中国人民保险集团股份有限公司
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

H Share Stock Code : 1339

Interim Report 2023

Company Profile

The Company is the first nation-wide insurance company in the PRC, established in October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, which listed on the Hong Kong Stock Exchange (H share stock code: 1339) in December 2012 and the SSE (A share stock code: 601319) in November 2018. The Company ranked the 120th in the list of Fortune Global 500 (2023) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC P&C (listed on the Hong Kong Stock Exchange, stock code: 2328, in which the Company holds approximately 68.98% equity interests) and operates P&C insurance business in Hong Kong and Macau of China through PICC Hong Kong (in which the Company holds approximately 89.36% equity interests). The Company operates its life and health insurance businesses through PICC Life and PICC Health, in which the Company, directly and indirectly, holds 80.00% and approximately 95.45% equity interests, respectively. The Company centrally and professionally utilises and manages most of its insurance assets through PICC AMC, in which the Company holds 100% equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension, in which the Company holds 100% equity interest. The Company takes PICC Investment Holding in which the Company holds 100% equity interest as a professional management platform for real estate and pension investments. The Company takes PICC Capital in which the Company holds 100% equity interest as an insurance asset management company focused on alternative investment fields such as debt, equity, infrastructure and private equity funds. The Company operates the professional reinsurance business within and outside the Group through PICC Reinsurance in which the Company, directly and indirectly, holds 100% equity interest. The Company takes PICC Financial Services in which the Company, directly and indirectly, holds 100% equity interest as an internet platform to serve the whole Group. The Company coordinates the construction of the information technology platform of the Group through PICC Technology in which the Company holds 100% equity interest to achieve technology empowerment, and has also made strategic layout in non-insurance financial fields such as banking and trust.

The Company's core competitive strengths include:

We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognised brand with the longest history in the industry;

We are an integrated insurance financial group on our core business and on the customer-oriented development strategy to achieve co-development of various business segments;

We adhere to serving national strategies, safeguarding real economy, serving people's livelihood, fulfilling social responsibilities, and dedicating to exerting the role of economic "dashpot" and social "stabiliser";

We have diversified institutions and service network based in cities and towns spread over the country, as well as an extensive and solid customer base, achieving the integration of policy insurance business and commercial insurance business;

We have an internationally first-class and Asia's leading P&C insurance company with distinct advantages in scale, cost and service as well as outstanding profitability;

We have a life insurance company with a layout throughout the country, steady growth, continuous profitability and sound operating platform as well as with great potentials in value creation and profitability;

We have the first nation-wide professional health insurance company with outstanding professional capability to create featured health management service ability;

We have an industry-leading asset management platform characterised by steady investment and proven performance;

We have advanced applicable information technology to actively define a layout in technology area, and have outstanding ability and potential advantages in data mining, customer identification and intelligent operation;

We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

Contents

Definitions

PICC Group, Company	The People's Insurance Company (Group) of China Limited or, where the context so requires, its predecessor
PICC, Group	The People's Insurance Company (Group) of China Limited and all of its subsidiaries
PICC P&C	PICC Property and Casualty Company Limited
PICC Life	PICC Life Insurance Company Limited
PICC AMC	PICC Asset Management Company Limited
PICC Health	PICC Health Insurance Company Limited
PICC Pension	PICC Pension Company Limited
PICC Investment Holding	PICC Investment Holding Co., Ltd.
PICC Capital	PICC Capital Insurance Asset Management Co., Ltd.
PICC Reinsurance	PICC Reinsurance Company Limited
PICC Hong Kong	The People's Insurance Company of China (Hong Kong), Limited
PICC Financial Services	PICC Financial Services Company Limited
PICC Technology	PICC Information Technology Co., Ltd.
MOF	Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission, on the basis of which the National Administration of Financial Regulation was formed in accordance with the Plan for Reform of Party and Government Institutions in May 2023
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SSF	National Council for Social Security Fund, PRC
Prospectus	the Prospectus of The People's Insurance Company (Group) of China Limited for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the SSE and the Company on 5 November 2018
Company Law	the Company Law of the People's Republic of China
Insurance Law	the Insurance Law of the People's Republic of China
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People's Insurance Company (Group) of China Limited issued by the Company on 26 February 2021
Eight Strategic Services	to serve the construction of modern industrial system, rural revitalization, technological self-reliance and self-improvement, improvement in living standard, green development, safety development, regional development, "the Belt and Road"
China, PRC	the People's Republic of China, which, for the purposes of this report, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
RMB	Renminbi

Summary of Results and Operation Highlights

I. Summary of Results

Unit: RMB million

	30 June 2023	31 December 2022	(% of change)
Total assets	1,492,679	1,416,287	5.4
Total liabilities	1,162,457	1,111,394	4.6
Total equity	330,222	304,893	8.3
Net assets per share (RMB/share)[1]	5.51	5.07	8.7

Unit: RMB million

	January-June 2023	January-June 2022	(% of change)
Insurance revenue	246,884	227,796	8.4
Net profit	27,780	25,864	7.4
Net profit attributable to owners of the Company	20,588	18,915	8.8
Earnings per share (RMB/share)[1]	0.47	0.43	8.8
Weighted average return on equity (unannualised) (%)[1]	8.6	8.6	–

Note: (1) As attributable to owners of the Company, the percentage increase or decrease of net assets per share, earnings per share and weighted average return on equity is calculated based on the data before rounding off.

II. Operation Highlights

1. Continuous Improvement in Profitability and Focus on Quality and Efficiency Improvement of Principal Business

The Group effectively grasped the favorable conditions in macroeconomic and industry development, actively responded to the challenges of intensified market competition, and seized opportunities and promoted development in operation management. The profitability maintained the growth momentum. In the first half of 2023, net profit amounted to RMB27,780 million, representing a year-on-year increase of 7.4%. Net profit attributable to owners of the Company amounted to RMB20,588 million, representing a year-on-year increase of 8.8%.

In terms of the P&C insurance business, PICC P&C achieved underwriting profits[1] of RMB9,469 million, representing a year-on-year increase of 7.0%. In terms of the life and health insurance business, the value of half year's new business of PICC Life and PICC Health increased by 66.8% and 58.7% year-on-year, respectively.

2. Steady Progress in Business Development with Continuous Optimization of Structure Quality

The Group's business has grown steadily. In the first half of 2023, the insurance revenue recorded RMB246,884 million, and the original premiums income[2] recorded RMB413,616 million, representing a year-on-year increase of 9.1%.

In terms of the P&C insurance business, the business scale of PICC P&C has grown steadily. As of the end of June 2023, the market share[3] of PICC P&C in the P&C insurance market was 34.3%, maintaining the first place in the industry. In the first half of 2023, the insurance revenue recorded RMB224,368 million, and the original premiums income was RMB300,930 million, representing a year-on-year increase of 8.8%, among which, the proportion of non-vehicle insurance business increased by 1.4 percentage points year-on-year, and the overall business structure became more balanced.

In terms of the life and health insurance business, by grasping the opportunities of industry recovery, in the first half of 2023, PICC Life achieved the insurance revenue of RMB8,598 million and original premiums income of RMB78,910 million, representing a year-on-year increase of 9.5%. The business quality has been steadily improved. The 13-month premium persistency ratio reached 92.1%, representing a year-on-year increase of

1 Underwriting profits = insurance revenue – insurance service expenses – net expenses from reinsurance contracts held – finance expenses from insurance contracts issued + financial income from reinsurance contracts held.

2 The data of original premiums income was prepared pursuant to the Accounting Standards for Business Enterprises No. 25 – Original Insurance Contracts (Cai Kuai [2006] No.3) and the Regulations regarding the Accounting Treatment of Insurance Contracts (Cai Kuai [2009] No.15) of the MOF.

3 The market share was independently calculated based on the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the National Administration of Financial Regulation (the former CBIRC). Starting from June 2021, the summarised data of P&C insurance companies and life and health insurance companies published by the National Administration of Financial Regulation (the former CBIRC) does not include certain institutions which are in the stage of risk disposal in the insurance industry.

6.3 percentage points. The business scale of PICC Health grew rapidly, and in the first half of 2023, PICC Health achieved the insurance revenue of RMB12,628 million and original premiums income of RMB33,735 million, representing a year-on-year increase of 11.0%. The regular premiums from new clients recorded a year-on-year growth of 69.3%, becoming the major driving force for the business growth of PICC Health, and the business structure has been continuously optimized.

3. Practising the Responsibilities as a Central Enterprise and Serving the National Strategies

Placing the utmost interests of the nation as the highest priority, the Group resolutely implemented the requirements of the national development strategies, made every effort to serve the country to build a new development pattern and promote the modernization construction with Chinese characteristics, and continuously promoted the "Eight Strategic Services". **In terms of the construction of modern industrial system,** the Group vigorously developed insurance products by "industries+sectors"[4] and offered tailored risk solutions to customers. In the first half of 2023, the Group provided risk protection in an amount of RMB20.4 trillion to relevant industries. **In terms of the rural revitalization,** the Group promoted the upgrading of the "Rural Insurance (鄉村保)", an insurance resolution for rural areas. In the first half of 2023, the Group provided risk protection of agricultural insurance in an amount of RMB1.4 trillion for 48.49 million rural households. The Group has been awarded the highest grade in the evaluation of central units' designated poverty alleviation for five consecutive years. The Group solidly conducted exploration of agriculture-related insurance innovation practice, actively promoted the launch and coverage expansion of innovative agricultural insurance including potential quality defects liability insurance for construction work of high-standard farmland and seed crop insurance, and the "Mode of Boosting Soybean Production Capacity with Agricultural Insurance" was selected by the Ministry of Agriculture and Rural Affairs as the Top 10 innovative modes. **In terms of technological self-reliance and self-improvement,** in the first half of 2023, the semiconductor business provided risk protection in an amount of RMB1.4 trillion. The Group strengthened the investment layout in the field of technological innovation and focused on key areas such as emerging digital industries, artificial intelligence and biological manufacturing to help achieve technological breakthroughs. As of 30 June 2023, the strategic investment for serving technological self-reliance and self-improvement amounted to RMB29.0 billion. **In terms of the improvement in living standard,** the Group vigorously promoted products such as "Hui Min Bao (惠民保)" that served the health protection needs of people and have carried out a total of 360 commercial "Hui Min Bao (惠民保)" projects. Since its inception, it has underwritten over 0.1 billion people, covering 29 provinces (autonomous regions and municipalities). The Group actively undertook policy-related social security projects, covering 31 provinces (autonomous regions and municipalities), nationwide and with the number of people served exceeding 0.8 billion. The Group actively implemented the national policy of benefiting the people, promoted the deployment of tax-subsidized health insurance, and PICC Health has

4 It refers to risk solutions provided to customers in high-end equipment and new material industries, and industrial parks, etc.

become one of the first batch of five life insurance companies approved for the pioneer demonstration. The Group actively participated in the system construction of the third pillar of endowment business, and the exclusive commercial endowment insurance has been ranked first in the industry in terms of sales scale and the number of insurance policies since its inception. **In terms of green development,** the Group improved the "dual carbon" insurance product system, and promoted the implementation of carbon offset, carbon allowance, carbon asset loss insurance and other innovative products. The "dual carbon" insurance products provided risk protection of RMB6.6 trillion. The Group actively explored the blue ocean of new energy vehicle insurance market, and the number of new energy vehicles underwritten increased by 54.4% year-on-year. The Group increased investment support for green, low-carbon and circular economy. As of 30 June 2023, the strategic investment for serving green development amounted to RMB91.9 billion. **In terms of safety development,** the Group continued to promote the development of catastrophe insurance, provided risk protection of approximately RMB2.5 trillion for over 0.24 billion people. The Group strengthened the application of the Group's disaster accidents and incidents monitoring and reporting system, and implemented a hierarchical response to disaster relief and claim settlement. The "Cheng Shi Bao (城市保)" project was implemented in 16 cities, providing 165 thousand enterprises with RMB3.6 trillion of risk coverage for work safety liability insurance. **In terms of regional development,** the Group provided insurance coverage and financial support for the construction of major regions such as the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta. The Group underwrote a number of landmark innovative projects including unmanned vehicles, smart parking, ecological governance and urban computing center. **In terms of "the Belt and Road",** the Group underwrote 218 "the Belt and Road" projects, provided risk protection of RMB1.1 trillion, and chaired the underwriting of major projects such as the Santa Cruz hydroelectric project in Argentina and the Barishal coal fired power project in Bangladesh.

4. Upholding the Founding Mission of "People's Insurance, Serving the People"

Adhering to the corporate mission of "People's Insurance, Serving the People", the Group made all-out efforts to provide risk reduction and disaster relief services. In the first half of 2023, the Group paid claims of more than RMB180.0 billion[5], and the Group carried out 24.6 thousand risk inspections and made 131 disaster warnings in the flood season. The Group took appropriate measures to respond to natural disasters and safety accidents such as the the mine collapse in Alxa of Inner Mongolia, the "Lupeng Yuanyu 028" fishing vessel accident, "6.21" gas explosion accident in Ningxia, tunnel avalanche accident in Nyingchi of Tibet, "protracted rain spell" during reaping period in Henan and floods and mudslides in Wenchuan of Sichuan, promptly activated the emergency response mechanism, organized claims experts to provide assistance in the frontline, actively cooperated with local governments, assisted in local rescue and disaster relief work, opened green channel for claims, and quickly completed the payment of claims, thus acting as

5 The amount of claims reported in line item "Claims Expense" in PRC Accounting Standards for Business Enterprises No. 25 – Original Insurance Contracts issued by MOF in 2006.

a social stabiliser to ensure the normal production and life of people. After the occurrence of "protracted rain spell" during reaping period in Henan, the Group arranged more than 1,800 employees and more than 8,000 agricultural-related insurance claim personnel and agricultural experts, with whose efforts nearly 800 vehicles were inspected and the compensation of RMB0.54 billion was paid within 10 days, to cash out the solemn commitments for protecting people's good life with practical actions.

The Group integrated consumer rights protection into corporate governance system and corporate culture, improved the consumer protection system in all aspects, comprehensively promoted the implementation of various mechanisms, and systematically improved the quality and level of consumer rights services.

5. Significant Improvement in Brand Value and Effectively Served the Business Development

The Group honored a number of authoritative media's annual awards. In the list of Fortune Global 500 published in 2023, the Group ranked 120th, being on the list for 14 consecutive years. In the list of Global 500 2023 released by Brand Finance, PICC ranked the 169th, up by 39 places than last year; in the list of Insurance 100 2023 published by Brand Finance, PICC ranked the 9th, up by 4 places than last year, and entered the top 10. In May 2023, the Company was listed in the TOP 100 Brand Value List of Chinese Listed Companies released by National Business Daily. In July 2023, the Company was awarded the "Ark Prize for Insurance Company in High Quality Development 2023" and "Ark Prize for Green Development in Insurance Industry 2023" at the "Ark Prize in Chinese Insurance Industry in 2023" organised by Securities Times.

In the first half of 2023, the Group put efforts in creating a more communicative and influential brand image to promote the construction of a first-class insurance and financial group, and served the high-quality development of the Company. The Group organized series of activities for the 15th Customer Festival. Through the series of animations, real case micro films and sports carnival activities, the Group further improved the customer service experience. The Group exclusively sponsored the "Rural Revitalization – China Travel (鄉村振興中國行)" produced by CCTV-2 (Financial Channel), in which program it visited the beautiful rural areas of China with China Media Group, demonstrated the Group's role of insurance protection in rural revitalization, effectively communicated the Group's brand value, and further unfolded the origin and mission of "People's Insurance, Serving the People". The Group engaged Zhou Guanyu, the first Chinese driver competing in F1 to act as the new PICC Brand Ambassador, and launched a cross-branding cooperation in the sector of sports with the China Roller Skating Association, which further facilitated the Group's brand transformation to accommodate younger generations.

In the first half of 2023, the Group's initiatives to further deepen the implementation of "To be Prominent Strategy" and serve the high-quality development of the economy and society was widely publicised and reported by numerous media such as People's Daily, Xinhua News Agency and China Media Group, with over 0.12 million posts published and forwarded across the Internet, which continually enhanced and demonstrated the corporate image.

6. Accelerating Science and Technology Construction and Supporting Strategic Implementation Effectively

The Group continuously deepened science and technology innovation, accelerated digital transformation, and strengthened science and technology empowerment of the insurance value chain. Firstly, it reinforced the infrastructures, and coordinately promoted the "multi-site and multi-centre" construction. The north data centre was ready for commissioning. It built a unified, shared, efficient, safe, autonomous and controllable information system infrastructure and resource platform, organized activities for the Network Security Awareness Week, effectively solidified the network safety defense line, and the network security management level was improved progressively. Secondly, it built a unified technical architecture system, accelerated the construction for consolidated development, technology, data and intelligence platforms of the Group, improved and upgraded the core business system of the principal business of insurance, strengthened the construction of shared systems of the Group, systematically promoted data governance, structural optimisation and application innovation, and created an independent and controllable, steady and secured technology ecosystem powered by top-notch technology. Thirdly, it continued to enhance technological empowerment by promoting major projects in various sectors and giving strong support to the reform and transformation of the subsidiaries based on the strategies of subsidiaries, actively created a series of application systems that support business operations and enhance management capabilities, and explored service offerings and scenario-based ecological operations. Fourthly, the Group strengthened the research and innovative application of cutting-edge technologies, constantly improved the digital and intelligent level of product development, product sales, investment management, risk management and other business procedures. The intelligent platform has supported the application of 100 + intelligent scenarios, and actively promoted the cooperation with the national key laboratories of cognitive intelligence, to create the big model products in the insurance field with PICC possessing the proprietary intellectual property rights.

Management Discussion and Analysis

The year 2023 marked the start of the full implementation of the spirit of the Party's 20th National Congress. In the first half of the year, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, the economy in China continued to recover with an overall turnaround, high-quality development has been solidly promoted, industrial upgrading has been intensified, food and energy security has been effectively guaranteed, and the overall social situation has remained stable. The new session of the Party Committee of the Group adhered to the stability and continuity of "To be Prominent Strategy", maintained strategic focus, and optimized strategies based on the spirit of the Party's 20th National Congress and changes in the external environment. The business development of the Group continued to improve in the first half of the year, quality and efficiency continued to improve, strategic services were strengthened to enhance efficiency, innovation and change were further promoted, risk prevention and control were further strengthened, and good operating results were achieved. In terms of insurance segment, the Group effectively grasped favorable opportunities for industry development, and increased business innovation and development efforts. The premiums income maintained stable growth, which effectively consolidated the market position. In terms of investment segment, the Group strengthened the investment and research capacity building, actively responded to challenges such as fluctuations in the equity market and low interest rate environment, and consistently outperformed the industry in terms of investment yield. In terms of technology segment, the Group accelerated the institutional reform of technology, and strengthened the construction of technology infrastructure. The level of technology empowerment has steadily improved, which better supported grassroots level business development and customer experience improvement. In the second half of the year and beyond, PICC will continue to anchor high-quality development goals, and pragmatically promote the implementation of "To be Prominent Strategy".

I. BUSINESS OVERVIEW OF THE COMPANY

(I) Review of Our Industry

In the first half of 2023, the original premiums income of the insurance industry was RMB3.2 trillion, representing a year-on-year increase of 12.5%. The risk coverage amounted to RMB6,930 trillion, and the original policyholders' benefits and claims were RMB915.1 billion, reflecting a stable improvement in safeguarding services for the overall situation of national development and economic and social stability. In particular, P&C insurance continuously deepened the reform, adhered to integrity and innovation, and supported the recovery and growth of the real economy. P&C Insurance regulated the development of the vehicle insurance market and focused on developing new energy vehicle insurance. P&C Insurance actively developed innovative insurance products such as green insurance, climate insurance, network security insurance and IT application innovation industry insurance, strengthened the research and application of new technologies, enhanced risk reduction management and professional capacity building for underwriting and claims, and promoted the effective improvement of "quality" and reasonable growth of "quantity". Life and health insurance actively responded to the pressure from industry transformation, accelerated the improvement of management mechanism of marketing personnel, actively responded to the growth of demand for health care and endowment in the post pandemic era, supported the development of the third pillar of endowment insurance, effectively served the construction of multi-level medical security system, and enhanced the supply of insurance protection services.

In the first half of 2023, regulatory authorities introduced a series of new policies and measures to fully protect and serve the overall improvement in economic operation, co-ordinate and promote the return of insurance companies to origins, and improve the quality of industry development. In terms of protecting and serving economic operation, regulatory authorities implemented the key tasks of comprehensively promoting rural revitalization, promoted the full coverage of full cost insurance for the three main cereal crops and planting income insurance in major grain producing provinces and counties, improved the level of personal insurance protection for farmers, improved the quality of agricultural insurance services, and enhanced the quality and efficiency of insurance services in the field of "agriculture, rural areas and farmers". Regulatory authorities strengthened efforts to improve the quality of financial services for small and micro enterprises, established a mechanism for insurance companies to serve small and micro enterprises, enriched the supply of insurance products and services for small and micro enterprises, and expanded insurance coverage channels for small and micro enterprises. In terms of promoting the return of insurance companies to origins, regulatory agencies promoted the property insurance industry to actively develop risk reduction services, expanded the scope of risk reduction services, consolidated the foundation of risk reduction services, and carried out risk reduction services in accordance with the law. They promoted the standardized development of commercial health insurance products applicable to individual income tax preferential policies, facilitated the orderly connection of multi-level medical insurance, effectively reduced the burden of medical expenses, and enriched the insurance protection for people with anamnesis and the elderly. They carried out pilot projects on the conversion between life insurance and long-term care insurance liabilities, and strengthened long-term care services and guarantees for disabled elderly. In terms of improving the quality of industry development, regulatory authorities strengthened financial supervision, promoted the proper implementation of new accounting standards[6] by insurance companies, and facilitated the stable operation and high-quality development of the insurance industry.

(II) Principal Businesses

In the first half of 2023, PICC seized the favorable conditions in macroeconomic and industry development, pragmatically promoted "To be Prominent Strategy", and achieved good operating performance. Business development continued to improve. The Group achieved insurance revenue of RMB246,884 million in the first half of the year, representing a year-on-year increase of 8.4%, consolidating the favourable development trend in recent years. With continuous improvement of quality and efficiency, the Group achieved net profit attributable to owners of the Company of RMB20,588 million, representing a year-on-year increase of 8.8% in the first half of the year.

6 New accounting standards refer to IFRS 9 - Financial Instruments (the "New Financial Instruments Accounting Standards") and IFRS 17 - Insurance Contracts (the "New Insurance Contracts Accounting Standards").

In the first half of the year, the original premiums income of the Group amounted to RMB413,616 million, representing a year-on-year increase of 9.1%. As of 30 June 2023, the market share of PICC P&C in the P&C insurance market was 34.3%, and the market share of PICC Life and PICC Health in the life and health insurance market was 4.8%.

1. P&C Insurance Segment: Balanced Business Development and Stable Growth in Performance

In the first half of 2023, PICC P&C implemented the new business model of "insurance + risk reduction service + technology". It achieved original premiums income of RMB300,930 million, representing a year-on-year increase of 8.8%. Its market share in the P&C insurance market was 34.3%, among which, the original premiums income of motor vehicle insurance business amounted to RMB135,899 million, representing a year-on-year increase of 5.5%. The non-vehicle insurance business achieved the original premiums income of RMB165,031 million, representing a year-on-year increase of 11.6%. It achieved underwriting profits of RMB9,469 million, representing a year-on-year increase of 7.0%. The combined ratio[7] was 95.8%, representing a year-on-year increase of 0.1 percentage point. Net profit amounted to RMB20,256 million, representing a year-on-year increase of 5.4%.

2. Life and Health Insurance Segment: Steady Progress in Scale with Improvement in Operation Quality and State

In the first half of 2023, PICC Life achieved rapid growth in quantity and effective improvement in quality. The original premiums income amounted to RMB78,910 million, representing a year-on-year increase of 9.5%. The first-year regular premiums amounted to RMB21,630 million, representing a year-on-year increase of 49.9%, which ranked among the top of major industry players[8] in terms of growth rate, higher than the average growth rate of major peers.

In the first half of 2023, PICC Health adhered to high-quality and sustainable development, and accelerated the implementation of "Health Project". It achieved an original premiums income of RMB33,735 million, representing a year-on-year increase of 11.0%. The growth rate of health insurance premiums continued to lead the health insurance market of life and health insurance companies. The regular premiums from new clients amounted to RMB3,156 million, representing a year-on-year increase of 69.3%. The original premiums income of Internet insurance business was RMB8,804 million, which continued to maintain the leading position in terms of market share in the Internet health insurance market among life and health insurance companies.

3. Investment Segment: Strengthening the Ability of Providing "Dual Service" and Maintaining Rapid Growth in the Scale of Assets under Management

The investment segment adhered to the philosophy of long-term investment, value investment and prudent investment, constantly enhanced its capabilities to "serve strategies and major businesses", strengthened professional capacity building, and built an investment portfolio from a cross-cyclical perspective. In the first half of 2023, the Group achieved a total investment income of RMB31,486 million; the total investment yield (annualised) amounted to 4.9%. Moreover, the investment segment leveraged the advantages of core competency in multi-asset allocation, increased product innovation and accelerated the development

7 Combined ratio = (insurance service expenses + net expenses/(income) from reinsurance contract held + finance expenses/(income) from insurance contracts issued – financial income/(expenses) from reinsurance contracts held)/insurance revenue.

8 Major industry players refer to China Life, Ping An Life, CPIC Life, Taikang Life, New China Life, PICC Life and Taiping Life.

of third-party management business. As of 30 June 2023, the scale of assets management amounted to RMB2,433,999 million, among which, the scale of third-party assets management amounted to RMB1,054,181 million, representing an increase of 33.9% compared with that as at the beginning of the year.

4. *Technology Segment: Consolidating Foundation of Technology to Enhance Support Capability*

The technology segment actively practiced "To be Prominent Strategy", focused on customer experience and grassroots feeling, and continuously improved technology support and rapid response capabilities. Firstly, the technology segment improved the technology project management mechanism, promoted the construction of five types of application systems: insurance core, investment management, risk management, data application and comprehensive management, and empowered the Group's transformation and development. Secondly, the technology segment promoted data application and empowerment, actively supported data application in the Group's management and decision making, risk monitoring and other aspects, improved the Group's risk control capability, and actively promoted the construction of AI development platforms such as machine learning, deep learning, knowledge mapping and privacy computing. The technology segment also promoted the implementation of new technology innovation applications in combination with the business needs of each subsidiary, so as to continuously improve the level of intelligence.

(III) Key Operating Data

The Group engages in three main businesses, namely P&C insurance business, life and health insurance business and asset management business. The Group's businesses are composed of four main operating segments: the P&C insurance business consists of P&C insurance segment of the Group and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 89.36% equity interests, respectively; the life and health insurance business consists of two separate operating segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business consists of asset management segment of the Group and primarily includes PICC AMC, PICC Investment Holding and PICC Capital, which are all wholly owned by the Company. The Company also holds 100.00% equity interest in PICC Pension and PICC Technology, and directly and indirectly holds 100.00% equity interest in PICC Reinsurance and PICC Financial Services.

Unit: RMB million

	For the six months ended 30 June		
	2023	2022	(% of change)
Insurance revenue			
PICC P&C	224,368	205,189	9.3
PICC Life	8,598	10,255	(16.2)
PICC Health	12,628	10,887	16.0
Combined ratio of PICC P&C (%)	95.8	95.7	Increase of 0.1 pt
Value of half year's new business of PICC Life	2,490	1,493	66.8
Value of half year's new business of PICC Health	1,355	854	58.7
Total investment yield (annualised) (%)	4.9	5.3	Decrease of 0.4 pt

Unit: RMB million

	30 June 2023	31 December 2022	(% of change)
Market share (%)			
PICC P&C	34.3	32.7	Increase of 1.6 pts
PICC Life	3.4	2.9	Increase of 0.5 pt
PICC Health	1.4	1.3	Increase of 0.1 pt
Embedded Value of PICC Life	110,298	103,772	6.3
Embedded Value of PICC Health	25,531	18,239	40.0

Note: The market share was independently calculated based on the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the National Administration of Financial Regulation (the former CBIRC), and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies (starting from June 2021, the summarised data of P&C insurance companies and life and health insurance companies published by the National Administration of Financial Regulation (the former CBIRC) does not include certain institutions which are in the stage of risk disposal in the insurance industry).

The solvency results of the Group and major subsidiaries as at 30 June 2023 were calculated in accordance with the Solvency Regulatory Rules for Insurance Companies (II) and the relevant notices issued by the National Administration of Financial Regulation (the former CBIRC), among which, as at 30 June 2023, the Group's actual capital was RMB416,539 million, the core capital was RMB319,669 million, the minimum capital was RMB173,358 million, and the comprehensive solvency margin ratio and core solvency margin ratio were 240% and 184%, respectively; the comprehensive solvency margin ratio and core solvency margin ratio of PICC P&C were 222% and 194%, respectively; the comprehensive solvency margin ratio and core solvency margin ratio of PICC Life were 200% and 121%, respectively; and the comprehensive solvency margin ratio and core solvency margin ratio of PICC Health were 236% and 121%, respectively.

(IV) Key Financial Indicators

Unit: RMB million

	For the six months ended 30 June		
	2023	2022	(% of change)
Total operating revenue	280,848	262,325	7.1
Insurance revenue	246,884	227,796	8.4
Total operating expenses	248,849	231,302	7.6
Insurance services expenses	219,147	204,703	7.1
Profit before tax	31,999	31,023	3.1
Net profit	27,780	25,864	7.4
Net profit attributable to owners of the Company	20,588	18,915	8.8
Earnings per share [(1)] (RMB/share)	0.47	0.43	8.8
Weighted average return on equity (%)	8.6	8.6	–
Net cash flows from operating activities	59,921	49,444	21.2

Note: (1) The percentage increase or decrease of earnings per share was calculated based on the data before rounding off.

Unit: RMB million

	As of 30 June 2023	As of 31 December 2022	(% of change)
Total assets	1,492,679	1,416,287	5.4
Total liabilities	1,162,457	1,111,394	4.6
Equity attributable to shareholders of the parent company	243,763	224,153	8.7
Total share capital	44,224	44,224	–
Net assets per share [(1)] (RMB/share)	5.51	5.07	8.7

Note: (1) The percentage increase or decrease of net assets per share was calculated based on the data before rounding off.

(V) Explanation for the Differences between Domestic and Overseas Accounting Standards

Unit: RMB million

	Net profit attributable to owners of the Company		Equity attributable to owners of the Company	
	For the six months ended 30 June 2023	For the six months ended 30 June 2022	As of 30 June 2023	As of 31 December 2022
Under the China Accounting Standards for Business Enterprises	19,881	18,296	241,754	222,851
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic risk reserve of agricultural insurance[(1)]	942	826	2,679	1,737
Impact of above adjustment on deferred income tax	(235)	(207)	(670)	(435)
Under the International Financial Reporting Standards	20,588	18,915	243,763	224,153

Explanation for major adjustments:

(1) According to the provisions of Cai Kuai [2014] No. 12, in addition to the liabilities for insurance contracts provided under the China Accounting Standards for Business Enterprises No. 25 – Insurance Contract, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premiums of agricultural insurance, and included premium reserves appropriately provided and utilised into the gain or losses for the period.

There is no provisions regarding thereof under the International Financial Reporting Standards, hence there exists differences between such standards. The liabilities for insurance contracts provided under the International Financial Reporting Standards No. 17 is the same as that provided under the China Accounting Standards for Business Enterprises No. 25 – Insurance Contract.

(VI) Other Major Financial and Regulatory Indicators

Unit: RMB million

	As of 30 June 2023/ For the six months ended 30 June 2023	As of 31 December 2022/ For the six months ended 30 June 2022
Consolidated		
Insurance contract assets	659	782
Insurance contract liabilities	951,526	883,055
Reinsurance contract assets	31,911	37,329
Reinsurance contract liabilities	183	362
Investment assets	1,379,818	1,286,378
Total investment yield (annualised) (%)	4.9	5.3
Gearing ratio[(1)](%)	77.9	78.5
PICC P&C		
Insurance revenue	224,368	205,189
Insurance service expenses	204,715	189,368
Combined ratio (%)	95.8	95.7
PICC Life		
Insurance revenue	8,598	10,255
Insurance service expenses	5,267	7,178
Lapse rate[(2)](%)	4.1	4.0
PICC Health		
Insurance revenue	12,628	10,887
Insurance service expenses	9,039	7,404
Lapse rate (%)	0.7	0.6

Notes: (1) The gearing ratio refers to the ratio of total liabilities to total assets.

(2) Lapse rate = surrender value for the period/(opening balance of long-term insurance liability reserves + long-term insurance original premiums income for the period) x 100%, of which, the surrender value, long-term insurance liability reserves and long-term insurance original premiums income are relevant data under the Accounting Standards for Business Enterprises No. 25 – Original Insurance Contracts (Cai Kuai [2006] No.3) issued by the MOF in 2006 and the Accounting Treatment Regulations for Insurance Contracts (Cai Kuai [2009] No.15).

II. PERFORMANCE ANALYSIS

(I) Insurance Business

P&C Insurance Business

1. PICC P&C

PICC P&C has actively implemented the decisions and deployments of the Central Government, and with the Group's "To be Prominent Strategy" as guidance, it profoundly focused on the "PICC Symbol" of serving the Chinese-style modernization. Focusing on the "Eight Strategic Services", PICC P&C has carried out in-depth innovation of its products and services, implemented the new business model of "insurance + risk reduction service + technology", continued to strengthen the construction of risk management and control system, and wrote the "chapter of PICC" to serve the Chinese-style modernization. In the first half of 2023, PICC P&C achieved insurance revenue of RMB224,368 million, representing a year-on-year growth of 9.3%; and the market share was 34.3%, maintaining the top position in the industry, and achieved the underwriting profits of RMB9,469 million, representing a year-on-year increase of 7.0%. The combined ratio was 95.8%, representing a year-on-year increase of 0.1 percentage point. Net profit amounted to RMB20,256 million, representing a year-on-year increase of 5.4%.

(1) Analysis of operating conditions and results

In the first half of 2023, PICC P&C achieved insurance revenue of RMB224,368 million, representing a year-on-year increase of 9.3%. The business growth was mainly attributable to the motor vehicle insurance, agricultural insurance, as well as accidental injury and health insurance, etc. PICC P&C optimized its product operation strategy, improved its business structure, strengthened refined and intelligent pricing, enriched the content of its risk reduction services, and pushed forward with further cost reductions and efficiency improvements. The combined ratio was 95.8%, representing a year-on-year increase of 0.1 percentage point, basically remained stable; and the underwriting profits amounted to RMB9,469 million, representing a year-on-year increase of 7.0%.

The following table sets out the underwriting profits of PICC P&C during the reporting period:

Unit: RMB million

Indicator	For the six months ended 30 June		
	2023	2022	(% of change)
Insurance revenue	224,368	205,189	9.3
Less: Insurance service expenses	204,715	189,368	8.1
Less: Net expenses of reinsurance contracts ceded	5,818	2,877	102.2
Less: Finance expenses from insurance contracts issued	4,998	4,649	7.5
Add: Finance gains or losses on reinsurance ceded	632	552	14.5
Underwriting profits	**9,469**	**8,847**	**7.0**

To facilitate investors' understanding of the operating results of the main product lines, PICC P&C allocated the corresponding insurance revenue, insurance service expenses and other profit or loss of the reinsurance business to each product line, and simulated and calculated the net operating results of each product line. The following table sets out the selected operating information on product lines of PICC P&C for the reporting period:

Unit: RMB million

Product line	For the six months ended 30 June 2023			
	Insurance revenue	Insurance service expenses	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	137,907	130,036	4,590	96.7
Agricultural insurance	25,043	22,324	2,245	91.0
Accidental injury and health insurance	23,019	21,570	350	98.5
Liability insurance	16,922	16,581	(477)	102.8
Commercial property insurance	8,337	5,841	666	92.0
Other insurances	13,140	8,363	2,095	84.1
Total	**224,368**	**204,715**	**9,469**	**95.8**

Note: Figures may not add up to total due to rounding, similarly hereinafter.

- Motor vehicle insurance

PICC P&C adhered to the principle of "stabilizing new insurance, improving renewals of insurance and optimising transfers of insurance", continuously enhanced the integration of resources, and strengthened the construction of customer service capacity, with the renewal rate of vehicle insurance increasing by 2.0 percentage points year-on-year. Benefiting from the growth in new vehicle sales and the continuation of the policy of new energy vehicle purchase tax exemption, the number of insured motor vehicles increased by 7.3% year-on-year in the first half of 2023, and the insurance revenue increased by 5.2% year-on-year to RMB137,907 million.

PICC P&C adhered to the principle of cost-effective development, strengthened risk selection, optimized business structure and insisted on the high-quality development of its vehicle insurance business. The comprehensive loss ratio[9] of motor vehicle insurance was 69.7%, representing a year-on-year decrease of 0.1 percentage point. The comprehensive expense ratio[10] of vehicle insurance was 27.0%, representing a year-on-year increase of 1.0 percentage point. The combined ratio was 96.7%, representing a year-on-year increase of 0.9 percentage point, and the underwriting profits amounted to RMB4,590 million, representing a year-on-year decrease of 15.8%.

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

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

- Agricultural insurance

PICC P&C took the initiative to serve rural revitalization as well as the modernization of agriculture and rural areas, it also seized the opportunities of the expansion of the implementation of the full cost insurance and income insurance for the three main cereal crops, the expansion of local characteristics of agricultural insurance central incentives and other policy opportunities, and achieved the rapid development of planting insurance and farming insurance business. The insurance revenue of agricultural insurance was RMB25,043 million, representing a year-on-year increase of 22.2%.

Affected by freezes, winds, continuous rain and other natural disasters, agricultural insurance comprehensive loss ratio was 76.8%, representing a year-on-year increase of 3.1 percentage points. The comprehensive expense ratio was 14.2%, representing a year-on-year decrease of 1.6 percentage points. The combined ratio was 91.0%, representing a year-on-year increase of 1.5 percentage points. The underwriting profits amounted to RMB2,245 million, representing a year-on-year increase of 4.5%.

- Accidental injury and health insurance

PICC P&C actively served the improvement in living standard, deeply participated in the construction of the national medical insurance system, vigorously developed people's livelihood insurance and individual decentralized accidental health insurance business, actively expanded the business of "Hui Min Bao (惠民保)" and nursing care insurance, and continued to push forward the restructuring of the group accidental injury and health insurance business, and promoted the integrated development of social medical insurance and commercial health insurance. The insurance revenue of accidental injury and health insurance was RMB23,019 million, representing a year-on-year increase of 34.1%.

PICC P&C adhered to its customer-centric approach, optimized product offerings, strengthened the detailed management of underwriting, and improved cost allocation efficiency. The comprehensive expense ratio of accidental injury and health insurance was 34.5%, representing a year-on-year decrease of 5.9 percentage points; the comprehensive loss ratio was 64.0%, representing a year-on-year increase of 2.9 percentage points, due to the expansion of the liability for claims payment under the terms and conditions of the products. The combined ratio was 98.5%, representing a year-on-year decrease of 3.0 percentage points. Accidental injury and health insurance turned from a loss to a profit, realized underwriting profits of RMB350 million.

- Liability insurance

PICC P&C actively served the construction of a modernized industrial system, and served the technological self-reliance and self-improvement and security development. PICC P&C increased product supply, supported by service and innovation, helped the development of the real economy and escorted the national strategy. In terms of traditional liability insurance, PICC P&C focused on the protection of various areas of national economy and people's livelihood, and provided specialized, differentiated and customized insurance products, gave full play to the functions of insurance as "economic booster" and "social stabilizer"; in terms of emerging liability insurance, PICC P&C focused on the development needs of emerging industries, expanded the supply of innovative products such as science and technology insurance and green insurance, and explored new fields, new industries and new modes of business. The insurance revenue of liability insurance was RMB16,922 million, representing a year-on-year increase of 6.1%.

PICC P&C further upgraded its digitalized risk control, implemented full-volume risk survey, precise sales fee allocation, enhanced its ability to acquire quality business, optimized underwriting conditions, proactively restructured business structure and gradually improved the quality of its insurance policies while its business grew steadily. The comprehensive loss ratio of liability insurance was 71.0%, representing a year-on-year decrease of 1.7 percentage points. The comprehensive expense ratio was 31.8%, representing a year-on-year decrease of 0.3 percentage point. The combined ratio was 102.8%, representing a year-on-year decrease of 2.0 percentage points, and the underwriting loss was reduced by RMB285 million year-on-year.

- Commercial property insurance

PICC P&C proactively grasped the market opportunity of the domestic economy stabilizing and improving, served the real economy, and strengthened the product supply. PICC P&C also enhanced market responsiveness and professional service capability, provided good customer and key project services, and gave full play to the sales vitality of the grassroots level. The insurance revenue of commercial property insurance was RMB8,337 million, representing a year-on-year increase of 3.2%.

PICC P&C adhered to the operating efficiency-oriented approach, strengthened the optimization of business structure on the underwriting side and the refined management of claims, improved the risk survey service system, and enhanced the service standard of risk reduction. The impact of disasters in the first half of 2023 was relatively lower than that in the same period last year. The comprehensive loss ratio of commercial property insurance was 64.4%, representing a year-on-year decrease of 3.8 percentage points. The comprehensive expense ratio was 27.6%, representing a year-on-year decrease of 1.1 percentage points. The combined ratio was 92.0%, representing a year-on-year decrease of 4.9 percentage points. The underwriting profits amounted to RMB666 million, representing a year-on-year increase of 165.3%.

- Other insurances

PICC P&C insisted on serving the development of the real economy, serving regional development and escorting the construction of "the Belt and Road", and continued to strengthen product innovation and promotion. The insurance revenue of other insurances was RMB13,140 million, representing a year-on-year increase of 6.0%.

PICC P&C continued to enhance its professional operation capability, and upgraded the service level of risk reduction. The comprehensive loss ratio of other insurances was 54.0%, representing a year-on-year decrease of 1.2 percentage points; The comprehensive expense ratio was 30.1%, representing a year-on-year increase of 1.6 percentage points; and the combined ratio was 84.1%, representing a year-on-year increase of 0.4 percentage point. The underwriting profits amounted to RMB2,095 million, representing a year-on-year increase of 3.7%.

(2) Analysis from the business perspective

① Analysis by Insurance Type

The following table sets forth the original premiums income by insurance types from PICC P&C for the reporting period:

Unit: RMB million

	For the six months ended 30 June		
	2023	2022	(% of change)
Motor vehicle insurance	135,899	128,808	5.5
Accidental injury and health insurance	72,447	68,882	5.2
Agricultural insurance	44,088	36,721	20.1
Liability insurance	20,976	19,265	8.9
Commercial property insurance	10,034	9,539	5.2
Other insurances	17,486	13,456	29.9
Total	**300,930**	**276,671**	**8.8**

② Analysis by Channel

The following table sets forth a breakdown of the original premiums income of PICC P&C by distribution channel for the reporting period, which can be further divided into insurance agents channel, direct sales channel and insurance brokerage channel.

Unit: RMB million

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

In the first half of 2023, PICC P&C continued to strengthen the construction of its own channels and to enhance the comprehensive sales service capabilities of the direct sales team, accelerated the transformation to a comprehensive financial sales team, enhanced channel coordination and promoted the integration and development of its businesses. The original premiums income of direct sales channel recorded a year-on-year increase of 10.0%.

③ Analysis by Region

The following table sets forth the original premiums income of PICC P&C in the top ten regions for the reporting period:

Unit: RMB million

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

2. PICC Hong Kong

On the one hand, PICC Hong Kong continued to maintain the momentum of high-quality development. In the first half of 2023, the insurance revenue was RMB998 million, representing a year-on-year increase of 13.1%, and the combined ratio was 89.8%. On the other hand, PICC Hong Kong further played an important role as a window for international development, and actively implemented the strategic layout and capacity improvement of overseas institutions. The number of overseas cooperative companies and global reinsurance qualification service network covered nearly 90 countries/regions. The participation in "the Belt and Road" and the Guangdong-Hong Kong-Macao Greater Bay Area Construction achieved better results.

PICC Reinsurance

PICC Reinsurance provided reinsurance protection and risk solutions around the "Eight Strategic Services", focused on the construction of professional, innovative, service and risk management capabilities, and strived to build a boutique company with first-class benefits. In the first half of 2023, PICC Reinsurance achieved insurance revenue of RMB2,344 million, representing a year-on-year increase of 3.8%, and achieved net profit of RMB196 million.

Life and Health Insurance

1. PICC Life

(1) Analysis of operating condition and results

In the first half of 2023, PICC Life constantly focused on high-quality development, actively promoted "To be Prominent Strategy", deeply conducted business mode innovation and management mode reform, took the initiative to grasp the recovery opportunities in the industry, realized qualitative and efficient improvement while maintaining quantitative growth. In the first half of 2023, PICC Life recorded the original premiums income of RMB78,910 million, representing a year-on-year increase of 9.5%; insurance revenue of RMB8,598 million, representing a year-on-year decrease of 16.2%; and insurance service expenses of RMB5,267 million, representing a year-on-year decrease of 26.6%. The decrease in insurance revenue was mainly due to the decrease in unrealized profits at the beginning of 2023 caused by the downward capital market in 2022. PICC Life recorded net profits of RMB3,411 million, representing a year-on-year increase of 28.0%. The value of half year's new business recorded RMB2,490 million, representing a year-on-year increase of 66.8%.

(2) Analysis from the business perspective

① Analysis by Insurance Type

The following table sets forth the original premiums income by insurance types from PICC Life for the reporting period:

Unit: RMB million

	For the six months ended 30 June				
	2023			2022	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Life insurance	**69,940**	**88.6**	**11.3**	**62,844**	**87.2**
General life insurance	33,887	42.9	52.5	22,219	30.8
Participating life insurance	35,996	45.6	(11.3)	40,574	56.3
Universal life insurance	57	0.1	9.6	52	0.1
Health insurance	**8,424**	**10.7**	**(3.4)**	**8,716**	**12.1**
Accident insurance	**546**	**0.7**	**13.5**	**481**	**0.7**
Total	**78,910**	**100.0**	**9.5**	**72,041**	**100.0**

In the first half of 2023, PICC Life actively optimised business structure, and continued to improve specified operating capabilities. PICC Life recorded the original premiums income of RMB78,910 million, representing a year-on-year increase of 9.5%. Meanwhile, PICC Life increased the sales of whole life insurance and annuity insurance products, and achieved an original premiums income from general life insurance of RMB33,887 million, representing a year-on-year increase of 52.5%, and its proportion increased by 12.1 percentage points. PICC Life achieved the original premiums income from participating life insurance of RMB35,996 million with its proportion decreased by 10.7 percentage points.

② Analysis by Channel

Income of PICC Life as categorised by channel for the purpose of original premiums income for the reporting period is as follows, which can be further divided into individual insurance channel, bancassurance channel and group insurance channel.

Unit: RMB million

	For the six months ended 30 June				
	2023			2022	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Individual Insurance Channel	**32,598**	**41.3**	**4.9**	**31,089**	**43.2**
First-year business of long-term insurance	11,378	14.4	12.1	10,151	14.1
Single premiums	3,031	3.8	(4.4)	3,170	4.4
First-year regular premiums	8,347	10.6	19.6	6,981	9.7
Renewal business	21,016	26.6	1.6	20,678	28.7
Short-term insurance	204	0.3	(21.5)	260	0.4
Bancassurance Channel	**44,337**	**56.2**	**12.9**	**39,280**	**54.5**
First-year business of long-term insurance	30,344	38.5	15.3	26,327	36.5
Single premiums	17,073	21.6	(9.8)	18,925	26.3
First-year regular premiums	13,271	16.8	79.3	7,402	10.3
Renewal business	13,972	17.7	8.1	12,930	17.9
Short-term insurance	21	0.0	(8.7)	23	0.0
Group Insurance Channel	**1,975**	**2.5**	**18.1**	**1,673**	**2.3**
First-year business of long-term insurance	243	0.3	350.0	54	0.1
Single premiums	231	0.3	3,200.0	7	0.0
First-year regular premiums	12	0.0	(74.5)	47	0.1
Renewal business	411	0.5	2.0	403	0.6
Short-term insurance	1,321	1.7	8.7	1,215	1.7
Total	**78,910**	**100.0**	**9.5**	**72,041**	**100.0**

In the first half of 2023, PICC Life continued to optimise the team structure based on "team building and excellent performance achievement", established more efficient recruitment tools and recruitment systems, focused on team quality building, and continuously enhanced risk management and control capabilities. The original premiums income of individual insurance channel was RMB32,598 million. As of 30 June 2023, the number of marketing personnel for "comprehensive individual life insurance" channel was 79,068, of which monthly average effective personnel was 22,542, and the regular premiums payment from new clients per capita per month of the "comprehensive individual life insurance" channel amounted to RMB12,132.67.

As for bancassurance channel, PICC Life strived to enhance the value of new business of the bancassurance channel and realised an effective increase in the channel value contribution. The original premiums income of bancassurance channel was RMB44,337 million, representing a year-on-year increase of 12.9%, and the value of half year's new business reached RMB1,052 million, representing a year-on-year increase of 331.1%.

As for group insurance channel, PICC Life coordinately promoted the development of short-term insurance business, focused on exploration of corporate clients, enhanced business quality control, deeply practiced the obligation and mission as a centralized enterprise for serving real economy and serving healthcare and pension. The original premiums income from group insurance channel amounted to RMB1,975 million, representing a year-on-year increase of 18.1%, of which the original premiums income from short-term insurance amounted to RMB1,321 million, representing a year-on-year increase of 8.7%.

③ Analysis by Region

The following table sets forth the original premiums income of PICC Life in the top ten regions for the reporting period:

Unit: RMB million

	For the six months ended 30 June		
	2023	2022	(% of change)
Zhejiang Province	9,402	7,292	28.9
Sichuan Province	6,834	7,114	(3.9)
Jiangsu Province	5,543	4,949	12.0
Guangdong Province	3,737	2,420	54.4
Hubei Province	3,279	3,013	8.8
Beijing City	3,073	2,656	15.7
Hunan Province	2,853	3,773	(24.4)
Gansu Province	2,782	3,166	(12.1)
Henan Province	2,773	3,128	(11.3)
Jiangxi Province	2,755	2,317	18.9
Other regions	35,879	32,214	11.4
Total	**78,910**	**72,041**	**9.5**

④ Persistency Ratios of Premiums

PICC Life improved the persistency ratios from several aspects including adjusting product structure, perfecting management chain, improving insurance quality for new clients, processing reinstatement of invalid insuance policies and dedicating to improving the clients' experience. The 13-month premium persistency ratio for individual customers of PICC Life increased by 6.3 percentage points year-on-year, of which the "comprehensive individual life insurance" channel increased by 12.8 percentage points year-on-year; and the 25-month premium persistency ratio increased by 4.3 percentage points year-on-year, of which the "comprehensive individual life insurance" channel increased by 6.8 percentage points year-on-year.

The following table sets forth the 13-month and 25-month premium persistency ratios for individual customers of PICC Life for the reporting period:

	For the six months ended 30 June	
Item	2023	2022
13-month premium persistency ratio(1)(%)	92.1	85.8
25-month premium persistency ratio(2)(%)	83.6	79.3

Notes: (1) The 13-month premium persistency ratio for a given year is the proportion of the actual total written premiums (the "**TWPs**") for the 13th month after the long-term regular premium individual life insurance policies newly issued in the preceding year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of the actual TWPs for the 25th month after the long-term regular premium individual life insurance policies newly issued in the previous year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance.

⑤ Top Five Products

The following table sets forth the operating results of PICC Life's top five insurance products in terms of original premiums income for the reporting period:

Unit: RMB million

	For the six months ended 30 June 2023		
Insurance product	Type of insurance	Sales channels	Original premiums income
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance channel/ Bancassurance channel	15,292
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance channel/ Bancassurance channel	13,451
PICC Life Zhen Xin Yi Sheng Whole Life Insurance	General life insurance	Individual insurance channel/ Bancassurance channel	9,657
PICC Life Wen Nuan Jin Sheng Annuity Insurance	General life insurance	Individual insurance channel	4,376
PICC Life Zhuo Yue Jin Sheng Endowment Insurance	General life insurance	Individual insurance channel	4,124

2. *PICC Health*

(1) Analysis of operating conditions and results

In the first half of 2023, PICC Health adhered to high-quality and sustainable development, focused on its major responsibilities and major businesses and professional operations, accelerated the implementation of "Health Project", and deeply practiced the new business model of "insurance + health services + technology", which demonstrated a satisfactory trend of rapid growth in business scale, effective implementation of national strategies and continuous enhancement of risk prevention and control. PICC Health achieved the insurance revenue of RMB12,628 million, representing a year-on-year increase of 16.0%; and achieved net profit of RMB2,726 million, and the value of half year's new business amounted to RMB1,355 million, representing a year-on-year increase of 58.7%. The Internet insurance business continued to maintain a leading position in the Internet health insurance market share of life and health insurance companies. The health management business has improved the service product system, improved online operation capabilities, and provided various types of health management services for 1,459 thousand people, representing a year-on-year increase of 12.7%.

(2) Analysis from the business perspective

① Analysis by Insurance Type

The following table sets forth the original premiums income by insurance type from PICC Health for the reporting period:

Unit: RMB million

	For the six months ended 30 June				
	2023			2022	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Medical insurance	17,500	51.9	3.6	16,900	55.6
Participating endowment insurance	9,352	27.7	9.4	8,550	28.1
Illness insurance	3,411	10.1	(12.9)	3,917	12.9
Nursing care insurance	3,098	9.2	347.0	693	2.3
Accidental injury insurance	316	0.9	10.1	287	0.9
Disability losses insurance	58	0.2	61.1	36	0.1
Total	**33,735**	**100.0**	**11.0**	**30,383**	**100.0**

In the first half of 2023, PICC Health actively served the Healthy China strategy and the construction of multi-level social security system, planned business development and exploration and innovation in a scientific manner, and realised an original premiums income of RMB33,735 million, representing a year-on-year increase of 11.0%; and realised an original premiums income of medical insurance of RMB17,500 million, representing a year-on-year increase of 3.6%; PICC Health stepped up the development of policy and commercial nursing care insurance businesses, and realised an original premiums income of nursing care insurance of RMB3,098 million, representing a year-on-year increase of 347.0%; PICC Health realised original premiums income of accidental injury insurance of RMB316 million, representing a year-on-year increase of 10.1%.

② Analysis by Channel

Income of PICC Health by distribution channels in terms of original premiums income for the reporting period is as follows, which can further be divided into individual insurance channel, bancassurance channel and group insurance channel.

Unit: RMB million

	For the six months ended 30 June				
	2023			2022	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Individual insurance channel	**10,410**	**30.9**	**(5.1)**	**10,974**	**36.1**
First-year business of long-term insurance	1,234	3.7	(26.3)	1,675	5.5
Single premiums	177	0.5	(10.2)	197	0.6
First-year regular premiums	1,057	3.2	(28.5)	1,478	4.9
Renewal business	6,972	20.7	0.4	6,943	22.9
Short-term insurance	2,204	6.5	(6.5)	2,356	7.8
Bancassurance channel	**10,430**	**30.9**	**36.8**	**7,625**	**25.1**
First-year business of long-term insurance	9,817	29.1	37.3	7,150	23.5
Single premiums	7,725	22.9	14.2	6,767	22.3
First-year regular premiums	2,092	6.2	446.2	383	1.3
Renewal business	613	1.8	29.1	475	1.6
Short-term insurance	–	–	–	–	–
Group insurance channel	**12,895**	**38.2**	**9.4**	**11,784**	**38.8**
First-year business of long-term insurance	42	0.1	162.5	16	0.1
Single premiums	35	0.1	169.2	13	0.0
First-year regular premiums	7	0.0	133.3	3	0.0
Renewal business	74	0.2	1.4	73	0.2
Short-term insurance	12,779	37.9	9.3	11,695	38.5
Total	**33,735**	**100.0**	**11.0**	**30,383**	**100.0**

In terms of individual insurance agent business, PICC Health adhered to the professional development path, focused on cultivation of sales elite, increased sales personnel productivity, and actively planned for channel innovation, transformation and development. In terms of Internet insurance business, PICC Health continued to deepen cooperation with key platforms, iterated the supply of inclusive health insurance, created the first zero deductible long-term medical insurance in the market, followed the trend of online consumption, and focused on market demand to enrich and upgrade product matrix. The original premiums income of individual insurance channel was RMB10,410 million, representing a slight decrease compared with that for the same period last year.

PICC Health continued to strengthen its cooperation with the bancassurance channel, vigorously developed regular premiums business from new clients, especially the nursing insurance business, and nurtured high-performing teams by internal training and external introduction. It also dug up network resources and promoted the rapid development of bancassurance business. The original premiums income of bancassurance channel was RMB10,430 million, representing a year-on-year increase of 36.8%.

In terms of social medical supplementary insurance business, PICC Health focused on national strategies such as Healthy China, actively addressing population aging and rural revitalization. On the basis of continuous consolidation and improvement of traditional businesses, it accelerated innovative breakthroughs in emerging businesses such as outpatient chronic and special diseases, long-term nursing care insurance and "Hui Min Bao (惠民保)", strengthened the construction of medical insurance handling capacity, and promoted the sustainable and high-quality development of business. In terms of commercial group insurance business, PICC Health took multiple measures to focus on the development of corporate customer business and social business integration business, improve service capabilities, accelerate the promotion of the construction of joint medical offices for corporate and promote the business model of professional group development, and promoted the transformation of group insurance business towards high-quality development and transformation. The original premiums income of group insurance channel was RMB12,895 million, representing a year-on-year increase of 9.4%.

③ Analysis by Region

The following table sets forth the original premiums income of PICC Health in the top ten regions for the reporting period:

Unit: RMB million

	For the six months ended 30 June		
	2023	2022	(% of change)
Guangdong Province	11,220	11,565	(3.0)
Henan Province	2,305	2,636	(12.6)
Jiangxi Province	1,909	1,997	(4.4)
Anhui Province	1,861	1,198	55.3
Liaoning Province	1,835	1,585	15.8
Hubei Province	1,796	1,548	16.0
Shaanxi Province	1,715	863	98.7
Shandong Province	1,406	885	58.9
Shanxi Province	1,363	1,086	25.5
Yunnan Province	1,275	1,498	(14.9)
Other regions	7,050	5,522	27.7
Total	**33,735**	**30,383**	**11.0**

④ Persistency Ratios of Premiums

The following table sets forth the 13-month and 25-month premium persistency ratios for individual customers of PICC Health for the reporting period:

Item	For the six months ended 30 June 2023	2022
13-month premium persistency ratio[1](%)	84.4	86.1
25-month premium persistency ratio[2](%)	82.8	76.8

Notes: (1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual health insurance policies newly issued in the preceding year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs for the 25th month after the long-term regular premium individual health insurance policies newly issued in the penultimate year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance.

⑤ Top Five Products

The following table sets forth the operating results of PICC Health's top five insurance products in terms of original premiums income for the reporting period:

Unit: RMB million

Insurance product	For the six months ended 30 June 2023 Type of insurance	Sales channels	Original premiums income
Kang Li Ren Sheng Endowment Insurance (Participating)	Endowment insurance	Bancassurance channel/ Individual insurance channel/ Group insurance channel	9,317
PICC Health You Xiang Bao Internet Medical Insurance	Medical insurance	Individual insurance channel	4,626
Group Critical Illness Medical Insurance for Urban and Rural Residents (Type A)	Medical insurance	Group insurance channel	4,473
He Xie Sheng Shi Large Amount Supplementary Group Medical Insurance for Urban Employees	Medical insurance	Group insurance channel	3,564
PICC Health Zhuo Yue Jin Sheng Lifetime Nursing Care Insurance	Nursing care insurance	Bancassurance channel	1,672

(II) Asset Management Business

In the first half of 2023, the asset management segment of the Group implemented the requirements of the Group's "To be Prominent Strategy", continued to strengthen the building of professional capability, constantly enhanced its capabilities to "serve strategies and major businesses", and built the investment portfolio from a cross-cyclical perspective. As of 30 June 2023, the scale of assets under management of the Group amounted to RMB2,433,999 million, of which the scale of third-party assets under management amounted to RMB1,054,181 million, representing an increase of 33.9% compared with the beginning of the year.

In the first half of 2023, PICC AMC deepened the implementation of the "Empowerment Projects" and actively explored new channels and new ways to serve the national strategy. In terms of portfolio asset management products, PICC AMC actively grasped the development opportunities, and the scale of assets under management increased by 54.6% compared with the beginning of the year. PICC Investment Holding completed organizational structure adjustment, and actively explored elderly care service models. PICC Pension seized the development opportunities of the third pillar of endowment, and achieved a stable start to commercial pension, the scale of assets under the management of which increased by 12.8% compared to that as at the beginning of the year. PICC Capital focused on high-quality entities, formulated investment strategies for various types of products, and continuously optimized business support systems such as risk control, credit rating and post-investment. In the first half of 2023, both the newly added withdrawn scale and the scale of assets under management recorded a historic high. The PICC Capital-GAC Aion Equity Investment Plan was awarded the Ark Prize for Supporting Corporate Innovation with Insurance Funds 2023.

(III) Investment Portfolio and Investment Income

In the first half of 2023, the Group actively fulfilled the social responsibility of a financial central enterprise, continuously enhanced its ability to serve the strategy, integrated business development and risk prevention and control, maintained relative flexibility in tactical asset adjustment, and maintained stable investment performance. From the perspective of major assets investment strategy, fixed income investment actively optimized the credit structure of positions and played the effect of return ballast; equity investment actively explored structural opportunities in the industry and better grasped the main line of market operation.

1. Investment Portfolio

The following table sets forth information regarding the composition of the investment portfolio of the Group as of the dates indicated:

Unit: RMB million

	As of 30 June 2023		As of 31 December 2022[1]	
	Amount	(% of total)	Amount	(% of total)
Investment assets	**1,379,818**	**100.0**	**1,286,378**	**100.0**
Classified by investment object				
Cash and cash equivalents	31,159	2.3	40,599	3.2
Fixed-income investments	892,492	64.7	826,439	64.2
Term deposits	101,010	7.3	101,180	7.9
Treasury bonds and government bonds	195,477	14.2	183,728	14.3
Financial bonds	202,671	14.7	178,365	13.9
Corporate bonds	183,771	13.3	170,257	13.2
Other fixed-income investments[2]	209,563	15.2	192,909	15.0
Equity investments at fair value	290,467	21.1	258,022	20.1
Fund	113,486	8.2	120,310	9.4
Share	47,240	3.4	55,604	4.3
Permanent financial products	54,871	4.0	40,000	3.1
Other equity investments	74,870	5.4	42,108	3.3
Other investments	165,700	12.0	161,318	12.5
Investment in associates and joint ventures	149,698	10.8	146,233	11.4
Others[3]	16,002	1.2	15,085	1.2
Classified by accounting method				
Financial assets held for trading	369,100	26.8	N/A	N/A
Debt investments	304,740	22.1	N/A	N/A
Other debt investments	313,553	22.7	N/A	N/A
Other equity instruments investments	81,138	5.9	N/A	N/A
Financial assets at fair value through profit or loss for the period	N/A	N/A	38,301	3.0
Available-for-sale financial assets	N/A	N/A	557,582	43.3
Held-to-maturity investments	N/A	N/A	198,393	15.4
Long-term equity investments	149,698	10.8	146,233	11.4
Others[4]	161,589	11.7	345,869	26.9

Notes:

(1) The Company has implemented the New Insurance Contracts Accounting Standards and the New Financial Instruments Accounting Standards since 1 January 2023, and the data as of 30 June 2023 represents the financial results of implementing the New Insurance Contracts Standards and the New Financial Instruments Accounting Standards. In accordance with the standard convergence requirements, the Company is not required to restate the comparative period information under the New Financial Instruments Accounting Standards.

(2) Other fixed-income investments consist of Tier 2 capital instruments, wealth management products, restricted statutory deposits, trust products and asset management products.

(3) Others consist of investment real estate.

(4) Others primarily consist of monetary capital, term deposits, financial assets purchased under resale agreements, restricted statutory deposits, and investment real estate.

In terms of fixed income investment, in the face of the market environment of declining interest rates in the bond market, the Group has actively allocated high-quality non-standard financial products to meet the financing needs of the real economy while alleviating the pressure of allocating new funds; paid attention to the allocation opportunities of innovative products, and allocated to asset-backed plans, public REITs and other products to broaden the source of investment income; and continued to improve the credit structure of the inventory of assets, enhanced the credit quality of the inventory of assets, with the credit premiums remaining at a relatively reasonable level.

As of 30 June 2023, the bond investment accounted for 42.2%. Among corporate bonds and non-policy bank financial bonds, 99.6% of the bonds or their issuers were rated AAA. The industries associated with credit bond currently held by the Group involving various fields such as bank, transportation, non-bank finance and public utilities; the ability of entities to repay debt is generally strong and the credit risks are controllable as a whole. The Group paid close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements, and established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and strengthened the forward-looking and early warning, analysis and disposal of credit risk. In the first half of 2023, the Group continuously conducted regular credit risk screening, strengthened post-investment management, five-level risk classification and follow-up rating, and took the internal rating alert list and the risk/concerned asset list ledger as a starting point to emphasise risk monitoring, alert and disposal, so as to reduce the proportion of low- and medium-rated credit bonds orderly and strictly controlled the risks of the incremental business in the urban investment and real estate sectors.

The overall credit risk of investment in non-standard financial product asset invested by the entrusted fund in the Group’s system is controllable, assets with an external credit rating of AAA account for 96.8%. At present, the non-standard assets cover most of the provincial administrative regions with better credit ratings in the country. The industries cover transportation, energy, public utilities, construction and decoration. The investment in these industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. Apart from strictly selecting core counterparties with reliable credit qualifications as financing entities/guarantors, the Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation and others, together with stringent terms regarding accelerated expiry/fund misappropriation protection, providing a sound guarantee for the repayment of the principal and investment income.

In terms of equity investment, in the face of the unfavorable situation of the equity market’s low level of shock and intensified differentiation in the first half of the year, the Group strengthened research and analysis of the general market trend, and better grasped the rhythm of the market. In terms of variety selection, the Group attached great importance to the trend of China’s economic transformation and upgrading, participated in depth in the investment opportunities of strategic emerging industries, and actively explored and grasped the structural opportunities of the computer and electronics industries; further optimized the synergistic mechanism of stock and fund investment, optimized the research system of individual stocks based on the core of valuation and pricing ability, and enhanced the ability of grasping the investment opportunities of individual stocks. Besides, the Group intensified structural adjustment efforts, taking shares of listed companies with relatively stable profit models and high dividend payout ratios as its main investment types.

2. *Investment Income*

The following table sets forth information relating to the investment income of the Group for the reporting period:

Unit: RMB million

Item	For the six months ended 30 June(1)	
	2023	2022
Cash and cash equivalents	202	218
Fixed-income investments	20,761	17,330
Interest income	16,925	15,857
Gains or losses from disposal of financial instruments	989	1,603
Gains or losses on fair value changes	2,933	(153)
Impairment	(86)	23
Equity investments at fair value	2,883	7,392
Dividends and bonus income	3,510	5,063
Gains or losses from disposal of financial instruments	1,150	2,517
Gains or losses on fair value changes	(1,777)	266
Impairment	–	(454)
Other investments	7,640	7,402
Investment income from associates and joint ventures	7,359	7,163
Other gains or losses	281	239
Total investment income	31,486	32,342
Net investment income(2)	28,362	28,561
Total investment yield (annualised)(3)(%)	4.9	5.3
Net investment yield (annualised)(4)(%)	4.4	4.6

Notes:

(1) The Company has implemented the New Insurance Contracts Accounting Standards and the New Financial Instruments Accounting Standards since 1 January 2023, and the data in January to June 2023 represents the financial results of implementing the New Insurance Contracts Standards and the New Financial Instruments Accounting Standards. In accordance with the standard convergence requirements, the Company is not required to restate the comparative period information under the New Financial Instruments Accounting Standards.

(2) Net investment income = total investment income – gains and losses from the disposal of investment assets – gains and losses on fair value changes of investment assets – impairment losses of investment assets

(3) Total investment yield (annualised) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) × 2

(4) Net investment yield (annualised) = (net investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) × 2

For the first half of 2023, the total investment income of the Group amounted to RMB31,486 million, representing a year-on-year decrease of 2.6%; net investment income amounted to RMB28,362 million, representing a year-on-year decrease of 0.7%; total investment yield (annualised) was 4.9%, representing a year-on-year decrease of 0.4 percentage point; and net investment yield (annualised) was 4.4%, representing a year-on-year decrease of 0.2 percentage point.

III. SPECIFIC ANALYSIS

(I) Liquidity Analysis

1. Liquidity Analysis

The liquidity of the Group is mainly derived from the issuance of insurance contracts, investment income, cash from disposals or maturity of investment assets and its own financing activities. The demand for liquidity primarily arises from insurance claims or benefits, surrenders, withdrawals or other forms of early termination of insurance policies for insurance contracts, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

The Group generally collects premiums before the payment of insurance claims or benefits. At the same time, the Group maintains a certain proportion of assets with high liquidity within its investment assets to respond to liquidity demand. In addition, the Group could also obtain additional liquidity from the arrangements of securities sold under agreements to repurchase, interbank borrowings and other financing activities.

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities and cash flows generated by financing activities. The Company believes that it has adequate liquidity to meet foreseeable liquidity needs of the Group and the Company.

2. *Statement of Cash Flows*

The Group has established a cash flow monitoring mechanism, regularly conducted cash flow rolling analysis and forecasting, and actively took initiatives to develop management plans and contingencies to effectively prevent liquidity risks.

Unit: RMB million

	For the six months ended 30 June		
	2023	2022	(% of change)
Net cash flows generated from operating activities	59,921	49,444	21.2
Net cash flows used in investing activities	(40,901)	(24,687)	65.7
Net cash flows used in financing activities	(28,715)	(24,066)	19.3

The Group's net cash flows generated from operating activities changed from a net inflow of RMB49,444 million in January to June 2022 to a net inflow of RMB59,921 million in January to June 2023, mainly due to the increase in cash inflows from premiums arising from the growth of underwriting business scale.

The Group's net cash flows used in investing activities changed from a net outflow of RMB24,687 million in January to June 2022 to a net outflow of RMB40,901 million in January to June 2023, mainly due to the expansion of investment size.

The Group's net cash flows used in financing activities changed from a net outflow of RMB24,066 million in January to June 2022 to a net outflow of RMB28,715 million in January to June 2023, mainly due to the year-on-year increase in cashes paid for debts repayment.

(II) Solvency

Regarding the solvency of the Group, please refer to section headed "I. Business Overview of the Company" in the Management Discussion and Analysis of this report for details.

IV. EVENT AFTER THE BALANCE SHEET DATE

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

V. PROSPECTS AND RISK ANALYSIS

(I) Future Prospect

In the first half of 2023, China's national economy continued to recover. In the second half of the year, the central government will introduce a series of policies and measures that are conducive to expanding domestic demand, stabilizing employment, revitalizing the market, boosting confidence, stabilizing expectations and deepening reform, effectively overcome difficulties and challenges, promote high-quality development of national economy. Under the new development environment, the insurance industry will enter into the key period of transformation and development in the PRC, the ability of the insurance industry to cope with long-term challenges will be pending for further improvement, the structure of property insurance business will be pending for further optimization, and the business model transformation of life insurance will be pending for further acceleration.

In the second half of 2023, PICC will, guided by the Xi Jinping Thought on Socialism with Chinese characteristics in the New Era, further anchor the goal of high-quality development, effectively enhance the notion of politics and serving the people, and adhere to main responsibilities and main businesses, and make more practical efforts to promote the implementation of "To be Prominent Strategy". We will insist on more emphasis on political leadership, more emphasis on serving national strategies, more emphasis on development quality, more emphasis on innovation driven, more emphasis on comprehensive risk management and more emphasis on comprehensive and strict governance of the Party to make new contributions to the promotion of Chinese modernization.

The insurance segment will insist on stabilizing business development and enhancing operational efficiency. PICC P&C will adhere to leading the development, ensure "double excellence" in development and efficiency, stabilise the vehicle insurance, develop high-quality policy insurance, accelerate the expansion of commercial non-vehicle insurance, improve the underwriting quality, provide excellent risk reduction service, improve customer service levels, and deepen cost reduction and efficiency enhancement. **PICC Life** will insist on transformation and development, consolidate the channel value of individual life insurance as the main channel position, improve the sustainability of the value contribution of bancassurance channel, enhance the ability to generate expenses for group insurance channel, strengthen assets and liabilities management to effectively prevent spreads loss risks. **PICC Health** will adhere to professional operation, enhance the value creation capacity of social security and commercial group business, consolidate the competitive advantage of Internet health insurance, actively explore innovative businesses such as tax premium nursing insurance, strengthen the effectiveness of health management services, and promote high-quality sustainable development. **PICC Reinsurance** will seize the opportunity of rising demand in the reinsurance market, optimize business structure, and improve underwriting quality. **PICC Hong Kong** will further optimize business structure, strengthen institutional capacity, and make greater contributions to the international development of the Group.

The investment segment will be endeavour to maintain relatively stable investment returns and expand innovation space. PICC AMC will continuously strengthen professional capacity building, play a leading role in stabilizing investment returns, focus on enhancing the proactive investment capability and risk management capability, and take multiple measures to maintain relatively stable investment returns. **PICC Pension** will enhance the investment and research capabilities, improve the level of portfolio refinement management, and improve the customer acquisition capability through excellent investment performance. **PICC Investment Holding** will strengthen the investment, construction, management and operation capabilities of the real estate and pension industries, and serve the workplace management needs of main businesses. **PICC Capital** will increase efforts to implement high-quality non-standard asset development, give full play to the platform role of PICC equity, and prioritize capabilities and control risks for innovative businesses.

The technology segment will strengthen co-operation in tackling problems and strengthen technological support. The technology department of the Company will coordinate and leverage the roles of PICC Technology, PICC Financial Services and the technology department of major subsidiaries, strengthen coordination and guidance, increase technology investment, strengthen the technology team, accelerate the migration of data centres and the distributed transformation and upgrading of system, enhance autonomy and controllability, and promote technology empowerment. **PICC Technology** will strengthen technological foundation and core competencies, continue to promote the construction of data centres, accelerate data interconnection and empowerment, continuously optimise business application systems, research and promote the implementation of smart technologies, and empower the Group's business model innovation and digital transformation with technological innovation. **PICC Financial Services** will focus on technological innovation and serving main businesses, strengthen scenario empowerment, and continue to play an important role in the process of improving the online level of the Group's enterprises and serving the digital transformation of the Group.

In the second half of the year, the Group will consolidate the favourable development trend, coordinate and promote the transformation of mode, development promotion, efficiency increase, structure optimization and risk prevention, continuously optimize business structure, deepen innovation-driven development, improve the level of technology empowerment, enhance the synergy of development, improve the comprehensive risk management system, and strengthen legal compliance and consumer rights protection. PICC will unswervingly promote high-quality development and make every effort to fulfil the set goals and tasks for the whole year.

(II) Major Potential Risks and Countermeasures

The first is the risk in macro environment. Domestically, the internal impetus of the domestic economy is currently not strong, demand remains insufficient, residential income expectations are still recovering, the sustainability of consumption recovery is facing challenges, and there are still constraints on government investment to drive social investment. Internationally, adverse factors such as slow global economic growth, international financial market fluctuations and continuing geopolitical conflicts lead to a more complex and severe external environment, and there are many factors of instability, uncertainty and unpredictableness. As the changing macro-environment and related risks and challenges might have certain impact on the Group's operation and management, business development and investment, the Group continues to pay high attention to its research on the global macroeconomic environment and internal and external economic situation, strengthens the analysis and judgement on the external environment, and practically performs its main responsibility and implements its principal businesses. Under the premise of prudent operation, the Group seizes development opportunities and continues to enhance the capability to serve the country and the ability to respond to risks.

The second is the risk in capital utilisation. Due to the continuous fluctuation in domestic equity market, the scarcity of high-quality investment resources in the market, the allocation of assets and asset-liability matching become more difficult under a low interest rate environment, and the pressure on reinvestment has increased, leading to an overall downward trend in the income of the industry. The Group keeps a close eye on the economic situation and the changing capital markets at home and abroad. On the investment side, the Group strengthens the research capability on asset allocation and the ability to serve the national strategies, and increases investments in quality equity, debt and alternative investment in compliance with national strategies. On the liability side, the Group speeds up the improvement of the structure and cost of liability business, and secures a reasonable level of income by continuously facilitating the linkage of assets and liabilities. Besides, the Group maintains effective risk tracking and monitoring of investment assets through optimisation of its investment review mechanism. It also conducts risk classification and valuation of investment assets on a regular basis and carries out risk investigation on the use of funds, thereby allowing prompt notification of risk to safeguard its funds.

The third is the credit risk of investment. Currently, the recovery impetus of the domestic economy is not strong, the recovery of credit fundamentals is relatively slow and there still exists credit differentiation in various enterprises, industries and regions, the credit risk of the real estate industry is bubbling and the credit risk exposure to urban investment enterprises is increasing. Attaching great importance to credit risk prevention, the Group continues to improve the credit risk management framework system and credit rating system and mechanism for its investment business, continuously strengthens investment credit risk monitoring and early warning, further optimises the access and investment quota management of counterparty, improves the initiative and forward-looking of risk prevention and control, continues to conduct credit risk investigation against key industries, regions and trading entities, and continues to enhance the credit risk management and control capabilities for investment business.

The fourth is the risk in insurance business. In terms of property insurance, due to intensified industry competition and frequent occurrence of extreme weather, the pressure on catastrophe claims and risk management may increase, resulting in increased uncertainty in business operations. With the recovery of consumption and the increase in economic activity, the claim frequency may increase to some extent. In terms of life and health insurance, the combined impact of industry competition environment, investment market downturn and interest rate cuts may cause disruption to the life insurance industry and short-term performance of the Group. The Group will continue to pay close attention to the risk management of insurance business, focus on various risk issues within the system, promote the development of targeted improvement measures, and continuously refine business risk management and control. The Group will strengthen the risk monitoring and warning mechanism, and enhance the foresight and penetration of risk management. The Group will also strengthen risk monitoring and prevention in key areas and businesses, constantly improve the early warning and prevention mechanism in relation to the catastrophic event, and develop risk warning and risk response in a timely manner. Various measures have been taken to minimise the volatility of insurance business.

VI. BORROWINGS

In addition to the capital supplementary bonds issued by the Group and the repurchase business disposed of in the investment business, the Group had bank borrowings of RMB718 million as of 30 June 2023. Details of the capital supplementary bonds are set out in Note 26 to the financial statements of this report.

VII. NO MATERIAL CHANGES

Save as disclosed in this report, after the publication of the annual report 2022, there are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules of the Stock Exchange.

Corporate Governance

I. CORPORATE GOVERNANCE

The Company always abides by the relevant laws such as the Company Law and the Insurance Law, earnestly performs the relevant legal requirements issued by regulatory authorities and the Articles of Association, insists on keeping good corporate governance principles, and strives to enhance the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

In the first half of 2023, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 to the Listing Rules of the Stock Exchange, and constantly improved the corporate governance structure. The shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management independently performed their respective duties pursuant to the Articles of Association, and in compliance with laws and regulatory requirements.

During the reporting period, the Company convened two shareholders' general meetings, five meetings of the Board of Directors, and four meetings of the Board of Supervisors. In accordance with regulatory requirements, the announcements concerning the resolutions adopted at the above meetings were published on the website of the SSE, the website of the Hong Kong Stock Exchange and relevant information disclosure media.

There are five committees under the Board of Directors, namely the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee, the Related Party Transactions Control Committee and the Risk Management & Consumers' Rights and Interests Protection Committee. Each committee provides advice and suggestions to the Board of Directors with respect to the matters within their scopes of responsibilities. The duties and operation process of the committees are explicitly stipulated in the terms of reference of each committee. During the reporting period, the Audit Committee convened three meetings, the Nomination and Remuneration Committee convened five meetings, the Strategy and Investment Committee convened three meetings, the Related Party Transactions Control Committee convened three meetings, and the Risk Management & Consumers' Rights and Interests Protection Committee convened four meetings.

The Board of Supervisors established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. During the reporting period, the Duty Performance and Due Diligence Supervision Committee convened three meetings, and the Financial and Internal Control Supervision Committee convened four meetings.

II. SHAREHOLDERS' GENERAL MEETING

During the reporting period, the Company convened two shareholders' general meetings.

No.	Session of the meeting	Date of the meeting	Location of the meeting
1	2023 First Extraordinary General Meeting	27 April 2023	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
2	2022 Annual General Meeting	19 June 2023	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing

Major issues for approval in the shareholders' general meetings included: ten resolutions, including the resolution on the remuneration scheme for the Company's Directors and Supervisors for the year 2021, the resolution on the election of Mr. Song Hongjun as a Non-executive Director of the fourth session of the Board of the Company, the resolution on the report of the Board of Directors for the year 2022, the resolution on the report of the Board of Supervisors for the year 2022, the resolution on the final financial accounts for the year 2022, the resolution on the profit distribution for the year 2022, the resolution on the budget for fixed asset investment for the year 2023, the resolution on the engagement of accounting firms for the year 2023, the resolution on the charity donation plan of the Group for the year 2023 and the resolution on the election of Mr. Wang Pengcheng as an independent non-executive Director of the fourth session of the Board of Directors of the Company. Besides, the shareholders' general meetings received and reviewed four resolutions, including the performance report of the Directors for the year 2022, the work report (and performance report) of the independent Directors for the year 2022, the report on the solvency-related condition of the Group for the year 2022 and the report on the overall related party transactions and the evaluation of internal transactions of the Group for the year 2022.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the executive Directors of the Company are Mr. Wang Tingke, Mr. Li Zhuyong and Mr. Xiao Jianyou; the non-executive Directors are Mr. Wang Qingjian, Mr. Miao Fusheng, Mr. Wang Shaoqun, Mr. Yu Qiang and Mr. Song Hongjun; and the independent non-executive Directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Ms. Cui Li, Ms. Xu Lina and Mr. Wang Pengcheng.

During the reporting period, the Company did not appoint new Directors, Supervisors and senior management. Resigned Directors, Supervisors and senior management were as follows:

Name	Position(s)	Change and cause
Wang Tingke	President	Resignation due to work adjustment
Luo Xi	Executive Director, Chairman	Resignation due to age
Wang Zhibin	Non-executive Director	Resignation due to work arrangement
Chen Wuzhao	Independent Non-executive Director	Resignation due to 6 consecutive years of service as an independent non-executive Director

On 16 January 2023, Mr. Wang Zhibin resigned as a non-executive Director and a member of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of the Company due to work reasons. On the same date, the Company convened the 13th meeting of the fourth session of the Board, at which Mr. Song Hongjun was nominated as a candidate for non-executive Director of the fourth session of the Board of the Company. On 27 April 2023, the Company convened the 2023 first extraordinary general meeting, at which Mr. Song Hongjun was elected as a non-executive Director. On 21 August 2023, Mr. Song Hongjun's qualification was approved by the National Administration of Financial Regulation, pursuant to which, the appointment of Mr. Song Hongjun as a non-executive Director of the Company and a member of the Risk Management & Consumers' Rights and Interests Protection Committee became effective on that date.

On 1 March 2023, Mr. Chen Wuzhao resigned as an independent non-executive Director, the chairman of the Audit Committee, a member of the Nomination and Remuneration Committee and a member of the Related Party Transactions Control Committee of the Board of the Company due to his service as an independent non-executive Director of the Company for six consecutive years. On 27 April 2023, the Company convened the 15th meeting of the fourth session of the Board, at which Mr. Wang Pengcheng was nominated as a candidate for independent non-executive Director. On 19 June 2023, the Company convened the 2022 annual general meeting, at which Mr. Wang Pengcheng was elected as an independent non-executive Director. On 28 August 2023, Mr. Wang Pengcheng's qualification for appointment was approved by the National Administration of Financial Regulation, pursuant to which, the appointment of Mr. Wang Pengcheng as an independent non-executive Director of the Company, the chairman of the Audit Committee and a member of each of the Nomination and Remuneration Committee and the Related Party Transactions Control Committee became effective on that date.

On 16 March 2023, Mr. Luo Xi resigned as an executive Director, the Chairman and the chairman of the Strategy and Investment Committee of the Board of the Company due to his age.

On 11 May 2023, Mr. Wang Tingke resigned as the President of the Company due to work adjustment. From 5 to 11 May 2023, the Company convened the 16th meeting of the fourth session of the Board by way of written resolutions, at which Mr. Wang Tingke was elected as the Chairman. In accordance with the Articles of Association, the Chairman serves as the chairman of the Strategy and Investment Committee of the Board. On 29 June 2023, Mr. Wang Tingke's qualification was approved by the National Administration of Financial Regulation, pursuant to which, the appointment of Mr. Wang Tingke as the Chairman of the Company and the chairman of the Strategy and Investment Committee of the Board became effective on that date.

On 19 June 2023, the Company convened the 17th meeting of the fourth session of the Board, at which Mr. Li Zhuyong was elected as the chairman of the Risk Management & Consumers' Rights and Interests Protection Committee of the fourth session of the Board.

On 20 July 2023, the Company convened the 18th meeting of the fourth session of the Board, at which Mr. Zhao Peng was nominated as a candidate for executive Director. Mr. Zhao Peng was elected as the Vice Chairman and a member of the Strategy and Investment Committee of the Board, and Mr. Zhao Peng was appointed as the president of the Company. The term of office of Mr. Zhao Peng as an executive Director of the Company, the Vice Chairman and a member of the Strategy and Investment Committee of the Board shall commence on the date on which he was elected as an executive Director at the general meeting and his qualification as a Director was approved by the National Administration of Financial Regulation, and the term of office of Mr. Zhao Peng as the president of the Company shall commence on the date on which his qualification as a president was approved by the National Administration of Financial Regulation.

IV. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACTS

During the reporting period, the Company did not implement any share incentive scheme, employee share ownership scheme or other employee incentive measures.

V. INTERIM DIVIDEND

The Company does not declare any interim dividend for the first half of 2023.

Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

The Group is not a high pollution and high emissions enterprise. The main energy and resources consumed are water, electricity, gasoline, diesel fuel and natural gas. The main emissions are greenhouse gas and exhaust emissions caused by energy consumption, discharge of wastewater and solid waste from offices.

In the first half of 2023, the Group strictly complied with relevant laws and regulations on environmental protection and energy conservation, promoted the concept of green development, practiced a low-carbon lifestyle, actively practiced green office, issued green low-carbon, energy-saving and environmentally friendly initiatives to the system, accelerated the intelligent upgrading of data centres and energy-saving renovation, and proactively used energy-saving and water-saving equipment. The Company and its subsidiaries were not aware of any administrative penalties imposed on them for environmental issues during the reporting period.

II. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Serving the Implementation of National Strategies

The Group adheres to the principle of "what the country needs, PICC aims at", takes serving the national strategy as the foothold and starting point of its own strategy, continuously optimizes and upgrades the connotation of strategic services, and endeavors to give full play to the role of insurance as a protection service.

Serving the construction of modern industrial system. The Group vigorously developed industrial insurance and supply chain insurance, and tailored risk solutions for large central enterprises, invisible champions, and small and medium-sized enterprises. **Serving the rural revitalization.** The Group comprehensively promoted full cost and income insurance for the three main cereal crops in 14 provinces, and upgraded the "Rural Insurance". In the first half of 2023, agricultural insurance provided RMB1.4 trillion of risk protection to 48.49 million rural households. **Serving technological self-reliance and self-improvement.** The Group vigorously developed semiconductor and network security insurance business and strengthened its investment layout in technological innovation. **Serving the improvement in living standard.** The Group promoted the construction of a multi-level healthcare protection system, vigorously expanded the social security business, deepened the distribution of health management services, and actively participated in the construction of the third-pillar endowment system. **Serving the green development.** The Group improved the "dual-carbon" insurance product system and promoted innovative products such as carbon offset, carbon allowance and carbon asset loss insurance, etc. **Serving the safety development.** The Group strengthened the application of the disaster accidents and incidents monitoring and reporting system, realized the hierarchical response to disaster relief and claim settlement, and continued to promote the development of catastrophe insurance, providing risk protection of approximately RMB2.5 trillion for more than 240 million people. **Serving the regional development.** The Group assisted in the construction of the "Five Centers" in Shanghai, and increased insurance capital support for major regional strategies such as the Guangdong–Hong Kong–Macao Greater Bay Area. **Serving "the Belt and Road"**. The Group chaired the underwriting of major projects such as the Santa Cruz River hydroelectric project in Argentina, and provided RMB1.1 trillion of risk protection for Chinese enterprises in the first half of 2023.

(II) Active Participation in Public Welfare and Charitable Undertakings

The Group has been actively engaged in public welfare and charity donations. In January 2023, the Group donated RMB3 million to Chayouzhong Banner in Inner Mongolia, using the "PICC Charity Foundation" as a professional operation platform for public welfare and charity. The Group distributed RMB2,968 thousand to 337 sick and needy employees and village cadres as consolation. System-wide, the Group visited 1,004 grassroots outlets, 10,495 beneficiaries and 1,098 sick and needy employees.

(III) Optimization and Improvement of Green Finance Work

The Group implemented the requirements of green development, seriously carried out the concept of green development, formulated and published the "Work Plan of PICC Group on the Implementation of the Banking and Insurance Guidelines on Green Finance of the Banking and Insurance Sector (Provisional)", and proactively promoted the integration of the identification and management of environmental, social and governance risks into the whole process of green financial activities.

The Group continued to improve its green insurance product system and actively developed insurance coverage business in the areas of clean energy, energy-saving renovation, green transportation, green building, green technology, eco-carbon sinks, carbon emissions trading, environmental pollution liability and catastrophe, etc. In the first half of 2023, the green insurance products provided a total of RMB51.58 trillion in risk coverage. The Group adhered to the concept of responsible investment and actively explored cooperation with key energy enterprises in green energy areas such as wind power, photovoltaic and nuclear power, and continued to provide funding support for the first phase of the CGN Taipingling nuclear power plant project. In the first half of 2023, the Group filed a project proposal for investment in wind power, photovoltaic and other clean energy areas with a size of more than RMB10 billion.

III. CONSOLIDATING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND PROMOTING RURAL REVITALIZATION

(I) Comprehensively Implementing the Central Government's Policy Decisions with Upholding the Leadership of Organisations

The Group has always taken paired-up assistance in poverty alleviation and rural revitalization as a major political task, persevered with the practice of making plans and orchestrating deployment and implementation well in advance, and vigorously promoted serving rural revitalization as an important strategic project of the Group. **Strengthening the top-level design in a high coordinated manner**. The person-in-charge of the Group presided over the "Work Conference regarding Implementation of the 2023 No.1 Central Document and Solidly Performance of Paired-up Assistance in Poverty Alleviation and Promoting Rural Revitalization" on 9 March 2023, comprehensively implemented the spirit of the Party's 20th National Congress, in-depth studied the important views of General Secretary Xi Jinping on rural revitalization, deployed the work tasks of paired-up assistance in poverty alleviation and rural revitalization for the year, and earnestly implemented the tasks and requirements of the central rural work conference and the No.1 Central Document, ensuring that the Group's paired-up assistance in poverty alleviation and rural revitalization work step up to a new level. **Work tasks deployment from a comprehensive and global perspective**. The Group issued the "Guiding Opinions on Sustainable and Extensive Services to

Comprehensively Promote Rural Revitalization to Support the Construction of Agricultural China" and the "Work Plan for Providing Paired-up Assistance in Poverty Alleviation and Promoting Rural Revitalization in 2023" along with the "Task List of Providing Paired-up Assistance in Poverty Alleviation and Promoting Rural Revitalization in 2023", which clarified a total of 66 specific tasks in four major aspects. To ensure "effective implementation and concrete results" of the key tasks, the Group made good use of the five-tier promotion mechanism at group, subsidiary, provincial, municipal and county levels, together with the well-established "agriculture, rural areas and farmers" grassroots service system.

(II) Adhering to the Original Mission to Get Well-prepared for the Implementation of Work Tasks

In order to ensure the implementation of specific work tasks, the Group, in addition to the annual work plan, formulated the implementation plan and appraisal measures, regularly supervised the progress of specific tasks, and promoted the orderly implementation of key tasks. **In terms of the investment of assistance funds**, combined with the actual needs of the four assistance counties, direct donations of free assistance funds and the introduction of free assistance funds were arranged to ensure that the effort of assistance was not reduced. At the same time, the Group further strengthened the quality and efficiency of the use of assistance funds, clarified the scope of the use of paired-up assistance funds, and required the proportion of investment in industrial revitalization to be no less than 60%, and accurately guided the transformation of assistance from "blood transfusion" to "hemopoiesis". **In terms of consumer assistance**, the Group formulated the annual consumption assistance plan, actively participated in the "2023 Spring Action for Consumer Assistance" of the National Development and Reform Commission, the "Collective Action for Consumption Assistance and Supporting for Increasing Farmers' Income" of the National Rural Revitalization Administration and the People's Bank, further optimized and upgraded the "PICC's Consumption Assistance Platform", to adopt e-commerce mode to support the assistance regions industrialization of products and convert output into value and the flows into sales volume. Meanwhile, the Group increased the direct procurement to directly connect with the cooperatives, leading enterprises, assistance workshops and other institutions in the counties, and constantly increased the types of assistance products and improved product quality. **In terms of temporary cadres**, the Group completed the extension of two temporary deputy county heads of Huachuan County, Heilongjiang Province and Liuba County, Shaanxi Province, to ensure that the work is uninterrupted and continuous. Furthermore, in order to support and guarantee the work and life of the two primary secretaries of the Group in the village at the grass-roots level, the Group arranged assistance funds and office funds for them, spared no effort to solve the worries of temporary cadres, to ensure that temporary cadres devote themselves to their work, and promote the implementation of the work of paired-up assistance.

In the first half of 2023, the Group has been awarded the highest-grade evaluation of the paired-up assistance assessment of central units for five consecutive years.

(III) Adhering to the Origin of Insurance and Comprehensively Serving the Rural Revitalization

According to the differentiated insurance demand in rural areas, the Group accurately adjusted measures to local conditions, constantly strengthened product innovation and accurate supply, improved service capability and level, accurately adopted measures in supporting the construction of repoverty prevention mechanism, prevention and resolvent of the agricultural production risk, safeguarded farmers' life and health, consolidated "three networks" and serviced the comprehensive promotion of rural revitalization. **Supporting the construction of repoverty prevention mechanism, and strictly observing the "bottom line network" of non-occurrence of large-scale repoverty**. The Group included the repoverty prevention insurance into the government's "package" plans of repoverty prevention, ensuring that three types of households (i.e. marginal households vulnerable to poverty, households with sudden serious difficulties and unstable households in poverty alleviation) will not return to poverty due to unexpected emergencies. **Optimizing agricultural insurance products and services, and weaving a tight "safety network" for national food security**. The Group continued to promote the "upgrading, expansion and product increase" of agricultural insurance, actively carried out full cost and income insurance for three major crops, price insurance for" insurance + futures" live pig futures, etc., to escort the supply of three major crops and important agricultural and by-products and safeguard farmers' income.

Significant Events

I. MATERIAL LAWSUITS AND ARBITRATION

The Company had no material lawsuits or arbitration during the reporting period.

II. RELATED PARTY TRANSACTIONS

(I) Connected Transactions under the Regulatory Standards of the Hong Kong Stock Exchange

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions that are required to be reported, announced or obtain independent shareholders' approval in accordance with Chapter 14A "Connected Transactions" of the Listing Rules of the Stock Exchange.

(II) Related Party Transactions under the Regulatory Standards of the SSE

In accordance with the SSE Listing Rules and other regulatory requirements, the SSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, the SSF has entrusted PICC AMC to manage part of its assets. As of 30 June 2023, the assets under the management of PICC AMC were RMB7,047 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB8,079.3 thousand. The above-mentioned transactions do not constitute major related party transactions and have not yet reached the disclosure standard of related party transactions.

(III) Overall Situation of Related Party Transactions under the Regulatory Standards of the former CBIRC

During the reporting period, the types of related party transactions of the Company under the regulatory standards of the former CBIRC mainly include related party transactions in relation to services, use of funds and insurance business. According to the requirements of the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, the types of related party transactions between the holding subsidiaries of the Company (excluding financial institutions that have been regulated by the industry) and the related parties of the Company under the standards of the former CBIRC mainly include related party transactions in relation to services, use of funds and insurance business.

During the reporting period, in order to further implement the regulatory requirements and constantly improve the information management of related party transactions, the Company commenced the upgrading of information management system for related party transactions. The Company carried out the identification, consideration, disclosure and reporting work of related party transactions in accordance with laws and regulations, and actively cooperated with the former CBIRC on the information entry and reporting requirements of the related party transaction monitoring system. The pricing of related party transactions was in line with the fairness requirements.

III. COMMITMENTS OF THE COMPANY, SHAREHOLDERS, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OR OTHER RELATED PARTIES DURING OR CONTINUED IN THE REPORTING PERIOD

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitments related to the initial public offering	Others	MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		SSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and senior management	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes

IV. NON-OPERATING CAPITAL ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE COMPANY

During the reporting period, the controlling shareholders and other related parties of the Company did not occupy any non-operating capital of the Company.

V. PENALTIES AND RECTIFICATIONS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, the Company was not involved in any investigation of suspected commission of offences. The Company's controlling shareholders, Directors, Supervisors and senior management were not subject to any legally enforceable measures due to suspected commission of offences. The Company and its controlling shareholders, Directors, Supervisors and senior management were not subject to any criminal penalty, involved in any investigation by the CSRC or subject to any administrative penalty by the CSRC due to suspected violations of laws and regulations, or subject to any material administrative penalty imposed by other competent authorities. The Company's controlling shareholders, Directors, Supervisors and senior management were not suspected of committing serious laws or disciplinary offences or job-related crimes and being subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties. The Company's Directors, Supervisors and senior management were not suspected of violating the laws and regulations and being subject to compulsory measures by other competent authorities and affecting the performance of their duties.

During the reporting period, the existing and resigned Directors, Supervisors and senior management prior to the date of this report were not subject to any penalty by securities regulators within latest three years.

VI. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

During the reporting period, the Company and its controlling shareholders did not report any failure to perform the effective judgement of the court, or to pay outstanding debts with a large amount when due.

VII. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

On 7 June 2023, the Company fully redeemed the 10-year capital supplementary bonds in an amount of RMB18 billion issued in 2018.

On 18 May 2023, PICC Life fully redeemed the 10-year capital supplementary bonds in an amount of RMB12 billion issued in 2018.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries during the reporting period.

VIII. ISSUANCE OF CAPITAL SUPPLEMENTAL BONDS

Approved by the former CBIRC and the People's Bank of China, the Company issued in public the capital supplementary bonds in an amount of RMB12 billion in the national inter-bank bond market on 1 June 2023, and completed the issuance on 5 June 2023. The capital supplementary bonds issued are 10-year fixed rate bonds, and the coupon rate is 3.29% per annum for the first five years with redemption right for the Company at the end of the fifth year.

Approved by the former CBIRC and the People's Bank of China, PICC Life issued in public the capital supplementary bonds in an amount of RMB12 billion in the national inter-bank bond market on 24 May 2023, and completed the issuance on 26 May 2023. The capital supplementary bonds issued are 10-year fixed rate bonds, and the coupon rate is 3.32% per annum for the first five years with redemption right for PICC Life at the end of the fifth year.

IX. MATERIAL CONTRACTS

During the reporting period, the Company neither acted as trustee, contractor or lessee of other companies' assets, nor entrusted, contracted or leased its assets to other companies, the profit or loss from which accounted for 10% or more of the Company's total profits for the reporting period, nor were there any such matters occur or those that occurred in previous periods but subsisted during the reporting period, and there were no other material contracts.

X. EXTERNAL GUARANTEES

During the reporting period, the Company and its subsidiaries did not have external guarantees, and there were no guarantees provided by the Company and its subsidiaries to subsidiaries. Therefore, during the reporting period, the Company did not enter into any guarantee contracts in violation of laws, administrative regulations and the procedures for resolution of external guarantees as prescribed by the CSRC.

XI. COMPLIANCE WITH LAWS AND REGULATIONS

The Company had complied with relevant laws and regulations which had significant impact on the businesses and operations of the Company in all material aspects during the reporting period.

XII. REVIEW OF INTERIM RESULTS

The Audit Committee of the Board of the Company has, in the presence of the external auditor, reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

XIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the guidelines on transactions of the Company's securities that are applicable to Directors, Supervisors and all employees. The terms of such guidelines are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of the Stock Exchange. The Company enquired with all the Directors and Supervisors, and they all confirmed that they had complied with the requirements under the Model Code and such guidelines during the first half of 2023.

Movements in Ordinary Shares and Shareholders

I. MOVEMENTS IN SHARE CAPITAL

During the reporting period, there was no change in the total number of shares and the share capital structure of the Company.

II. SHAREHOLDERS

(I) Total Number of Shareholders and Information on Shareholding of Shareholders

1. Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)	A Shares: 168,466; H Shares: 5,330
Total number of preferred shareholders with restored voting rights as at the end of the reporting period (Shareholder)	Not applicable

2. Shareholdings of the Top Ten Shareholders and Top Ten Shareholders of Circulating Shares (or Shareholders Not Subject to Selling Restrictions) as at the End of the Reporting Period

Unit: Share

Shareholdings of the Top Ten Shareholders							
					Pledged, marked or frozen shares		
Name of shareholder	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	Number of shares held subject to selling restrictions	Status of the share	Number	Nature of shareholder
MOF	–	26,906,570,608	60.84	–	Nil	–	The State
HKSCC Nominees Limited	166,000	8,702,309,375	19.68	–	Nil	–	Foreign legal person
SSF	–	5,605,582,779	12.68	–	Nil	–	The State
Hong Kong Securities Clearing Company Limited	96,605,162	520,502,103	1.18	–	Nil	–	Foreign legal person
Kong Fengquan	14,672,263	49,627,485	0.11	–	Nil	–	Domestic natural person
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	-12,123,200	27,890,176	0.06	–	Nil	–	Others
Penghua Fund Management Co., Ltd. – Social Security Fund 16051	27,189,800	27,189,800	0.06	–	Nil	–	Others
Qiu Jiajun	2,045,400	18,162,400	0.04	–	Nil	–	Domestic natural person
Kong Chunfeng	2,155,000	17,284,600	0.04	–	Nil	–	Domestic natural person
Wang Linming	2,084,500	16,596,944	0.04	–	Nil	–	Domestic natural person

Unit: Share

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions			
	Number of shares held not subject to selling restrictions	Class and number of shares	
Name of shareholder		Class	Number
MOF	26,906,570,608	A shares	26,906,570,608
HKSCC Nominees Limited	8,702,309,375	H shares	8,702,309,375
SSF	5,605,582,779	A shares	5,605,582,779
Hong Kong Securities Clearing Company Limited	520,502,103	A shares	520,502,103
Kong Fengquan	49,627,485	A shares	49,627,485
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	27,890,176	A shares	27,890,176
Penghua Fund Management Co., Ltd. – Social Security Fund 16051	27,189,800	A shares	27,189,800
Qiu Jiajun	18,162,400	A shares	18,162,400
Kong Chunfeng	17,284,600	A shares	17,284,600
Wang Linming	16,596,944	A shares	16,596,944
Details of securities account designated for share repurchase of the top ten shareholders	Not applicable		
Details of the abovementioned shareholders' entrusting of voting rights, entrusted voting rights, and waiver of voting rights	Not applicable		
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies		
Details of preferred shareholders with restored voting rights and the number of shares held by them	Not applicable		

Notes:

1. All shares of the Company are tradable shares.
2. HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participants. Relevant regulations of the Hong Kong Stock Exchange do not require such persons to declare whether their shareholdings are pledged, marked or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged, marked or frozen.
3. The shares under Hong Kong Securities Clearing Company Limited are held by the shareholders of the Shanghai Stock Connect.

(II) CHANGES IN CONTROLLING SHAREHOLDER

During the reporting period, there was no change in the controlling shareholder of the Company.

III. INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As far as the Directors of the Company are aware, as at 30 June 2023, the following shareholders (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of shareholder	Capacity	Number of A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
SSF	Beneficial owner	5,605,582,779	Long position	15.79%	12.68%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
BlackRock, Inc. (Note 1)	Interest of controlled corporation	689,645,377	Long position	7.90%	1.56%
		2,206,000	Short position	0.03%	0.005%

Note: 1. The Company's H Shares are held through certain controlled subsidiaries.

Save as disclosed above, as at 30 June 2023, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance.

IV. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, none of the Directors, Supervisors and senior management of the Company hold shares in the Company.

Embedded Value

Our consolidated financial statements set forth in our interim report are prepared in accordance with the relevant accounting standards. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under the relevant accounting standards, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as at the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of half year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Ernst & Young (China) Advisory Limited, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as at 30 June 2023, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2023, on a range of assumptions. Copies of consulting actuaries' review reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of half year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of half year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

Ernst & Young (China) Advisory Limited ("EY", "we" or "our") has been entrusted by PICC Life Insurance Company Limited ("PICC Life", the "company") to review its valuation of embedded value as at 30 June 2023. This report is prepared and to be enclosed in the 2023 interim report of the People's Insurance Company (Group) of China Limited. It summarizes EY's work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of half year's new business as at 30 June 2023;
- Review the assumptions used in the valuation of embedded value and value of half year's new business as at 30 June 2023;
- Review the various valuation results of the embedded value as at 30 June 2023, i.e. the embedded value, value of half year's new business and the sensitivity tests results of value of in-force business and value of half year's new business under alternative assumptions;
- Review the breakdown of value of half year's new business as at 30 June 2023 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review in accordance with the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* ("Valuation Guidance") issued by the China Association of Actuaries ("CAA") in November 2016.

In the process of performing review and preparing this report, we relied on the accuracy and completeness of audited and unaudited data and information provided by PICC Life without independent verification. Where possible, we have reviewed the reasonableness and consistency of the data based on our understanding of insurance industry and PICC Life. Our review opinion herein this report is based on the accuracy and completeness of the data and information provided by PICC Life.

The calculation of embedded value involves expectations and assumptions regarding future experience to a great extent in terms of business operating performance, investment performance, and other economic and financial assumptions, many of which are beyond the company's control. Therefore, the actual results of operation in the future may deviate from the valuation results.

This report is addressed solely to PICC Life in accordance with the engagement letter signed by PICC Life and us. We have agreed that PICC Life provides the review opinion report to the People's Insurance Company (Group) of China Limited to be disclosed in its 2023 interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Life meets the requirements of the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* issued by China Association of Actuaries in November 2016;
- The economic assumptions adopted by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;
- The operating assumptions adopted by PICC Life have taken into account the company's historical experience and the expectation of future performance; and
- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

Zhenping Fu	Jia Zhang
FSA, FCAA	FSA, FCAA

30 JUNE 2023 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1. Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV")**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth ("ANW")**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business ("VIF")**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital ("CoC")**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of Half year's New Business ("VHNB")**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of half year's new business.

1.2. Methodology

China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Life has determined the embedded value and the value of half year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

PICC Life has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of half year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business calculated by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section PICC Life has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

2.1. Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 30 June 2023 and 31 December 2022 (Unit: RMB Million)

	30/06/2023	31/12/2022
Risk Discount Rate	**10.0%**	**10.0%**
Adjusted Net Worth	75,489	70,257
Value of In-Force Business before CoC	51,960	45,953
Cost of Required Capital	(17,151)	(12,437)
Value of In-Force Business after CoC	34,809	33,516
Embedded Value	**110,298**	**103,772**

Note: Figures may not add up to total due to rounding.

Table 2.1.2 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2023 and 30 June 2022 (Unit: RMB Million)

	30/06/2023	30/06/2022
Risk Discount Rate	**10.0%**	**10.0%**
Value of Half year's New Business before CoC	5,810	2,841
Cost of Required Capital	(3,320)	(1,349)
Value of Half year's New Business after CoC	**2,490**	**1,493**

Note: Figures may not add up to total due to rounding.

2.2. Results by Distribution Channels

The results of the value of half year's new business by distribution channel as at 30 June 2023 and 30 June 2022 are summarized in the table below.

Table 2.2.1 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2023 and 30 June 2022 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
Value of Half year's New Business after CoC (2023)	**1,052**	**1,404**	**34**	**2,490**
Value of Half year's New Business after CoC (2022)	244	1,212	37	1,493

Note: Figures may not add up to total due to rounding.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2023.

3.1. Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

3.2. Rate of Investment Return

A 5% p.a. investment return assumption has been used.

3.3. Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Life. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

3.4. Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and reasonable expectation on future, and the reinsurance rates obtained by PICC Life.

3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 40% to 85% of gross premium depending on the lines of business.

3.6. Lapse Rates

Lapse rate assumptions are based on PICC Life's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium persistency assumptions are also set for regular premium universal life business.

3.7. Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

3.8. Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

4. SENSITIVITY TESTS

PICC Life has conducted sensitivity tests on the value of in-force business and value of half year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1.

Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Life as at 30 June 2023 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of Half year's New Business after CoC
Base Scenario	34,809	2,490
Risk Discount Rate at 9%	40,616	3,349
Risk Discount Rate at 11%	29,988	1,775
Rate of investment return increased by 50 bps	48,195	4,462
Rate of investment return decreased by 50 bps	21,582	515
Expenses increased by 10%	33,927	2,452
Expenses decreased by 10%	35,691	2,528
Lapse rate increased by 10%	34,641	2,389
Lapse rate decreased by 10%	34,985	2,595
Mortality increased by 10%	34,312	2,441
Mortality reduced by 10%	35,296	2,541
Morbidity increased by 10%	33,618	2,466
Morbidity reduced by 10%	36,016	2,515
Short-term business claim ratio increased by 10%	34,758	2,411
Short-term business claim ratio decreased by 10%	34,860	2,569
Participating Ratio (80/20)	33,408	2,445

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

Ernst & Young (China) Advisory Limited ("EY", "we" or "our") has been entrusted by PICC Health Insurance Company Limited ("PICC Health", the "company") to review its valuation of embedded value as at 30 June 2023. This report is prepared and to be enclosed in the 2023 interim report of the People's Insurance Company (Group) of China Limited. It summarizes EY's work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of half year's new business as at 30 June 2023;
- Review the assumptions used in the valuation of embedded value and value of half year's new business as at 30 June 2023;
- Review the various valuation results of the embedded value as at 30 June 2023, i.e. the embedded value, value of half year's new business and the sensitivity tests results of value of in-force business and value of half year's new business under alternative assumptions;
- Review the breakdown of value of half year's new business as at 30 June 2023 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review in accordance with the Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance ("Valuation Guidance") issued by the China Association of Actuaries ("CAA") in November 2016.

In the process of performing review and preparing this report, we relied on the accuracy and completeness of audited and unaudited data and information provided by PICC Health without independent verification. Where possible, we have reviewed the reasonableness and consistency of the data based on our understanding of insurance industry and PICC Health. Our review opinion herein this report is based on the accuracy and completeness of the data and information provided by PICC Health.

The calculation of embedded value involves expectations and assumptions regarding future experience to a great extent in terms of business operating performance, investment performance, and other economic and financial assumptions, many of which are beyond the company's control. Therefore, the actual results of operation in the future may deviate from the valuation results.

This report is addressed solely to PICC Health in accordance with the engagement letter signed by PICC Health and us. We have agreed that PICC Health provides the review opinion report to the People's Insurance Company (Group) of China Limited to be disclosed in its 2023 interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Health meets the requirements of the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* issued by China Association of Actuaries in November 2016;
- The economic assumptions adopted by PICC Health have taken into account the current investment market conditions and the investment strategy of PICC Health;
- The operating assumptions adopted by PICC Health have taken into account the company's historical experience and the expectation of future performance; and
- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

Zhenping Fu	Jia Zhang
FSA, FCAA	FSA, FCAA

30 June 2023 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1. Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV")**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth ("ANW")**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business ("VIF")**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital ("CoC")**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of Half year's New Business ("V1NB")**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies.

1.2. Methodology

China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Health has determined the embedded value and the value of half year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

PICC Health has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of half year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business calculated by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section PICC Health has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

2.1. Overall Results

Table 2.1.1 Embedded Value of PICC Health as at 30 June 2023 and 31 December 2022 (Unit: RMB Million)

	30/6/2023	31/12/2022
Risk Discount Rate	**10.0%**	**10.0%**
Adjusted Net Worth	8,841	5,911
Value of In-Force Business before CoC	17,732	13,312
Cost of Required Capital	(1,043)	(983)
Value of In-Force Business after CoC	16,689	12,328
Embedded Value	**25,531**	**18,239**

Note: Figures may not add up to total due to rounding.

Table 2.1.2 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2023 and 30 June 2022 (Unit: RMB Million)

	30/6/2023	30/6/2022
Risk Discount Rate	**10.0%**	**10.0%**
Value of Half year's New Business before CoC	1,689	1,129
Cost of Required Capital	(334)	(275)
Value of Half year's New Business after CoC	**1,355**	**854**

Note: Figures may not add up to total due to rounding.

2.2. Results by Distribution Channels

PICC Health split the value of half year's new business by distribution channel. The results of the value of half year's new business by distribution channel as at 30 June 2023 and 30 June 2022 are summarized in the table below.

Table 2.2.1 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2023 and 30 June 2022 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate	10.0%			
Distribution Channel	**Bancassurance**	**Individual insurance agent**	**Group sales**	**Total**
Value of Half year's New Business after CoC (2023)	**596**	**934**	**(175)**	**1,355**
Value of Half year's New Business after CoC (2022)	67	1,036	(249)	854

Note: Figures may not add up to total due to rounding.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2023.

3.1. Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

3.2. Rate of Investment Return

A 5% p.a. investment return assumption has been used.

3.3. Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Health, whereby 70% of surplus arising from participating business is paid to policyholder. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

3.4. Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Insurance Mortality Table (2010-2013)". Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2020)".

Based on recent experience analysis of critical illness. PICC Health includes the long-term deterioration trends in setting of the critical illness rate.

3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 5% to 99% of gross premium depending on the lines of business.

3.6. Lapse Rates

Lapse rate assumptions are based on PICC Health's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium persistency assumptions are also set for regular premium universal life business.

3.7. Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

3.8. Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

VAT for accident insurance and other applicable business is in compliance with the relevant tax regulation.

4. SENSITIVITY TESTS

PICC Health has conducted sensitivity tests on the value of in-force business and value of half year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1.

Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Health as at 30 June 2023 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of Half year's New Business after CoC
Base Scenario	16,689	1,355
Risk Discount Rate at 9%	17,743	1,537
Risk Discount Rate at 11%	15,772	1,200
Rate of investment return increased by 50 bps	18,375	1,713
Rate of investment return decreased by 50 bps	14,997	997
Expenses increased by 10%	16,579	1,234
Expenses decreased by 10%	16,799	1,476
Lapse rate increased by 10%	16,444	1,326
Lapse rate decreased by 10%	16,935	1,384
Mortality increased by 10%	16,695	1,346
Mortality reduced by 10%	16,678	1,364
Morbidity increased by 10%	17,099	1,292
Morbidity reduced by 10%	16,265	1,416
Short-term business claim ratio increased by 5%	16,472	968
Short-term business claim ratio decreased by 5%	16,906	1,742
Participating Ratio (80/20)	16,480	1,307

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

Report on Review of Interim Financial Information

To the Board of Directors of The People's Insurance Company (Group) of China Limited
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 70 to 132, which comprises the condensed consolidated statement of financial position of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2023

Condensed Consolidated Income Statement

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Restated, Unaudited)
Insurance revenue	4	246,884	227,796
Interest income (from financial assets not measured at fair value through profit or loss)	5	14,589	N/A
Net Investment gains	5	9,631	25,180
Share of profits or losses of associates and joint ventures		7,359	7,163
Exchange gains		469	537
Other income	6	1,916	1,649
TOTAL OPERATING INCOME		280,848	262,325
Insurance service expenses	4	219,147	204,703
Net expenses from reinsurance contracts held		6,167	3,152
Finance expenses from insurance contracts issued		18,293	18,108
Finance income from reinsurance contracts held		(634)	(534)
Finance costs	7	1,525	1,826
Net impairment losses on financial assets	5	295	N/A
Other operating and administrative expenses		4,056	4,047
TOTAL OPERATING EXPENSES		248,849	231,302
PROFIT BEFORE TAX		31,999	31,023
Income tax expenses	9	(4,219)	(5,159)
PROFIT FOR THE PERIOD		27,780	25,864
Attributable to:			
Owners of the Company		20,588	18,915
Non-controlling interests		7,192	6,949
		27,780	25,864
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	10	0.47	0.43
– Diluted (in RMB Yuan)	10	0.43	0.41

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Restated, Unaudited)
PROFIT FOR THE PERIOD		27,780	25,864
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Finance expenses from insurance contracts issued		(6,139)	4,300
Finance income from reinsurance contracts held		128	83
Changes in the fair value of debt instruments at fair value through other comprehensive income		4,292	N/A
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		34	N/A
Available-for-sale financial assets			
– Fair value losses		N/A	(15,191)
– Reclassification of losses to profit on disposals		N/A	(4,403)
– Impairment losses		N/A	454
Income tax effect		(173)	4,130
		(1,858)	(10,627)
Share of other comprehensive income of associates and joint ventures		74	10
Exchange differences arising on translating foreign operations		117	63
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		(1,667)	(10,554)

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Restated, Unaudited)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property and equipment and right-of-use assets upon transfer to investment properties	22	470	297
Changes in the fair value of equity instruments at fair value through other comprehensive income		1,197	N/A
Finance expenses from insurance contracts issued		(70)	–
Income tax effect		(447)	(70)
		1,150	227
Actuarial losses on pension benefit obligation		(36)	(18)
Share of other comprehensive income of associates and joint ventures		(15)	(34)
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		1,099	175
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		(568)	(10,379)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		27,212	15,485
Attributable to:			
– Owners of the Company		19,920	11,347
– Non-controlling interests		7,292	4,138
		27,212	15,485

Condensed Consolidated Statement of Financial Position

As at 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated, Unaudited)
ASSETS			
Cash and cash equivalents	12	31,159	40,599
Debt securities	13	N/A	536,254
Equity securities, mutual funds and investment schemes	14	N/A	258,022
Financial assets measured at amortized cost	15	304,740	N/A
Financial assets measured at fair value through other comprehensive income	16	394,691	N/A
Financial assets measured at fair value through profit or loss	17	369,100	N/A
Insurance contract assets	18	659	782
Reinsurance contract assets	18	31,911	37,329
Term deposits	19	101,010	101,180
Restricted statutory deposits		13,418	12,923
Investments classified as loans and receivables	20	N/A	176,082
Investments in associates and joint ventures	21	149,698	146,233
Investment properties	22	16,002	15,085
Property and equipment	23	32,726	34,130
Right-of-use assets	24	7,380	7,109
Intangible assets		2,980	3,523
Goodwill		198	198
Deferred tax assets		17,150	16,788
Other assets	25	19,857	30,050
TOTAL ASSETS		1,492,679	1,416,287

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated, Unaudited)
LIABILITIES			
Securities sold under agreements to repurchase		81,228	100,890
Income tax payable		2,805	4,028
Bonds payable	26	37,378	43,356
Lease liabilities		2,518	2,291
Insurance contract liabilities	18	951,526	883,055
Reinsurance contract liabilities	18	183	362
Investment contract liabilities		7,741	7,629
Pension benefit obligation		2,751	2,776
Deferred tax liabilities		26	2,022
Other liabilities	27	76,301	64,985
TOTAL LIABILITIES		1,162,457	1,111,394
EQUITY			
Issued capital	28	44,224	44,224
Reserves		199,539	179,929
Equity attributable to owners of the Company		243,763	224,153
Non-controlling interests		86,459	80,740
TOTAL EQUITY		330,222	304,893
TOTAL EQUITY AND LIABILITIES		1,492,679	1,416,287

The condensed consolidated financial statements on pages 70 to 132 were approved and authorised for issue by the Board of Directors on 29 August 2023 and are signed on its behalf by:

Wang Tingke
DIRECTOR

Li Zhuyong
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company																
	Issued capital (Note 28)	Share premium account **	Revaluation reserve of financial assets at fair value through other comprehensive income **	Available-for-sale financial asset revaluation reserve **	Insurance finance reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve* **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 31 December 2022 (Restated, Unaudited)	44,224	23,973	–	1,072	(9,801)	18,442	59	3,987	(260)	11	14,938	(15,209)	(1,433)	144,150	224,153	80,740	304,893
Change of accounting policy	–	–	9,958	(1,072)	1,085	116	–	–	–	(1)	(16)	–	–	(3,041)	7,029	1,942	8,971
Balance at 1 January 2023 (Restated, Unaudited)	44,224	23,973	9,958	–	(8,716)	18,558	59	3,987	(260)	10	14,922	(15,209)	(1,433)	141,109	231,182	82,682	313,864
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	20,588	20,588	7,192	27,780
Other comprehensive income for the period	–	–	3,039	–	(4,053)	–	–	252	25	105	–	–	(36)	–	(668)	100	(568)
Total comprehensive income for the period	–	–	3,039	–	(4,053)	–	–	252	25	105	–	–	(36)	20,588	19,920	7,292	27,212
Appropriations to general risk reserve and surplus reserve	–	–	–	–	–	67	–	–	–	–	–	–	–	(67)	–	–	–
Dividends paid to shareholders (Note 11)	–	–	–	–	–	–	–	–	–	–	–	–	–	(7,341)	(7,341)	–	(7,341)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,515)	(3,515)
Others	–	–	–	–	–	–	–	–	–	–	–	2	–	–	2	–	2
Balance at 30 June 2023 (Unaudited)	44,224	23,973	12,997	–	(12,769)	18,625	59	4,239	(235)	115	14,922	(15,207)	(1,469)	154,289	243,763	86,459	330,222

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB199,539 million in the condensed consolidated statement of financial position as at 30 June 2023 comprise these reserve accounts.

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company																
	Issued capital (Note 28)	Share premium account **	Available-for-sale financial asset revaluation reserve **	Insurance finance reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Portion of fair value changes attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve* **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 31 December 2021 (Audited)	44,224	23,973	18,067	–	15,751	212	3,681	135	(1,536)	(147)	14,187	(15,153)	(1,383)	117,245	219,256	77,637	296,893
Change of accounting policy	–	–	–	(16,898)	393	–	–	–	1,536	–	–	–	–	10,920	(4,049)	(211)	(4,260)
Balance at 1 January 2022 (Restated, Unaudited)	44,224	23,973	18,067	(16,898)	16,144	212	3,681	135	–	(147)	14,187	(15,153)	(1,383)	128,165	215,207	77,426	292,633
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	18,915	18,915	6,949	25,864
Other comprehensive income for the period	–	–	(10,694)	2,956	–	–	147	(8)	–	49	–	–	(18)	–	(7,568)	(2,811)	(10,379)
Total comprehensive income for the period	–	–	(10,694)	2,956	–	–	147	(8)	–	49	–	–	(18)	18,915	11,347	4,138	15,485
Appropriations to general risk reserve and surplus reserve	–	–	–	–	21	–	–	–	–	–	–	–	–	(21)	–	–	–
Dividends paid to shareholders (Note 11)	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,501)	(6,501)	–	(6,501)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,140)	(3,140)
Others	–	–	–	–	–	–	–	–	–	–	–	(1)	–	–	(1)	(2)	(3)
Balance at 30 June 2022 (Restated, Unaudited)	44,224	23,973	7,373	(13,942)	16,165	212	3,828	127	–	(98)	14,187	(15,154)	(1,401)	140,558	220,052	78,422	298,474

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB175,828 million in the condensed consolidated statement of financial position as at 30 June 2022 comprise these reserve accounts.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Restated, Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES		59,921	49,444
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of investment properties, property and equipment, intangible assets and land use rights		(847)	(1,056)
Proceeds from disposals of investment properties, property and equipment, intangible assets and land use rights		143	109
Purchases of investments		(238,771)	(221,960)
Proceeds from disposals of investments		171,734	175,702
Interests received		18,015	15,327
Dividends received		7,398	8,606
Decrease/(Increase) in term deposits, net		1,836	(1,552)
Others		(409)	137
		(40,901)	(24,687)
NET CASH FLOWS USED IN FINANCING ACTIVITIES			
Decrease in securities sold under agreements to repurchase, net		(19,683)	(24,043)
Issue of bonds payable		24,000	3,000
Proceeds from bank borrowings		282	–
Cash received related to non-controlling interests of consolidated structured entities, net		151	256
Repayments of bank borrowings and bonds		(30,111)	(60)
Interests paid		(2,800)	(2,552)
Payments of lease liabilities		(554)	(667)
		(28,715)	(24,066)
Net (decrease)/increase in cash and cash equivalents		(9,695)	691
Cash and cash equivalents at beginning of the period		40,599	33,276
Effects of exchange rate changes on cash and cash equivalents		255	347
Cash and cash equivalents at end of the period		31,159	34,314
Analysis of balances of cash and cash equivalents			
Securities purchased under resale agreements with original maturity of no more than three months	12	14,616	15,209
Deposits with banks with original maturity of no more than three months and money at call and short notice	12	16,543	19,105
Cash and cash equivalents at end of the period	12	31,159	34,314

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Street, Xicheng District, Beijing, the PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established in October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The controlling shareholder of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the six months ended 30 June 2023, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

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

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

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

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

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

(1) Application of IFRS 9 – Financial Instruments

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

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

In accordance with the transitional provisions in IFRS 9, the Group elected not to restate comparative figures. The carrying amounts of financial assets and financial liabilities as at 1 January 2023 with adoption of IFRS 9 are adjusted, which has an impact on the balances of reserves. The Group discloses the related information for this period in relation to the adjustments while the comparative period has not been restated. The adoption of IFRS 9 results in changes in accounting policies related to recognition, classification and valuation of financial assets and financial liabilities, and the loss allowances for financial assets. The specific accounting policies adopted in the current period are set out in Note 2.3(1).

(Amounts in millions of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

(1) Application of IFRS 9 – Financial Instruments (continued)

As at 1 January 2023, the financial assets represented in the Group's consolidated financial statements were classified and measured in accordance with IAS 39 and IFRS 9 as follows:

	IAS 39		IFRS 9	
Financial Instruments	**Measurement Categories**	**Carrying Amount**	**Measurement Categories**	**Carrying Amount**
Cash and cash equivalents	Amortized cost	40,599	Amortized cost	40,612
Term deposits	Amortized cost	101,180	Amortized cost	102,841
Restricted statutory deposits	Amortized cost	12,923	Amortized cost	13,421
Financial assets	Fair value through profit or loss (Held for trading)	31,197	Fair value through profit or loss	347,750
	Fair value through profit or loss (Designated)	7,104		
	Fair value through other comprehensive income (Available-for-sale)	557,582	Fair value through other comprehensive income	362,511
	Amortized cost (Held-to-maturity)	198,393	Amortized cost (Financial assets measured at amortized cost)	278,402
	Amortized cost (Investments classified as loans and receivables ("LR"))	176,082		

(Amounts in millions of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

(1) Application of IFRS 9 – Financial Instruments (continued)

Following the adoption IFRS 9, the adjustments to the carrying amounts of financial statement items are illustrated as follows:

	31 December 2022	Reclassification effects	Remeasurement effects	1 Janurary 2023
Cash and cash equivalents	40,599	13	–	40,612
From other assets		13	–	
Term deposits	101,180	1,867	(206)	102,841
From other assets		1,867	–	
Restricted statutory deposits	12,923	521	(23)	13,421
From other assets		521	–	
Financial assets measured at amortized cost	N/A	279,194	(792)	278,402
From Debt securities				
– From Held-to-maturity		83,487	(31)	
– From Available-for-sale		23,325	(424)	
From Investments classified as loans and receivables		170,417	(337)	
From other assets		1,965	–	
Financial assets measured at fair value through other comprehensive income	N/A	353,226	9,285	362,511
From Debt securities				
– From Held-to-maturity		108,398	9,285	
– From Available-for-sale		184,131	–	
From Equity securities, mutual funds, and investment schemes				
– From Available-for-sale		56,362	–	
From other assets		4,335	–	
Investments classified as loans and receivables	176,082	(176,082)	–	N/A
To Financial assets measured at amortized cost		(170,417)	–	
To Financial assets measured at fair value through profit or loss		(5,665)	–	
Financial assets measured at fair value through profit or loss	N/A	346,719	1,031	347,750
From Debt securities				
– From Held-to-maturity		6,508	347	
– From Financial assets measured at fair value through profit or loss		19,440	–	
– From Available-for-sale		110,965	522	
From Equity securities, mutual funds, and investment schemes				
– From Financial assets measured at fair value through profit or loss		18,861	–	
– From Available-for-sale		182,799	–	
From Investments classified as loans and receivables		5,665	162	
From other assets		2,481	–	

(Amounts in millions of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

(1) Application of IFRS 9 – Financial Instruments (continued)

Following the adoption IFRS 9, the adjustments to the carrying amounts of financial statement items are illustrated as follows (continued):

	31 December 2022	Reclassification effects	Remeasurement effects	1 Janurary 2023
Debt securities	536,254	(536,254)	–	N/A
From Held-to-maturity				
– To Financial assets measured at fair value through profit or loss		(6,508)	–	
– To Financial assets measured at amortized cost		(83,487)	–	
– To Financial assets measured at fair value through other comprehensive income		(108,398)	–	
From Financial assets measured at fair value through profit or loss				
– To Financial assets measured at fair value through profit or loss		(19,440)	–	
From Available-for-sale				
– To Financial assets measured at fair value through profit or loss		(110,965)	–	
– To Financial assets measured at amortized cost		(23,325)	–	
– To Financial assets measured at fair value through other comprehensive income		(184,131)	–	
Equity securities, mutual funds, and investment schemes	258,022	(258,022)	–	N/A
From Financial assets measured at fair value through profit or loss				
– To Financial assets measured at fair value through profit or loss		(18,861)	–	
From Available-for-sale				
– To Financial assets measured at fair value through profit or loss		(182,799)	–	
– To Financial assets measured at fair value through other comprehensive income		(56,362)	–	

Reconciliation from impairment provision for financial assets classified and measured under IAS 39 to impairment provision for financial assets classified and measured under IFRS 9:

Category of measurement	31 December 2022 IAS 39	Reclassification effects	Remeasurement effects	1 Janurary 2023 IFRS 9
Held-to-maturity and LR/Financial assets measured at amortized cost	1,460	(120)	395	1,735
Available-for-sale/Debt instruments measured at fair value through other comprehensive income	4,217	(4,058)	340	499
Term deposits	–	–	206	206
Restricted statutory deposits	–	–	23	23
Other assets	2,151	–	247	2,398

(Amounts in millions of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

(2) Application of IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles of recognition, measurement, presentation, and disclosure of insurance contracts, and replaced IFRS 4 "Insurance Contracts".

Measurement methods of IFRS 17 include the general measurement model ("GMM"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA") by the nature of insurance contracts. The VFA applies to insurance contracts with direct participation features; the GMM applies to other insurance contracts; and if certain criterias are met by measuring the liability, the PAA applies to insurance contracts.

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

The specific accounting policies adopted at the transition date are set out in note 2.3(2).

Besides, the Group optimized the presentation of financial statements to provide clearer information.

2.2 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not applied the following key new and revised IFRSs that have been issued but are not yet effective in these condensed consolidated financial information:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current liabilities with covenants[1]
Amendments to IAS 16	Lease liability in a sale and leaseback[1]
Amendments to IAS7 and IFRS 7	Financing Arrangements of Supplier[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture[2]

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

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

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

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

(1) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as:(i) financial assets at amortized cost; (ii) financial assets at fair value through other comprehensive income; (iii) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three categories:

<u>Measured at amortized cost:</u>

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash and cash equivalents, financial assets measured at amortized cost, term deposits, restricted statutory deposits, and financial assets included in other assets etc.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(1) Financial Instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains or losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets are presented as financial assets measured at fair value through other comprehensive income.

Measured at fair value through profit or loss:

Debt instruments held by the Group that do not meet the criteria for amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce any accounting mismatch.

Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(1) Financial Instruments (continued)

Financial assets (continued)

Impairment

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

The Group assesses the expected credit losses ("ECL") for financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income, etc.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected. A number of significant assumptions and judgements are required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.;
- Criteria for significant increase in credit risk;
- Forward-looking information.

At each balance sheet date, the ECL of financial instruments is measured based on different stages. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

For those financial instruments with a low credit risk as at the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition and recognises a 12-month ECL.

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

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(1) Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

The Group recognises or reverses the loss allowance through profit or loss. For debt instruments measured at fair value through other comprehensive income, impairment gains or losses are included in the net impairment losses on financial assets and corresponding by reduce the accumulated changes in fair value included in the OCI reserve of equity.

For account receivables, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

Derecognition of financial assets

Financial assets are derecognised when:

- the contractual rights to receive the cash flows from the financial assets have expired;
- they have been transferred and the Group transfers substantially all the risks and rewards of ownership;
- they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

When an equity investment measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

Financial Liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise securities sold under agreements to repurchase, investment contract liabilities, other payables in other liabilities and bonds payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(1) Financial Instruments (continued)

Financial Liabilities (continued)

When all or part of the current obligations of a financial liability have been discharged, the Group derecognises the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, and the difference is recognised in profit or loss.

Derivatives and embedded derivatives

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

The gains or losses arisen from fair value changes of derivatives are directly recognised in profit or loss.

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

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in the hybrid contract at fair value through profit or loss is not separated).

For the above assets, the Group may bifurcate the embedded derivative and measured it at fair value through profit or loss, or designate the entire hybrid instrument to be measured at fair value through profit or loss.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(1) Financial Instruments (continued)

Offsetting a financial asset and a financial liability

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Issuance (including refinance), repurchase, sale and cancellation of the Group's own equity instruments is recognised or deducted directly in equity. No fair value gain or loss is recognised equity instruments. The transaction costs in relation to equity transaction is deducted from equity.

The Group treats distributions to equity instruments holders as profit distribution. Share dividends distributed does not influence the total equity amount.

Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the input value should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The unobservable inputs can be used if the relevant observable input is not accessible or the acquisition is not practical.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts

Definition and classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Insurance contracts with direct participation features refers to the insurance contracts which meet the following conditions:

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

Some investment contracts issued by the Group contain discretionary participation features, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits determined by the Group's discretion and based on the return of specified pools of investment assets. The Group accounts under insurance contracts.

The Group applies IFRS 9-Financial Instruments for contracts with the legal form of insurance contracts but do not transfer significant insurance risks.

Reinsurance contract held refers to an insurance contract agreed by the reinsurer (the issuer of reinsurance contract) and cedant on that the reinsurer to compensate cedant for claims arising from the underlying insurance contracts.

Unless otherwise specified, the insurance contracts mentioned in the consolidated financial statements of the Group generally refer to the issued insurance contracts (including reinsurance contracts ceded in), reinsurance contracts held, and investment contracts with the characteristic with discretionary participation features.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Combination and separation of insurance contracts

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

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components, but investment contracts with discretionary participation features applies IFRS17; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

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

Level of aggregation of insurance contracts

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

Except for the reinsurance contracts held, the Group divides a portfolio of insurance contracts issued into a minimum of:

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

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

Recognition

For insurance contracts issued by the Group(including the reinsurance contracts ceded in), the groups of insurance contracts are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Recognition (continued)

Groups of reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  - (a) the beginning of the coverage period of the group; and
  - (b) the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

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

Measurement of insurance contracts

Insurance acquisition cash flows

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

Fulfilment cash flows(“FCF”) and Contract boundary

The FCF, which comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- a risk adjustment for non-financial risk.

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

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA

Initial measurement

The Group measures the insurance contracts at group level.

On initial recognition, the Group measures a group of contracts as the total of the FCF and the contractual service margin ("CSM").

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

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

- the initial recognition of the FCF;
- cash flows arising from the contracts in the group at that date; and
- the derecognition of insurance acquisition cash flows asset, if any; and
- the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

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

Subsequent measurement

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

- the liability for remaining coverage comprising:
  (a) the FCF related to future service allocated to the group at that date;
  (b) the CSM of the group at that date; and
- the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

For insurance contracts without direct participation features, the carrying amount of the CSM of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

- the effect of any new contracts added to the group during the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period;
- the changes in the FCF relating to future service as, except to the extent that:
  - (a) such increases in the FCF exceed the carrying amount of the CSM, giving rise to a loss; or
  - (b) such decreases in the FCF are allocated to the loss component of the liability for remaining coverage.
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the transfer of the insurance contract services in the period, determined by the allocation of CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period based on coverage units.

The changes in fulfillment cash flow related to current and past services are recognised in profit or loss in accordance with the following requirements:

- The Group recognises insurance revenue for the reduction in the liability for remaining coverage because of services provided in the period;
- The Group recognises insurance service expenses for the increase in the liability for incurred claims because of claims and expenses incurred in the period and any subsequent changes in FCF relating to incurred claims and incurred expense;
- When the Group recognises insurance revenue or insurance service expenses, the investment components are excluded.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Insurance contract groups with direct participation features

The Group measures its obligations under insurance contracts with direct participation features to be the net of the obligations to pay the policyholders an amount equal to the fair value of the underlying items and a variable fee in exchange for the future service provided by the insurance contracts, which comprises the amount of the Group's share of the fair value of the underlying items, less the FCF that do not vary based on the returns on underlying items.

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

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

(b) the change in the amount of the Group's share of the fair value of the underlying items, except to the extent that:

- the decrease in the amount of the Group's share of the fair value of the underlying items exceeds the carrying amount of the CSM, giving rise to a loss; or
- the increase in the amount of the Group's share of the fair value of the underlying items reverses the loss component;

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

- such increases in the FCF exceed the carrying amount of the CSM, giving rise to a loss; or
- such decreases in the FCF are allocated to the loss component;

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

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

The Group determined the coverage units of the contract groups within each coverage periods based on the model of providing insurance service.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Onerours contracts

(i) Onerours contracts at initial recognition

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

(ii) Profitable contract group converts to onerours contract group

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if the following amounts exceed the carrying amount of the CSM:

- unfavourable changes in the FCF allocated to the group arising from changes in estimates of future cash flows relating to future service; and
- for a group of insurance contracts with direct participation features, the Group's share of a decrease in the fair value of the underlying items.

(iii) Onerous contract group becomes less onerous or converts to profitable contract group

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

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Onerours contracts (continued)

(iv) Subsequent measurement of onerours contracts

When a loss component exists, the Group allocates the subsequent changes in fulfilment cash flows of the liability for remaining coverage on a systematic basis between the loss component and the remaining component.

The subsequent changes in fulfilment cash flows of the liability for remaining coverage to be allocated are:

- estimates of the present value of future cash flows for claims and expenses released from the liability for remaining coverage 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; and
- insurance finance income or expense.

The amounts of loss component allocation in the first two items above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

PAA

The Group simplifies the measurement of a group of insurance contracts using the PAA if, and only if, at the inception of the group:

- the Group reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the accounting policies for insurance contracts not measured under the PAA;
- The coverage period of each contract in the group is one year or less.

For insurance contracts issued, the Group measures the carrying amount of the liability for remaining coverage on initial recognition as follows:

- the premiums, if any, received at initial recognition;
- minus any insurance acquisition cash flows at that date, if any; and
- minus or plus any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other assets or liabilities previously recognized for any cashs related to the group of contracts.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

PAA (continued)

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

(a) the liability for the remaining coverage; and

(b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

At the end of each reporting period, 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;
- plus any amounts relating to the amortization of insurance acquisition cash flows recognised as an expense in the reporting period;
- plus any adjustment to a financing component (if applicable);
- minus the amount recognised as insurance revenue for services provided in that period;
- minus any investment component paid or transferred to the liability for incurred claims.

The Group adjusts 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 determined on initial recognition.

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

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

The liabilities for incurred claims of contracts measured under the PAA are measured similarly to their measurement for the contracts not measured under PAA. Future cash flows are adjusted for the time value of money and other financial risks.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of reinsurance contracts held

Reinsurance contracts held not measured under the PAA

On initial recognition, the Group measures a group of reinsurance contracts held as the total of: (a) the FCF; and (b) the CSM.

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

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

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

On initial recognition, the Group recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a CSM measured at an amount equal to the sum of:

- the FCF;
- the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of contracts;
- any cash flows arising from the contracts in the group at that date; and
- any income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts.

However, if the net cost relates to events that occurred before the purchase of the group of reinsurance contracts held, the Group recognises such a cost immediately in profit or loss as an expense.

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

- the remaining coverage, comprising:
  (a) the FCF related to future service allocated to the group at that date; and
  (b) the CSM of the group at that date; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of reinsurance contracts held (continued)

Reinsurance contracts held not measured under the PAA (continued)

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

- the loss recognised on the underlying insurance contracts; and
- the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

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

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

- the effect of any new contracts added to the group;
- the interest accreted on the carrying amount of the CSM, measured at the weighted average discount rates determined at the date of initial recognition of a group of contracts, applying to the cash flows that do not vary based on the returns on any underlying items;
- income recognised in profit or loss when the Group recognises a loss on addition of onerous underlying insurance contracts to a group of underlying insurance contracts. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognized;
- Reversals of a loss-recovery component other than changes in FCF of reinsurance contracts held;
- changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in the FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts;
- the effect of any currency exchange differences, if any; and
- the amount recognized in profit or loss for insurance contract services received during the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held based on coverage units.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Measurement of reinsurance contracts held (continued)

Reinsurance contracts held measured under the PAA

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

If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM, and recognises the reinsurer's insurance service expense in profit or loss.

Derecognition

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

Presentation

Insurance contract asset and liability

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

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Presentation (continued)

Insurance revenue

The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the relevant amount arising from changes of LRC and the amortization of insurance acquisition cash flows, the details are as follows:

- Amounts relating to the changes in the liability for remaining coverage:
  - (a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
    - – amounts allocated to the loss component;
    - – repayments of investment components;
    - – amounts of transaction-based taxes collected in a fiduciary capacity;
    - – amortization of insurance acquisition cash flows;
    - – the amount related to the risk adjustment for non-financial risk;
  - (b) changes in the risk adjustment for non-financial risk, excluding:
    - – changes of insurance finance income/(expenses);
    - – changes that relate to future coverage (which adjust the CSM); and
    - – amounts allocated to the loss component;
  - (c) amounts of the CSM amortized;
  - (d) other amounts, eg. experience adjustments – arising from premiums received in the period other than those that relate to future service.
- Amounts relating to insurance acquisition cash flows: The amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue;
- For contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Presentation (continued)

Insurance service expenses

Insurance service expenses include the following:

- incurred claims, benefits and other incurred insurance service expenses, excluding the repayment of investment components;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortization;
- changes that relate to past service – changes in the FCF relating to the liability for incurred claims; and
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated income statement of profit or loss.

Net income/(expenses) from reinsurance contracts held

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

- reinsurance expenses;
- incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
- other incurred directly attributable expenses;
- effect of changes in the risk of reinsurers' non-performance;
- amounts relating to accounting for onerous groups of underlying insurance contracts issued: (i) income on initial recognition of onerous underlying contracts and on addition of onerous underlying insurance contracts to a group; (ii) reinsurance contracts held under the GMM: changes that relate to future services;
- changes that relate to past service – changes in the FCF relating to incurred claims recovery.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Presentation (continued)

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

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

Reinsurance cash flows that are contingent on claims of the underlying contracts, for examples profit or sliding commissions, are treated as part of the claims that are expected to be reimbursed under the reinsurance contract held.

Insurance finance income or expenses

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

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

The Group chooses to apply the following accounting policy at portfolio level for the changes of financial risk of insurance contracts:

For insurance contracts without direct participation features, the Group chooses to disaggregates the changes of financial risk of insurance contracts for the period to include in insurance finance profit or expense an amount determined by a systematic allocation of the expected total finance expenses from insurance contracts over the duration of the group of contracts.

For insurance contracts with direct participation features, the Group chooses to disaggregating insurance finance income or expenses for the period to include in profit or loss an amount that eliminates accounting mismatches with income or expenses included in profit or loss on the underlying items held.

Transition Approaches

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

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Transition Approaches (continued)

Modified retrospective approach

The Group has determined apply the modified retrospective approach where the full retrospective approach has not been applied because it was impracticable but the closest possible outcome could have been achieved using reasonable and supportable information. Accordingly, in applying this approach, the Group:

- use reasonable and supportable information. If the Group cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, the Group apply the fair value approach;
- maximise the use of information that would have been used to apply a fully retrospective approach, but need only use information available without undue cost or effort.

For contracts without direct participation features, the Group determines the CSM or loss component of the liability for remaining coverage at the transition date as:

(a) the Group estimates the future cash flows at the date of initial recognition of a group of insurance contracts as the amount of the future cash flows at the transition date or earlier date (if applicable), adjusted by the cash flows that occurred between the date of initial recognition of a group of insurance contracts and the transition date.

(b) the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at transition date or earlier date(if applicable) for the expected release of risk before transition date. The expected release of risk was determined with reference to the release of risk for similar insurance contracts that the Group issued at transition date.

(c) When the Group recognises CSM at initial recognition, interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition. The amount of the CSM recognised in profit or loss before transition date was determined by comparing the remaining coverage units at transition date with the coverage units provided under the group of contracts before that date; and

(d) When the Group recognises the loss component at initial recognition, the amount allocated to the loss component before transition date is determined on a systematic and rational basis.

2. BASIS OF PREPARATION (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(2) Insurance Contracts (continued)

Transition Approaches (continued)

Modified retrospective approach (continued)

For contracts with direct participation features, the Group determines the contractual service margin or loss component of the liability for remaining coverage at the transition date as:

(a) based on the amount that fair value of the underlying items minus the FCF at transition date and appropriately adjusted the relevant cash flow and non-financial risk adjustment before transition date;

(b) if (a) result in a CSM,the amount of the CSM recognised in profit or loss before transition day was determined by comparing the remaining coverage units at transition date with the coverage units provided under the group of contracts before that date;

(c) if (a) result in a loss component-adjust the loss component to nil and increase the liability for remaining coverage excluding the loss component by the same amount.

Fair Value Approach

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

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

- The discount rates on initial recognition and subsequent measurement were determined at transition date;
- For groups of reinsurance contracts held covering onerous underlying contracts, the Group established a loss-recovery component at transition date. The Group determined the loss-recovery component by multiplying:

  (a) the loss component of the liability for remaining coverage for the underlying insurance contracts at the transition date; and

  (b) the percentage of claims for the underlying insurance contracts that the Group expected to recover from the group pf reinsurance contracts held.

2. BASIS OF PREPARATION (continued)

2.4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The following are the significant judgements, which the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimation of fulfillment cash flows

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

The main assumptions made in measuring these liabilities are as follows:

Discount Rate

The Group applies a bottom up approach, which starts with risk-free yield curve and adjusts it to determine the discount rates of cash flows do not vary with the return of underlying items.

Mortality and morbidity

Mortality, morbidity and disability rates are based on the Group's own experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the feature of China's insurance market with reference to China Life Insurance Mortality Table. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products and historical data, estimations of current and future expectations, etc. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

Lapse rates

Lapse rates depend on policy year, product type and sales channel. The assumptions of lapse rates are affected by factors such as future economic environment and market competition, and hence subject to uncertainty.

Expense rate

Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

2. BASIS OF PREPARATION (continued)

2.4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation of fulfillment cash flows (continued)

Expected claim ratio and future claim development pattern

The major assumptions needed in measuring the liability for incurred claims include the expected claim ratio and future claim development pattern. The expected claim ratio and future claim development pattern of each measurement unit are based on the Group's historical claim development experience and claim ratio, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation.

Methods used to measure the risk adjustment for non-financial risk

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

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3. OPERATING SEGMENT INFORMATION

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

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

- The non-life insurance segment offers a wide variety of non-life insurance products mainly by PICC Property and Casualty Company Limited ("PICC P&C");
- The life insurance segment offers a wide range of life insurance products by PICC Life Insurance Company Limited ("PICC Life");
- The health insurance segment offers a wide range of health and medical insurance products by PICC Health Insurance Company Limited ("PICC Health");
- The asset management segment offers asset management services;
- The headquarters and other segment provides management and support for the Group's business through its strategy, risk management, finance, legal and human resources functions and comprises insurance agent business, reinsurance business and other operating business of the Group.

The segment's net profit includes revenue less expenses that are directly attributable to the segment.

Segment's assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment. Segment's assets are recognised after deducting the related provisions, and such deductions are directly written off in the Group's consolidated balance sheet.

In the segment reporting, insurance revenue and other income earned are included in the segment's revenue, and profit or loss is presented as the operating results of the segment.

Intersegment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results for the six months ended 30 June 2023:

	Non-life insurance	Life insurance	Health insurance	Asset management	Headquarters and others	Eliminations	Total
Insurance revenue	224,868	8,598	12,628	–	2,344	(1,554)	246,884
Interest income (from financial assets not measured at fair value through profit or loss)	5,860	6,697	1,233	24	995	(220)	14,589
Net investment gains/(losses)	4,389	3,738	357	249	9,765	(8,867)	9,631
Share of profits or losses of associates and joint ventures	5,828	2,655	4	14	514	(1,656)	7,359
Exchange gains	301	60	1	–	107	–	469
Other income	740	165	211	1,136	884	(1,220)	1,916
TOTAL INCOME – SEGMENT INCOME	241,986	21,913	14,434	1,423	14,609	(13,517)	280,848
– External income	241,714	21,795	14,392	970	1,977	–	280,848
– Inter-segment income	272	118	42	453	12,632	(13,517)	–
Insurance service expenses	204,733	5,267	9,039	–	2,115	(2,007)	219,147
Net expenses from reinsurance contracts held	6,057	(42)	514	–	31	(393)	6,167
Finance expenses from insurance contracts issued	5,025	11,971	1,178	–	189	(70)	18,293
Finance income/(losses) from reinsurance contracts held	(663)	2	(38)	–	(8)	73	(634)
Finance costs	498	359	92	6	570	–	1,525
Other operating and administrative expenses	1,138	906	407	812	1,607	(814)	4,056
Net impairment losses on financial assets	220	48	36	(5)	(4)	–	295
TOTAL OPERATING EXPENSES	217,008	18,511	11,228	813	4,500	(3,211)	248,849
PROFIT/(LOSS) BEFORE TAX	24,978	3,402	3,206	610	10,109	(10,306)	31,999
Income tax (expenses)/credit	(3,558)	9	(480)	(30)	(87)	(73)	(4,219)
PROFIT FOR THE PERIOD – SEGMENT RESULTS	21,420	3,411	2,726	580	10,022	(10,379)	27,780

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results for the six months ended 30 June 2022 (Restated):

	Non-life insurance	Life insurance	Health insurance	Asset management	Headquarters and others	Eliminations	Total
Insurance revenue	205,747	10,255	10,887	–	2,259	(1,352)	227,796
Net investment gains/losses	10,886	11,784	1,383	274	8,972	(8,119)	25,180
Share of profits or losses of associates and joint ventures	4,764	2,659	(1)	8	596	(863)	7,163
Exchange gains/(losses)	429	47	1	(2)	62	–	537
Other income	722	205	173	1,070	547	(1,068)	1,649
TOTAL INCOME – SEGMENT INCOME	222,548	24,950	12,443	1,350	12,436	(11,402)	262,325
– External income	222,426	24,812	12,400	900	1,787	–	262,325
– Inter-segment income	122	138	43	450	10,649	(11,402)	–
Insurance service expenses	189,573	7,178	7,404	–	2,295	(1,747)	204,703
Net expenses from reinsurance contracts held	3,279	110	304	–	47	(588)	3,152
Finance expenses from insurance contracts issued	4,661	12,304	1,040	–	150	(47)	18,108
Finance income from reinsurance contracts held	(558)	5	(34)	–	(6)	59	(534)
Finance costs	520	597	159	5	557	(12)	1,826
Other operating and administrative expenses	1,429	1,132	354	759	1,262	(889)	4,047
TOTAL OPERATING EXPENSES	198,904	21,326	9,227	764	4,305	(3,224)	231,302
PROFIT BEFORE TAX	23,644	3,624	3,216	586	8,131	(8,178)	31,023
Income tax (expenses)/credit	(3,434)	(960)	(520)	(130)	(6)	(109)	(5,159)
PROFIT FOR THE PERIOD – SEGMENT RESULTS	20,210	2,664	2,696	456	8,125	(8,287)	25,864

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2023 and 31 December 2022, and other segment information for the six months ended 30 June 2023 and 2022 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Headquarters and others	Eliminations	Total
30 June 2023							
Segment assets	717,604	619,044	94,882	13,763	198,766	(151,380)	1,492,679
Segment liabilities	464,633	577,009	84,117	4,443	46,628	(14,373)	1,162,457
Six months ended 30 June 2023							
Other segment information:							
Capital expenditures	908	120	158	83	288	(439)	1,118
Depreciation and amortization	2,277	550	211	162	352	(1,054)	2,498
31 December 2022 (Restated)							
Segment assets	702,535	570,191	83,635	12,586	193,537	(146,197)	1,416,287
Segment liabilities	460,831	537,807	74,982	4,093	42,615	(8,934)	1,111,394
Six months ended 30 June 2022 (Restated)							
Other segment information:							
Capital expenditures	740	65	36	113	203	(97)	1,060
Depreciation and amortization	1,842	387	150	89	153	(137)	2,484
Interest income	6,635	7,610	1,107	45	698	111	16,206

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2022: 0.85%, 5.91%, and 6.14%), respectively, in the Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as Financial assets measured at fair value through other comprehensive income in headquarters and non-life segments on 30 June 2023 (31 December 2022: available-for-sale financial assets), while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

4. INSURANCE REVENUE AND EXPENSES

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Insurance revenue		
Contracts not measured under the PAA	23,066	23,975
Contracts measured under the PAA	223,818	203,821
TOTAL	246,884	227,796
Insurance service expenses		
Liability for remaining coverage	49,259	46,832
Liability for incurred claims	169,888	157,871
TOTAL	219,147	204,703

(Amounts in millions of Renminbi, unless otherwise stated)

5. NET INVESTMENT INCOME

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Interest income from financial assets not measured at fair value through profit or loss (a)	14,589	N/A
Net investment gains (b)	9,631	N/A
Net impairment losses on financial assets (c)	(295)	N/A
Dividend, interest and rental income (d)	N/A	21,397
Realised gains (e)	N/A	4,122
Fair value of unrealised gains (f)	N/A	92
Impairment losses (g)	N/A	(431)
TOTAL	23,925	25,180

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

	Six months ended 30 June 2023
Current and term deposits	2,532
Financial assets measured at fair value through other comprehensive income	5,469
Financial assets measured at amortized cost	6,441
Securities purchased under resale agreements	124
Others	23
TOTAL	14,589

(b) Net investment gains

	Six months ended 30 June 2023
Interest income	
– Financial assets measured at fair value through profit or loss	2,538
Dividend income	
– Equity instruments measured at fair value through other comprehensive income	1,636
– Financial assets measured at fair value through profit or loss	1,874
Lease income from investment properties	366
Subtotal	6,414
Realised investment gains	
Financial assets measured at fair value through profit or loss	1,020
Financial assets measured at fair value through other comprehensive income	1,120
Investments in associates and joint ventures	4
Financial assets measured at amortized cost	(1)
Subtotal	2,143
Unrealised investment gains	
Financial assets measured at fair value through profit or loss	1,156
Investment properties	(82)
Subtotal	1,074
TOTAL	9,631

(Amounts in millions of Renminbi, unless otherwise stated)

5. NET INVESTMENT INCOME (continued)

(c) Net impairment losses on financial assets

	Six months ended 30 June 2023
Financial assets measured at amortized cost	(68)
Debt instruments measured at fair value through other comprehensive income	(34)
Term deposits	16
Other financial assets	(209)
TOTAL	(295)

(d) Dividend, interest and rental income

	Six months ended 30 June 2022 (Restated)
Dividend income	
Equity securities, mutual funds and investment schemes	
– Available-for-sale	4,835
– At fair value through profit or loss	181
Subtotal	5,016
Interest income	
Current and term deposits	2,337
Debt securities	
– Held-to-maturity	4,217
– Available-for-sale	5,048
– At fair value through profit or loss	534
Loans and receivables	3,985
Subtotal	16,121
Operating lease income from investment properties	260
TOTAL	21,397

(e) Realised gains

	Six months ended 30 June 2022
Debt securities	
– Available-for-sale	1,497
– At fair value through profit or loss	108
Subtotal	1,605
Equity securities, mutual funds and investment schemes	
– Available-for-sale	2,906
– At fair value through profit or loss	(389)
Subtotal	2,517
TOTAL	4,122

(Amounts in millions of Renminbi, unless otherwise stated)

5. NET INVESTMENT INCOME (continued)

(f) Fair value gains

	Six months ended 30 June 2022
Debt securities	
– At fair value through profit or loss	(153)
Equity securities, mutual funds and investment schemes	
– At fair value through profit or loss	266
Investment properties	(21)
TOTAL	92

(g) Impairment losses

	Six months ended 30 June 2022
Available-for-sale	(454)
Held-to-maturity	(112)
Investments classified as loans and receivables	135
TOTAL	(431)

6. OTHER INCOME

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Asset management fee	654	584
Government grants	288	206
Commission income arising from the collection of motor vehicles and vessels taxes	92	114
Disposal gains from investment properties, property and equipment, intangible assets and land use rights	68	80
Others	814	665
TOTAL	1,916	1,649

(Amounts in millions of Renminbi, unless otherwise stated)

7. FINANCE COSTS

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Interest expenses		
Securities sold under agreements to repurchase	739	631
Bonds payable	700	1,111
Pension benefit obligation unwound	39	40
Interest on lease liabilities	34	44
Others	13	–
TOTAL	1,525	1,826

8. EXPLANATORY NOTE FOR SELECTED EXPENSES

The expenses incurred that were fulfilment cash flows are not presented in other operating expenses, but either presented as insurance service expenses or recognised as insurance acquisition cash flows according to IFRS 17.

The Group operates both defined contribution plans and defined benefits plans.

For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' wages. Employees who leave the scheme prior to vesting fully in the annuity scheme shall return part of the interests. The forfeited contributions can not be used by the Group to reduce the existing level of the annuity scheme contributions. The purpose of the forfeited contributions will be determined in due course. There are no forfeited contributions in the basic retirement insurance and unemployment insurance.

For defined benefit retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The Group employs a third-party actuary annually to conduct an actuarial assessment of the pension benefit scheme and issue a special actuarial report. At the end of 2022, Towers Watson was engaged to conduct an actuarial assessment of the pension benefit plan and issued the Actuarial Assessment Report for PICC Group as at 31 December 2022. The actuarial report was signed by Wu Haichuan, a North American actuary, a member of the American Association of Actuaries and a member of the China Association of Actuaries.

Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders in case when an insurance company in China goes into financial troubles.

(Amounts in millions of Renminbi, unless otherwise stated)

9. INCOME TAX EXPENSES

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Current tax	7,290	9,813
Adjustments in respect of prior years	63	14
Deferred tax	(3,134)	(4,668)
TOTAL	4,219	5,159

Certain operations of the Company's subsidiaries in the Western region and Hainan Province are entitled to tax benefits and their eligible taxable income is subject to an income tax rate of 15%. One of the Company's subsidiaries is recognised as a high-tech enterprise and its eligible taxable income is subject to an income tax rate of 15%. Except for the above-mentioned subsidiaries, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2022: 25%) on their respective taxable income in accordance with the relevant PRC income tax rules and regulations. Income taxes on taxable income elsewhere were 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.

10. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of basic earnings per share for the six months ended 30 June 2023 and the six months ended 30 June 2022 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Profit attributable to owners of the Company for the period	20,588	18,915
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Basic earnings per share (in RMB Yuan)	0.47	0.43

(Amounts in millions of Renminbi, unless otherwise stated)

10. EARNINGS PER SHARE (continued)

(b) Diluted Earnings Per Share

	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)
Profit attributable to owners of the Company for the period	20,588	18,915
Add: Adjustment of profit attributable to owners of the Company from the assumption of the convention of all the convertible bonds issued by an associate (note)	(1,617)	(921)
Profit attributable to owners of the Company for the calculation of diluted earnings per share	18,971	17,994
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Diluted earnings per share (in RMB Yuan)	0.43	0.41

Note: The associate of the Group, Industrial Bank issued convertible bonds with a share conversion period from 30 June 2022 to 26 December 2027, which meet potential ordinary shares under IAS 33. The adjustment of profit attributable to owners of the Company from the assumption of the convention of all the convertible bonds issued by the associate was considered in the calculation of diluted earnings per share.

11. DIVIDENDS

	Six months ended 30 June 2023	Six months ended 30 June 2022
Dividends recognised as distribution during the period:		
Year 2021 Final, paid-RMB14.70 cents per share	–	6,501
Year 2022 Final, paid-RMB16.60 cents per share	7,341	–

12. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Money at call and short notice	16,143	21,090
Deposits with banks with original maturity of no more than three months	400	275
Securities purchased under resale agreements with original maturity of no more than three months	14,616	19,234
TOTAL	31,159	40,599

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the condensed consolidated statement of financial position.

(Amounts in millions of Renminbi, unless otherwise stated)

13. DEBT SECURITIES

	31 December 2022
Classification of debt securities	
At fair value through profit or loss, at fair value	19,440
Available-for-sale, at fair value	318,421
Held-to-maturity, at amortized cost	198,393
TOTAL	536,254

As at 31 December 2022, all the debt securities at fair value through profit or loss are held for trading.

14. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES

	31 December 2022
Investments, at fair value	
Mutual funds	120,310
Shares	55,604
Investment schemes and others	72,692
Trust schemes	9,341
Subtotal	257,947
Investments, at cost less impairment	75
TOTAL	258,022

	31 December 2022
Classification by accounting categories	
Available-for-sale, at fair value	239,086
At fair value through profit or loss, at fair value	18,861
Available-for-sale, at cost less impairment	75
TOTAL	258,022

As at 31 December 2022, financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB7,104 million. The rest are held for trading. With the adoption of IFRS 9, financial assets designated at fair value through profit or loss under IAS 39 do not meet the criteria of the classifications of financial assets at amortized cost or financial assets at fair value through other comprehensive income under IFRS 9, therefore these financial assets became mandatorily measured at fair value through profit or loss.

(Amounts in millions of Renminbi, unless otherwise stated)

15. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	30 June 2023
Bond	
– Treasury bonds and government bonds	73,451
– Financial bonds	9,046
– Corporate bonds	30,559
Debt investment schemes	91,686
Trust schemes	85,747
Asset-backed plans and others	16,031
TOTAL	306,520
Less: Provision for expected credit losses	(1,780)
Net carrying value	304,740

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023
Debt instruments measured at fair value with changes recognised in other comprehensive income	
Bonds investment	
– Treasury bonds and government bonds	121,554
– Financial bonds	52,276
– Corporate bonds	136,790
Asset backed plans	2,933
Including:	
Amortized cost	295,141
Accumulated changes in fair value	18,412
Equity instruments measured at fair value with changes recognised in other comprehensive income	
Shares	14,762
Perpetual instruments	54,871
Other equity investments	11,505
Including:	
Amortized costs	78,277
Accumulated changes in fair value	2,861
TOTAL	394,691

As of June 30 2023, the impairment allowance of debt instruments measured at fair value through other comprehensive income was RMB466 million.

There are no significant disposals of equity instruments measured at fair value through other comprehensive income during the period.

(Amounts in millions of Renminbi, unless otherwise stated)

17. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023
Bond	
– Treasury bonds and government bonds	486
– Financial bonds	141,350
– Corporate bonds	16,473
Trust schemes	4,484
Asset-backed plans	1,462
Shares	32,478
Fund	113,486
Asset management products	12,530
Perpetual instruments	2,920
Other equity investments	43,431
TOTAL	369,100

As at 30 June 2023, the Group does not designate any financial assets (that would otherwise have been classified and measured at amortised cost or fair value through other comprehensive income) at fair value through profit or loss.

18. INSURANCE CONTRACT ASSETS AND LIABILITIES

Insurance contracts issued	30 June 2023	31 December 2022 (Restated)
Insurance contract assets	659	782
Insurance contract liabilities	951,526	883,055
Net insurance contract liabilities		
– Liability for remaining coverage	708,176	653,730
– Liability for incurred claims	242,691	228,543
TOTAL	950,867	882,273

19. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2023	31 December 2022
More than 3 months to 12 months	4,534	3,274
More than 1 year to 2 years	459	19
More than 2 year to 3 years	8,784	11,801
More than 3 years	85,637	86,086
TOTAL	99,414	101,180
Add: Interests receivables	1,786	N/A
Less: Impairment provisions	(190)	–
Net carrying value	101,010	101,180

(Amounts in millions of Renminbi, unless otherwise stated)

20. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2022
Debt investment schemes	88,833
Trust schemes	73,353
Asset management products	15,220
TOTAL	177,406
Less: Impairment provisions	(1,324)
Net carrying value	176,082

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Associates		
Cost of investment in associates	68,467	67,974
Share of post-acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable	78,173	75,313
Subtotal	146,640	143,287
Joint Ventures		
Cost of investment in associates	3,086	3,086
Share of post-acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable	(28)	(140)
Subtotal	3,058	2,946
TOTAL	149,698	146,233

Note: As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for the six months ended 30 June 2023, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2022 to 31 March 2023, taking into account any significant events or transactions for the period from 1 April 2023 to 30 June 2023.

Movement of investments in associates and joint ventures is as follows:

	1 January 2023	Additions	Disposals	Share of profit	Share of other comprehensive income	Share of other movement	Dividend received	Impairment	30 June 2023
Associates and Joint Ventures	146,233	530	(37)	7,359	59	2	(4,441)	(7)	149,698

(Amounts in millions of Renminbi, unless otherwise stated)

22. INVESTMENT PROPERTIES

	Six months ended 30 June 2023	Six months ended 30 June 2022
Balance at beginning of period	15,085	13,340
Additions	80	82
Transfer of property and equipment	974	959
Transfer of right-to-use assets	65	18
Revaluation gains generated from the transfer of property and equipment	347	239
Revaluation gains generated from the transfer of right-to-use assets	123	58
Changes in fair value of investment in property	(82)	(21)
Transfer out of property and equipment and right-to-use assets	(587)	(289)
Disposals	(3)	(9)
TOTAL	16,002	14,377

The Group's investment properties were revalued as at the end of the reporting period by independent professional valuers. Valuations were carried out by the following two approaches:

(1) The direct comparison approach assumes sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors; or

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

The fair value of the investment properties is usually determined by these approaches according to professional judgement. Therefore, these fair values are categorised as Level 3.

23. PROPERTY AND EQUIPMENT

During current interim period, the Group acquired assets with a cost of RMB596 million (six months ended 30 June 2022: RMB828 million).

Assets with a net book value of RMB57 million were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB16 million), resulting in a net disposal gain of RMB41 million (six months ended 30 June 2022: gain of RMB7 million).

During the six months ended 30 June 2023, construction in progress with an aggregate amount of RMB150 million (six months ended 30 June 2022: RMB214 million) was transferred to buildings.

Information on transfer to/from investment properties is set out in note 22.

(Amounts in millions of Renminbi, unless otherwise stated)

24. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into some new lease agreements for the use of office building and vehicles for 1-10 years. No significant variable payments are required in these agreements. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB756 million of right-of-use asset (six months ended 30 June 2022: RMB444 million) and RMB707 million lease liability (six months ended 30 June 2022: RMB441 million) relating to these new or modified leases.

As at 30 June 2023, the carrying amounts of right-of-use assets included RMB4,882 million of prepaid land premiums (31 December 2022: RMB4,802 million).

25. OTHER ASSETS

	30 June 2023	31 December 2022 (Restated)
Deductible input value-added tax	5,049	4,291
Receivables from co-insurers for amounts paid on behalf	3,272	2,818
Refundable deposits	2,114	1,469
Output value-added tax borne by policyholders	1,862	1,275
Prepayments and deposits	1,279	584
Securities settlement receivables	1,207	3,669
Loans and advances	913	898
Interest receivables	N/A	11,182
Others	6,469	6,015
TOTAL	22,165	32,201
Less: impairment provision on other assets	(2,308)	(2,151)
Net carrying value	19,857	30,050

26. BONDS PAYABLE

As at 30 June 2023, bonds payable represent supplementary capital bonds issued.

	30 June 2023	31 December 2022
Carrying amount repayable in		
– More than five years	37,378	43,356

Thel terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's capital supplementary bonds range from 3.29% – 3.68% in the first five years (2022: 3.59% – 5.05%) and 4.29% – 4.68% in the second five years (2022: 4.59% – 6.05%).

(Amounts in millions of Renminbi, unless otherwise stated)

27. OTHER LIABILITIES

	30 June 2023	31 December 2022 (Restated)
Salaries and welfare payable	28,126	26,865
Dividend payable	10,856	–
Payables to non-controlling interests of consolidated structures entities	7,958	6,662
Value added tax and other taxes payable	7,285	7,780
Premium payable	3,886	3,252
Premiums received in advance	2,985	4,685
Suppliers payable	2,044	2,055
Bank borrowings	718	548
Insurance deposit received	624	673
Interests payable	N/A	1,274
Others	11,819	11,191
TOTAL	76,301	64,985

28. ISSUED CAPITAL

	30 June 2023	31 December 2022
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224

29. RISK MANAGEMENT

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 22 to the condensed consolidated financial statements.

	Carrying amount		Fair value	
	30 June 2023	31 December 2022 (Restated)	30 June 2023	31 December 2022 (Restated)
Financial Assets				
Cash and cash equivalents	31,159	40,599	31,159	40,599
Financial assets measured at fair value through profit or loss	369,100	38,301	369,100	38,301
Available-for-sale	N/A	557,507	N/A	557,507
Held-to-maturity	N/A	198,393	N/A	215,334
Loans and receivables	N/A	176,082	N/A	179,070
Term deposits	101,010	101,180	101,010	101,180
Financial assets measured at amortized cost	304,740	N/A	319,042	N/A
Financial assets measured at fair value through other comprehensive income	394,691	N/A	394,691	N/A
Restricted statutory deposits	13,418	12,923	13,418	12,923
Other assets	10,170	23,283	10,170	23,283
Total financial assets	1,224,288	1,148,268	1,238,590	1,168,197
Financial Liabilities				
Securities sold under agreements to repurchase	81,228	100,890	81,228	100,890
Bonds payable	37,378	43,356	37,398	43,134
Other liabilities	35,324	24,580	35,324	24,580
Total financial liabilities	153,930	168,826	153,950	168,604

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

Items	Fair value 30 June 2023	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets measured at fair value through profit or loss	122,945	Level 1	Quoted bid prices in an active market.
Financial assets measured at fair value through profit or loss	198,281	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Financial assets measured at fair value through profit or loss	47,874	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Financial assets measured at fair value through other comprehensive income	29,110	Level 1	Quoted bid prices in an active market.
Financial assets measured at fair value through other comprehensive income	337,839	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Financial assets measured at fair value through other comprehensive income	3,114	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Financial assets measured at fair value through other comprehensive income	24,628	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

(Amounts in millions of Renminbi, unless otherwise stated)

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Items	Fair value 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss equity securities, mutual funds and investment schemes	5,395	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities, mutual funds and investment schemes	6,362	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
At fair value through profit or loss equity securities, mutual funds and investment schemes	7,104	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
At fair value through profit or loss debt securities	2,798	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	16,642	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale equity securities, mutual funds and investment schemes	117,667	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and investment schemes	63,501	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale equity securities, mutual funds and investment schemes	27,830	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Available-for-sale equity securities, mutual funds and investment schemes	30,088	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.
Available-for-sale debt securities	19,146	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	299,275	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.

During the six months ended 30 June 2023, the Group transferred certain financial assets with a carrying amount of RMB9,805 million (six months ended 30 June 2022: RMB13,820 million) from Level 1 to Level 2 due to changes in availability of quoted prices in active markets. The Group transferred certain financial assets with a carrying amount of RMB8,087 million (six months ended 30 June 2022: RMB22,599 million) from Level 2 to Level 1 during the current interim period due to changes in availability of quoted prices in active markets.

(Amounts in millions of Renminbi, unless otherwise stated)

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The levels of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

	Fair value hierarchy at 30 June 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at amortized cost	2,490	136,971	179,581	319,042
Financial liabilities				
Bonds payable	–	37,398	–	37,398

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 and Level 3 category above have been determined using discounted cash flows model, with most significant inputs being estimated cashflow and the discount rate that reflects the risk of counterparties and the Group.

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2023	Six months ended 30 June 2022
Ending balance of previous period	65,022	54,561
Change of accounting policy	6,150	–
Beginning of the period	71,172	54,561
Unrealised gains/(losses) recognised in other comprehensive income	1,277	(1,294)
Additions	6,683	5,303
Gains/(Losses) recognised in profit or loss	(1,031)	24
Disposals	(2,485)	(1,837)
End of the period	75,616	56,757

For Level 3 financial assets and liabilities, prices are determined based on the significant unobservable factors such as discounted rate and discount of liquidity as at 30 June 2023 and 30 June 2022. The transfers into or out of Level 3 fair value measurements were because of the changes of inputs in fair value measurements.

(Amounts in millions of Renminbi, unless otherwise stated)

31. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

(b) Capital commitments

	30 June 2023	31 December 2022
Property and equipment commitments:		
Contracted, but not provided for	564	674
Investment commitment:		
Contracted, but not provided for	1,267	1,244

32. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is the MOF.

(b) During the six months ended 30 June 2023 and 30 June 2022, the Group had the following significant related party transactions:

Transactions with associates	Six months ended 30 June 2023	Six months ended 30 June 2022
Industrial Bank		
Insurance policies sold	27	17
Investment income	338	375
Dividend	3,183	2,773
Claims Services	80	92
Handling charges and commissions	119	38
Hua Xia Bank		
Insurance policies sold	8	7
Dividend	982	866
Claims Services	1	2
Other associates		
Insurance policies sold	–	1
Investment income	4	23
Dividend	276	–
Other income	4	1
Purchase of spare parts	122	203
Other operating and administrative expenses	4	9

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

(Amounts in millions of Renminbi, unless otherwise stated)

32. RELATED PARTY DISCLOSURES (continued)

(c) Balances with related parties

Receivables from associates	30 June 2023	31 December 2022
Industrial Bank		
Cash and cash equivalents	2,281	4,352
Financial assets measured at fair value through other comprehensive income	651	N/A
Equity securities, mutual funds and investment schemes	N/A	670
Term deposits	13,742	13,679
Restricted statutory deposits	432	578
Other assets	54	36
Hua Xia Bank		
Cash and cash equivalents	4	25
Term deposits	35	38
Other associates		
Financial assets measured at fair value through other comprehensive income	132	N/A
Debt securities	N/A	1,651
Other assets	19	52

Payables to associates	30 June 2023	31 December 2022
Other associates		
Other liabilities	14	30

(d) Key management personnel

Key management personnel of the Company include certain Directors, Supervisors and Senior management.

No transactions have been entered with the key management personnel during the six months ended 30 June 2023 and the six months ended 30 June 2022 other than the emoluments paid to them (being the key management personnel compensation).

32. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with state-owned entities in the PRC

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

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

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

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

33. EVENT AFTER THE REPORTING PERIOD

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

Corporate Information

Chinese name:	中國人民保險集團股份有限公司
Abbreviation of Chinese name:	中國人保集團
English name:	THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
Abbreviation of English name:	PICC Group
Legal Representative:	Wang Tingke
Secretary to the Board:	Zeng Shangyou
Securities affairs representative:	Zeng Shangyou
Company secretary:	Ng Sau Mei
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Designated newspapers for the Company's announcement (A Shares):

China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Designated website for the Company's A Share announcement:

www.sse.com.cn

Place for listing of A Shares:	Shanghai Stock Exchange
Short form for A Share:	PICC
A Share stock code:	601319
Place for listing of H Shares:	The Stock Exchange of Hong Kong Limited
Short form for H Share:	PICC Group
H Share stock code:	1339

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PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor)

Domestic Auditor:

PricewaterhouseCoopers Zhong Tian LLP

Consulting Actuary:

Ernst & Young (China) Corporate Consulting Co., Ltd.

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中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED