):

	31 December 2022			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	9	-	-	9
- Funds	474	3,251	-	3,725
- Bonds	3,394	3,084	-	6,478
- Others	-	6,502	9,846	16,348
	3,877	12,837	9,846	26,560
Available-for-sale financial assets				
- Stocks	170,204	3	11,966	182,173
- Funds	74,314	8,846	-	83,160
- Bonds	1,572	288,132	5,022	294,726
- Others	85	39,094	115,847	155,026
	246,175	336,075	132,835	715,085
Derivative financial assets	-	197	-	197
Liabilities measured at fair value				
Derivative financial liabilities	-	8	-	8
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	160	557,640	-	557,800
Investments classified as loans and receivables (Note XV)	-	-	400,272	400,272
Investment properties (Note VII 16)	-	-	16,100	16,100
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,382	10,382

For the year ended 31 December 2023, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. For the year ended 31 December 2023, the Group has no bond transferred from Level 1 to Level 2 and from Level 2 to Level 1. For the year ended 31 December 2022, the Group transferred the bonds with a carrying amount of approximately RMB 22,545 million from Level 1 to Level 2 and no bond was transferred from Level 2 to Level 1.

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	2023							End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Transferred out Level 3	Gains or losses recognised in profit or loss	Gains/ losses recognised in other comprehensive income	
Financial assets at fair value through profit or loss	105,822	34,852	(18,000)	52	(4,396)	542	-	118,872
- Stocks	8,897	1,327	(5,831)	52	(3,010)	(645)	-	790
- Bonds	2,544	-	(1,281)	-	(1,386)	577	-	454
- Others	94,381	33,525	(10,888)	-	-	610	-	117,628
Debt investments at fair value through other comprehensive income	342,224	70,736	(105,163)	-	(1,664)	(114)	2,823	308,842
- Bonds	3,119	-	(1,400)	-	(1,664)	(61)	6	-
- Others	339,105	70,736	(103,763)	-	-	(53)	2,817	308,842
Equity investments at fair value through other comprehensive income	34,045	5,076	(6,755)	-	-	-	562	32,928
- Stocks	3,070	-	-	-	-	-	77	3,147
- Others	30,975	5,076	(6,755)	-	-	-	485	29,781

	2022							End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Transferred out Level 3	Gains or losses recognised in profit or loss	Gains/ losses recognised in other comprehensive income	
Financial assets at fair value through profit or loss								
- Wealth management products	15	-	(12)	-	-	-	-	3
- Debt investment plans	16	14	-	-	-	-	-	30
- Other equity investments	9,663	-	(1)	-	-	151	-	9,813
Available-for-sale financial assets								
- Stocks	5,286	9,392	(1,831)	-	-	-	(881)	11,966
- Preferred shares	12,519	-	(12,519)	-	-	-	-	-
- Other equity investments	95,768	24,531	(4,755)	-	-	(383)	(809)	114,352
- Finance bonds	2,076	3,000	-	-	-	-	(54)	5,022
- Debt investment plans	-	700	-	-	-	-	-	700
- Wealth management products	1,947	800	(1,947)	-	-	-	(5)	795

XVI. FAIR VALUE MEASUREMENT (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments, etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use parameters as unobservable inputs to the model, major assumptions include the expected time-to-market of unlisted equity investments, and the major parameters include discount rate from 3.34% to 5.36%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

XVII. EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant post balance sheet events.

XVIII. COMPARATIVE FIGURES

As stated in Note IV, due to the adoption of the new insurance standard, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment, and a third statement of consolidated balance sheet as at 1 January 2022 has been presented.

XIX. OTHER IMPORTANT EVENT

1. Directors' and supervisors' remuneration

(in RMB thousand)	2023	2022
Fees	1,350	1,350
Other remuneration		
- Salaries, allowances and other short-term benefits	5,526	5,852
- Contributions to defined contribution plans	1,491	1,431
- Deferred bonus (Note)	-	-
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
Sub-total	7,017	7,283
Total	8,367	8,633

Note: In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(1) Independent non-executive directors

Included in the fees is an amount of RMB 1,350 thousand paid to independent non-executive directors for the year ended 31 December 2023 (2022: RMB 1,350 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2023.

(in RMB thousand)	2023					Total
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan	350	-	-	-	-	350
WOO Ka Biu, Jackson ¹	175	-	-	-	-	175
LO Yuen Man, Elaine ²	125	-	-	-	-	125
	1,350	-	-	-	-	1,350

¹ In July 2023, Mr. WOO Ka Biu, Jackson ceased to serve as the independent non-executive director.

² In July 2023, Ms. LO Yuen Man, Elaine started to serve as the independent non-executive director.

	2022					
(in RMB thousand)	Fees	Deferred bonus	Salaries, allowances and other short term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan	350	-	-	-	-	350
WOO Ka Biu, Jackson	300	-	-	-	-	300
	1,350	-	-	-	-	1,350

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors

(in RMB thousand)	2023				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
Executive directors:					
KONG Qingwei ¹	-	856	373	-	1,229
FU Fan ²	-	1,015	373	-	1,388
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
CHEN Ran	-	300	-	-	300
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
ZHOU Donghui	-	-	-	-	-
John Robert Dacey	-	-	-	-	-
LU Qiaoling	-	300	-	-	300
	-	2,771	746	-	3,517

¹ The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

² The final amount of remuneration of Mr. FU Fan is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

(in RMB thousand)	2022				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
Executive directors:					
KONG Qingwei ¹	-	973	360	-	1,333
FU Fan ¹	-	1,129	360	-	1,489
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
CHEN Ran	-	300	-	-	300
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
ZHOU Donghui	-	-	-	-	-
LIANG Hong ²	-	-	-	-	-
John Robert Dacey	-	-	-	-	-
LU Qiaoling	-	300	-	-	300
	-	3,002	720	-	3,722

¹ For the remuneration of executive directors and non-executive directors disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2022, excluding the amount disclosed above, is as follows: Mr. KONG Qingwei RMB 734,000 (before tax), Mr. FU Fan RMB 2.716 million (before tax).

² In September 2022, due to work change, Ms. LIANG Hong ceased to serve as non-executive director of the Company.

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors (continued)

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB 50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui and Mr. John Robert Dacey, the non-executive director, waived remuneration during 2023 (2022: HUANG Dinan, WU Junhao, ZHOU Donghui, LIANG Hong and John Robert Dacey), Mr. CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2023 (2022: CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Mr. John Robert Dacey and Mr. CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2023.

(3) Supervisors

(in RMB thousand)	2023				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
ZHU Yonghong	-	-	-	-	-
JI Zhengrong ¹	-	771	373	-	1,144
LU Ning	-	-	-	-	-
GU Qiang	-	1,983	373	-	2,356
	-	2,754	746	-	3,500

¹ The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

(in RMB thousand)	2022				Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
ZHU Yonghong	-	-	-	-	-
JI Zhengrong ¹	-	879	360	-	1,239
LU Ning	-	-	-	-	-
GU Qiang	-	1,971	351	-	2,322
	-	2,850	711	-	3,561

¹ For the remuneration of supervisors disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2022, excluding the amount disclosed above, is as follows: Mr. JI Zhengrong RMB 632,000 (before tax).

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB 300,000 (before tax) per year. Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, had waived remuneration during 2023. Except for Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2023 (2022: ZHU Yonghong and LU Ning).

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(4) Directors' retirement benefits

There were no retirement benefits paid to directors during 2023 and 2022.

(5) Directors' termination benefits

There were no termination benefits paid to directors during 2023 and 2022.

(6) Consideration provided to third parties for making available directors' services

There were no payments to third parties for making available directors' services during 2023 and 2022.

(7) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2023 and 2022.

(8) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

2. Five highest paid individuals

The five individuals whose remuneration were the highest for the year ended 31 December 2023 in the Group include no director (2022: no director) whose emoluments were reflected in the analysis presented in Note XIX 1.

The number of non-directors, highest paid individuals whose remuneration fell within the following bands is set out below:

	2023	2022
HKD 5,500,001 to HKD 6,000,000	-	-
HKD 6,000,001 to HKD 6,500,000	-	1
HKD 6,500,001 to HKD 7,000,000	-	1
HKD 7,000,001 to HKD 7,500,000	-	1
HKD 7,500,001 to HKD 8,000,000	-	-
HKD 8,000,001 to HKD 8,500,000	-	-
HKD 8,500,001 to HKD 9,000,000	-	-
HKD 9,000,001 to HKD 9,500,000	2	-
HKD 9,500,001 to HKD 10,000,000	2	-
HKD 10,000,001 to HKD 10,500,000	-	1
HKD 10,500,001 to HKD 11,000,000	-	-
HKD 11,000,001 to HKD 11,500,000	-	-
HKD 11,500,001 to HKD 12,000,000	-	-
HKD 12,000,001 to HKD 12,500,000	-	-
HKD 12,500,001 to HKD 13,000,000	1	-
HKD 13,000,001 to HKD 13,500,000	-	1
Total	5	5

XIX. OTHER IMPORTANT EVENT (continued)

2. Five highest paid individuals (continued)

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	2023	2022
Salaries, allowances and other short-term benefits	16,728	19,118
Discretionary bonuses	27,184	18,468
Contributions to defined contribution plans	2,737	2,204
	46,649	39,790
The number of non-director individuals for the above remuneration	5	5

XX. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 28 March 2024.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2023		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	11.4%	2.83	2.83
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	11.4%	2.82	2.82

The Company had no dilutive potential ordinary shares in 2023.

	2022 (Restated)		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	19.2%	3.89	3.89
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	19.1%	3.87	3.87

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	2023	2022 (Restated)
Net profit attributable to shareholders of the parent	27,257	37,381
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(219)	(196)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(23)	(24)
Custody fees of entrusted operation	(62)	(55)
Other net non-operating income and expenses other than aforesaid items	128	125
Effect of income tax relating to non-recurring profit or loss	53	45
Net profit less non-recurring gains	27,134	37,276
Less: Net non-recurring profit or loss attributable to non-controlling interests	1	1
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	27,135	37,277

In accordance with the Explanatory Announcement No. 1 on Information Disclosure of the Companies Issuing Securities Publicly - Non-Recurring Profit or Loss (Revised in 2023) issued by the CSRC in December 2023, the Group has adjusted the disclosure of non-recurring profit or loss for the year 2023 without adjusting the comparative figures. The affected pre-tax amount regarding the decrease of non-recurring profit for the year 2022 is RMB 42 million.

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