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

中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

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

(Stock Code: 2328)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors of PICC Property and Casualty Company Limited (the "**Company**") announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021. This announcement sets out the full text of the 2021 Annual Report of the Company and fulfils the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

By Order of the Board
PICC Property and Casualty Company Limited
Luo Xi
Chairman

Beijing, the PRC, 25 March 2022

As at the date of this announcement, the Chairman of the Board is Mr. Luo Xi (non-executive director), the executive directors are Mr. Yu Ze and Mr. Jiang Caishi, Mr. Li Tao is a non-executive director, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Chu Bende and Ms. Qu Xiaohui.

Company Profile

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

PRINCIPAL ACTIVITIES

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

Contents

Financial Summary

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

RESULTS

	Year ended 31 December					
	2021	2020	Change	2019	2018	2017
	RMB million	*RMB million*	*%*	*RMB million*	*RMB million*	*RMB million*
						(Restated)
Gross written premiums	**449,533**	433,187	3.8	433,175	388,769	350,314
Underwriting profit	**1,521**	4,177	-63.6	3,177	5,304	8,705
Investment income	**17,996**	17,709	1.6	16,986	16,635	15,382
Net realised and unrealised gains/(losses) on investments	**3,634**	1,520	139.1	733	(1,226)	1,136
Share of profits or losses of associates and joint ventures	**4,524**	3,951	14.5	4,250	4,482	4,575
Profit before income tax	**26,028**	24,676	5.5	23,783	23,428	27,161
Income tax (expense)/credit	**(3,663)**	(3,808)	-3.8	496	(7,942)	(7,353)
Net profit for the year	**22,365**	20,868	7.2	24,279	15,486	19,808

In 2018, the Company and its subsidiaries amended its compositions of underwriting profit based on industry practice. The Company and its subsidiaries reclassified certain other income and other expenses which will no longer be eligible for inclusion in underwriting profit. Prior year comparative figures were revised accordingly, resulting in a reduction in underwriting profit of RMB590 million for the year ended 31 December 2017.

ASSETS AND LIABILITIES

	At 31 December					
	2021	2020	Change	2019	2018	2017
	RMB million	*RMB million*	*%*	*RMB million*	*RMB million*	*RMB million*
Total assets	**682,622**	646,801	5.5	596,081	550,619	524,566
Total liabilities	**476,973**	456,770	4.4	426,127	409,116	391,452
Total equity	**205,649**	190,031	8.2	169,954	141,503	133,114

Steady growth in business

RMB449,533 million
Gross written premiums

32.8%
Market share

Underwriting profitability outperformed the industry

RMB1,521 million
Underwriting profit

99.6%
Combined ratio

Total investment income hit a new high

RMB26,154 million
Total investment income

5.0%
Total investment yield

Continuous growth in overall profitability

RMB22,365 million
Profit for the Year

11.3%
Return on equity

Comprehensive strength enhanced steadily

RMB682,622 million
Total assets

RMB205,649 million
Total equity

Dividend payout ratio remained stable

RMB0.407
Proposed dividend per share

40%
Dividend payout ratio

Company Honours

BUSINESS STRENGTHS

21st Century Business Herald

Best Property Insurance Company of the Year 2021 in Asia

maintaining the title for 13 consecutive years

Top 100 Hong Kong Listed Companies Research Centre, Finet

Ranked 51st in the main list of "Top 100 in Comprehensive Strengths" of "HONG KONG STOCKS – TOP 100"

On list for 9 consecutive years

Hong Kong Ta Kung Wen Wei Media Group Limited, the Listed Company Association of Beijing and the Hong Kong Chinese Enterprises Association

Best Listed Company via Hong Kong Stock Connect

Moody's Investors Service

A1 insurance financial strength rating (Stable Outlook)

the highest level among the domestic insurance companies

National Business Daily

2021 "Gold Tripod Award" of Excellent Property Insurance Company of the Year

SOCIAL RESPONSIBILITY

Red Cross Society of China

Medal of Humanitarian Merit

awarded for the distinguished contribution to the fight against the COVID-19

International Finance Forum (IFF)

2021 Global Green Finance Award – Innovation Award

awarded to the "Forestry Carbon Sink Insurance"
the only insurance project winning the award

CLIENT SERVICE

CCCS Customer Contact Center Standard Committee

2020-2021 Best Customer Contact Center in China

Securities Times

Gold Medal Insurance Service Ark Award of the Year 2021

TECHNOLOGY INNOVATION

China Business News

Insurance Digitalisation Innovation Award of the Year

IDC Financial Insights

Excellent Case of Financial Middle Office

awarded to the "Driving Risk Management Platform"

Harvard Business Review China, BiMBA Business School of the National School of Development at Peking University and Tencent Enterprise WeChat

Enterprise Digitalisation Management Pioneer Award

Chairman's Statement

Mr. Luo Xi
Chairman

DEAR SHAREHOLDERS,

Time flows away. With the celebration for the 100th anniversary of the Communist Party of China (CPC) and the historical convergence of the "Two Centenary Goals", the year 2021 marked a milestone in the history of the CPC and our country. The giant ship of China, setting sails ahead and cleaving through waves, has made new achievements in its great journey. Marching ahead along with the country, the Company actively carried out its original aspiration and mission of "People's insurance serves the People", strengthened the overall leadership of the CPC, and firmly implemented PICC Group's "Excellent Insurance Strategy". Through deepening of reform and innovation and acceleration of transformation and development, the Company forged ahead steadily with vigorous efforts and delivered satisfactory results in the first year of the "Fourteenth Five-Year Plan".

In 2021, the Company actively coped with the macro-economic pressure and changing landscape of industry development, demonstrating strong resilience and competitiveness in terms of development. The original premium income reached RMB448,384 million, representing an increase of 3.8% as compared to the previous year. The market share increased year-on-year and continued to rank first in the industry. Total assets amounted to RMB682,622 million, net profit for the Year reached RMB22,365 million, representing an increase of 7.2% as compared to the previous year, total investment yield reached 5.0%, and return on equity reached 11.3%. The Company was awarded the "Best Property Insurance Company of the Year in Asia" for 13 consecutive years, the "Best Listed Company on the Hong Kong Stock Exchange", etc., and maintained the A1 insurance financial strength rating by Moody's, which is the highest rating among insurance companies in Chinese mainland, with high recognition of its brand influence and comprehensive strength from the society.

Bearing in mind the "country's most fundamental interests" and demonstrating the mission and responsibility of a central state-owned enterprise. We solidified our political responsibility of "working for the CPC, operating on behalf of the country, providing insurance for the people and striving for self-fulfillment of employees", proactively supported the Beijing 2022 Winter Olympic and Paralympic Games, solely insured China's first Mars exploration mission, and properly responded to major natural disasters such as the heavy rainfall in Henan Province, the typhoon "Fireworks", the earthquakes in Yunnan Province and Qinghai Province, etc. We did our best to provide disaster relief and claims settlement, especially during the period of the 7·20 heavy rainfall in Henan Province, when we took the lead in the industry to provide "undifferentiated rescue services", and took practical actions to deliver warm services of PICC. We contributed to the fight against the Covid-19, innovated vaccine insurance, established major public health emergency insurance mechanism and reinforced the safety defense against the epidemic. In 2021, the Company undertook insurance liability of RMB1,480.7 trillion.

Deepening strategic services and improving the quality and efficiency of insurance supply. We proactively served the construction of new development paradigm, and employed the new insurance logic of "Underwriting + Loss Reduction + Empowerment + Claim Settlement" to promote "Six Strategic Services", namely, serving the rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance. In 2021, the agriculture insurance provided risk coverage of RMB2.7 trillion for 80.64 million rural households, the number of new energy motor vehicles insured increased by 88.2% as compared to the previous year, the social medical insurance business covered 820 million people, and the Huimin Insurance business served over 44 million people. We launched the first domestic "Carbon Sink Loan" forest fire insurance, led the formation of the integrated circuit co-insurance alliance, and launched the innovative "Insurance for Extreme Weather", "Emergency Insurance" and "Urban Insurance", providing protection for the real economy and people's livelihood.

Conducting systematic reform and accelerating transformation. We carried out the central government's requirements on state-owned enterprise reforms, steadily promoted transformation and development in a flexible and practical way, and accelerated the building of a first-class insurance enterprise worldwide. We reframed the organisational structure by centering on customers, fully advanced business unit system, reconstructed the management and sales systems, and, through professional operation and penetrating management of channels, closed the "last mile" gap reaching towards the customers. We enhanced our operational mechanism to be more market-oriented, solved the long existing problem of "high-level egalitarian practice", and reframed the performance appraisal and remuneration incentive system to fully stimulate the enthusiasm and creativity of employees at all levels and take on a new look as a new PICC with new achievements.

Improving quality, reducing costs, increasing efficiency and steadfastly prioritising quality in business development. We conducted management of underwriting portfolio, and proactively reduced low quality business carrying high risk. We enhanced the management and control of profit leakage in claim settlement of motor vehicle insurance, and implemented the lean project of commercial non-motor vehicle insurance claim settlement, leading to an increase of RMB3.38 billion in claim loss reduction in 2021. We also reinforced the management of overall budgets, adjusted expense classification, aligned premiums with expenses, and strengthened differentiated and efficient allocation of expenses. We strictly controlled operation costs and expenses, effectively activated fixed assets and improved the efficiency of resource utilisation. Reinsurance management was centralised in the headquarters to effectively manage the business risk, reduce reinsurance cost and improve service level. In 2021, the combined ratio of the Company outperformed that of the industry.

Strengthening technological empowerment and speeding up the pace of innovation. We built the "PICC's Ark", the cloud platform for driving risk management, and developed management tools such as "Yun Zhi Bao" (耘智保) and "Smart Medical Assessment" (醫審智多星) to promote the deep integration of technology and business and enhance operational efficiency and customer experience. We upgraded the online platform operation model, optimised and remodeled the process. The online customer rate of household automobile insurance reached 93.5% and the online customer rate of diversified non-motor vehicle insurance reached 76.0%. We accelerated the transformation of the core business system, launched the "Digital PICC", the atomic service with Harmony OS and produced a batch of insurance technological inventions with full property rights, high technological value and high value of application.

Forestalling risks and ensuring sound development of the Company. Risk prevention was placed at a prominent position in the Company. We strengthened risk prevention and control in key areas, conducted a special campaign to "fight against counterfeits and reduce such claims", and proactively adjusted financing credit and surety insurance business, with existing risk of which being generally cleared. Premium receivable platform was put into use to maintain the receivable rate at a reasonable level. We optimised corporate governance structure and obtained the highest corporate governance evaluation rating from the CBIRC; enhanced the internal control and compliance system, reinforced the comprehensive risk management, improved risk management platform tools, promoted the implementation of the second-phase of the "C-ROSS", and firmly upheld the bottom line of no systemic risk.

Under the impact of unprecedented epidemic in a century, changes unseen in a century accelerate and the external environment becomes more complicated, grim and uncertain. The economy of our country is facing pressure from demand contraction, supply shocks and weakening expectations; however, the fundamentals of our economy remain resilient and positive in a long-term prospective. The construction of new development paradigm has speeded up, boosting upgrades of insurance demand and supply. The industry is picking up speed in transformation and upgrade. Therefore, the Company is facing a rare historical development opportunity as well as new risks and challenges.

The sea is vast, the voyage long; just ride on the wind and set sail for the journey ahead. The 20th CPC Congress will be held in 2022, which is a significant year for the Company to deepen its reform and innovation and boost high-quality development. We will adhere to the guidance of Xi Jinping's thought of socialism with Chinese characteristics for a New Era, strengthen the leadership of the CPC in a comprehensive way, carry forward the great spirit of building the CPC, firmly implement the new development philosophy, deeply implement PICC Group's "Excellent Insurance Strategy". We will take the construction of a new development paradigm with service as the core, deepening of the supply-side structural reform of insurance as main direction, and reform of system and mechanism as impetus, and become a company empowered by science and technology and driven by innovation, with priority in quality and direction towards excellence. We will deliver more excellent results to give back to our customers, shareholders, employees and society, and embrace the 20th CPC National Congress!

Luo Xi
Chairman

Beijing, the PRC
25 March 2022

Serving 「the Country's most fundamental interests」

We have proactively supported the Beijing 2022 Winter Olympic and Paralympic Games, solely insured China's first Mars exploration mission, and properly responded to major natural disasters such as the heavy rainfall in Henan Province, the typhoon "Fireworks", the earthquakes in Yunnan Province and Qinghai Province, etc. We did our best to provide disaster relief and claims settlement. During the 7·20 heavy rainfall in Henan Province in particular, we took the lead in the industry to provide "undifferentiated rescue services", living up to "People's Insurance Company with Warmth".

Advancing Six Strategic Services

We actively integrated our development into the building of a new development paradigm, deepened the supply-side structural reform of insurance, and implemented "Six Strategic Services", serving the rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance. With the new insurance logic of "Underwriting + Loss Reduction + Empowerment + Claim Settlement", we have constantly innovated products, services and business models to meet the people's aspiration for a better life.

Discussion and Analysis of Operating Results and Financial Conditions

I. PERFORMANCE HIGHLIGHTS

In 2021, in the face of the impact of COVID-19, deepening of comprehensive reform of motor vehicle insurance and intensified market competition, the Company and its subsidiaries focused on the six strategic areas including rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance. The Company and its subsidiaries innovated product and service solutions in a customer-centric approach to serve the needs of the country and actively implemented the new logic of insurance and the supply-side structural reform of insurance to further improve the quality and efficiency of insurance supply. The Company and its subsidiaries comprehensively promoted the reform of system and mechanism, implemented the professional operation and penetrating management of channels and reframed the customer-centric management system and sales system to inject power and vitality into the development of the Company. The Company and its subsidiaries strengthened control over high-risk business, upgraded the actuarial pricing model, realized centralized management of reinsurance business at the headquarters, and improved the underwriting and reinsurance management. The Company and its subsidiaries refined resource allocation, reconstructed expense classification, strengthened differentiated and efficient allocation of expenses, and promoted claim losses reduction, making new progress in quality improvement, cost reduction and efficiency enhancement. The Company and its subsidiaries strengthened overall risk management, enhanced risk prevention in key areas, and promoted the construction of corporate governance, internal control and compliance and risk management system, which further reinforced the foundation of risk management. With the solid promotion of various reform measures, we have formed a new model of high-quality development and opened a new chapter of reform and transformation.

OPTIMISED BUSINESS STRUCTURE, STRONGER ENGINE FOR BUSINESS DEVELOPMENT

In 2021, the Company and its subsidiaries achieved gross written premiums of RMB449,533 million, representing a year-on-year increase of 3.8%. The Company's market share was 32.8% *(Note)* in the property and casualty insurance market of the PRC. In the face of outside challenges, the Company and its subsidiaries actively aligned with the trend of reform, concentrated on business quality improvement and business structure adjustment. For one thing, the Company and its subsidiaries vigorously developed the household automobile insurance business, the market share of the business had a year-on-year increase of 1.4 percentage points and its premium percentage in motor vehicle insurance had a year-on-year increase of 1.0 percentage point, which was a historic high, with prominent industry leading advantages and continuous improvement in the structure and quality of motor vehicle insurance business. For another, the Company and its subsidiaries consolidated and expanded the advantages of policy-oriented businesses, as well as vigorously extended development space for commercial non-motor vehicle insurance. Non-motor vehicle insurance businesses achieved gross written premiums of RMB194,258 million, representing a year-on-year increase of 16.0%, which accounted for 43.2% of the total, representing a year-on-year increase of 4.5 percentage points. The overall business structure was more balanced.

Gross written premiums
RMB449,533 million

Market share
32.8%

Note: Calculated based on the data of the PRC insurance industry published on the website of the CBIRC. Beginning from June 2021, the aggregate data of property insurance industry published by the CBIRC was exclusive of certain institutions undergoing settlement of risks in the insurance industry.

SOLIDIFIED PROFIT FOUNDATION, STEADY COMPREHENSIVE STRENGTH

Net profit for the Year

RMB**22,365** million

Return on equity

11.3%

In 2021, the Company and its subsidiaries adhered to high-quality development, achieved a profit before income tax of RMB26,028 million, representing a year-on-year increase of 5.5%. Among others, insurance business segment proactively confronted with comprehensive reform of motor vehicle insurance and the impacts of heavy rainfall, typhoon and other major disasters, focusing on quality improvement, cost reduction and efficiency enhancement, and achieved a combined ratio of 99.6%, continuously outperforming the industry. The investment segment achieved a total investment income of RMB26,154 million, representing a year-on-year increase of 12.8%. The net profit for the Year was RMB22,365 million, representing a year-on-year increase of 7.2%. The return on equity was 11.3%. The total assets amounted to RMB682,622 million and the net assets amounted to RMB205,649 million, representing an increase of RMB35,821 million and RMB15,618 million as compared to the beginning of the year, respectively. The net loss and loss adjustment expense reserves accounted for 37.1% of net earned premiums, representing a year-on-year increase of 3.0 percentage points. The comprehensive solvency margin ratio was 284%, remaining stable. Due to its outstanding industry position and continuous improvement in overall strengths, the Company was awarded the "Best Property Insurance Company of the Year 2021 in Asia", "Best Listed Company Via Hong Kong Stock Connect", etc. Moody's Investors Service continued to maintain the Company's insurance financial strength rating of A1, the highest rating on the Chinese Mainland.

UPGRADING SERVICE CAPABILITY, ENHANCED CUSTOMERS' LOYALTY

Renewal rate of household automobile insurance

75.9%

The Company and its subsidiaries practiced customer-centric business philosophy, innovated product and service solutions, strengthened the protection for consumers' rights and interests, continuously improved service processes and enhanced customer experience, resulting in a greater scale of customers and enhanced customers' loyalty. As at the end of 2021, the number of individual customers reached 110 million, representing an increase of 10.1% from the beginning of the year, and the number of group customers reached 3.833 million, representing an increase of 9.5% from the beginning of the year. The renewal rate for automobile insurance was 73.1%, representing a year-on-year increase of 2.1 percentage points, and the renewal rate for household automobile insurance was 75.9%, representing a year-on-year increase of 2.8 percentage points. The service capability of 95518 customer service center continued to improve and won the "Best Call Center" award for 14 consecutive years. At the same time, the Company accelerated the online migration and digital construction, and achieved new results in digital transformation. In 2021, the online customer rate of household automobile insurance reached 93.5%, representing a year-on-year increase of 4.5 percentage points, and the online customer rate of diversified non-motor vehicle insurance reached 76.0%, representing a year-on-year increase of 11.1 percentage points. The online platforms such as "PICC" APP, WeChat official account and official website served over 85 million customers. Premium income from "PICC e-Tong" APP amounted to RMB86,245 million, representing a year-on-year increase of 33.2%.

SERVING THE NATIONAL ECONOMY AND PEOPLE'S LIVELIHOOD, DEMONSTRATING CORPORATE RESPONSIBILITIES

The Company and its subsidiaries actively served the national strategies, the economic and social development and improvement of people's livelihood. In 2021, the Company and its subsidiaries undertook an aggregated insurance liability of RMB1,480.7 trillion, which was 13 times of the GDP in the same year, and settled 80.04 million claims in total. The Company implemented "Six Strategic Services" to serve rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance, and provided insurance coverage of RMB818.1 trillion, covering 1.26 billion people and 1.245 million enterprises and institutions. "Huimin Insurance" achieved premium income of RMB2.311 billion, covering more than 44 million people. "Rural Insurance" achieved premium income of RMB26.46 billion, representing a year-on-year increase of RMB2.85 billion (or 12%). The Company spared no effort to support the fight against the Covid-19, innovated vaccine insurance and established major public health emergency insurance mechanism, which provided risk coverage of RMB1.52 trillion for 137 million people and 61,000 enterprises and institutions. The Company proactively served the Beijing 2022 Winter Olympic and Paralympic Games, and escorted China's first Mars exploration mission, "Warrior in the deep sea" manned submersible, Fengyun-4 No.2 satellite and other national major projects. The Company properly responded to major natural disasters, such as the 7·20 heavy rainfall in Henan Province, the typhoon "Fireworks", the heavy precipitation in Shanxi Province, the earthquakes in Yunnan Province and Qinghai Province, etc., did its best to provide disaster relief and claims settlement, took the lead in the industry to provide "undifferentiated rescue services", and established emergency insurance claim settlement mechanism. With such practical actions, the Company performed in comformity with "the People's Insurance Company with Warmth".

II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

(I) INSURANCE BUSINESS

1. Business Overview

Underwriting results

In 2021, the gross written premiums of the Company and its subsidiaries amounted to RMB449,533 million, representing a year-on-year increase of RMB16,346 million (or 3.8%). The business growth was largely driven by the growth in accidental injury and health insurance, agriculture insurance, liability insurance and cargo insurance businesses. Impacted by the comprehensive reform of motor vehicle insurance as well as major disasters such as heavy rainfall and typhoon, the loss ratio was 73.7%, representing a year-on-year increase of 7.5 percentage points. While continuously improving the claim settlement service capability, the Company and its subsidiaries concentrated on "cost reduction and efficiency enhancement". The expense ratio was 25.9%, representing a year-on-year decrease of 6.8 percentage points; and the combined ratio was 99.6%, representing a year-on-year increase of 0.7 percentage point. Excluding the impacts of the 7·20 heavy rainfall in Henan Province and the typhoon "Fireworks", the combined ratio decreased by 0.3 percentage point as compared to the previous year.

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*%*
Gross written premiums	**449,533**	433,187	3.8
Net earned premiums	**396,997**	393,127	1.0
Net claims incurred	**(292,588)**	(260,320)	12.4
Total expenses	**(102,888)**	(128,630)	-20.0
Underwriting profit	**1,521**	4,177	-63.6
Loss ratio (%)	**(73.7)**	(66.2)	Increase by 7.5 pp
Expense ratio (%)	**(25.9)**	(32.7)	Decrease by 6.8 pp
Combined ratio (%)	**(99.6)**	(98.9)	Increase by 0.7 pp

Distribution channels

The following table sets forth the direct written premiums of the Company and its subsidiaries by distribution channels for the relevant periods:

	Year ended 31 December				
	2021			2020	
	Amount	Percentage	Change	Amount	Percentage
	RMB million	*%*	*%*	*RMB million*	*%*
Insurance agents	**279,707**	**62.4**	**-2.0**	285,328	66.0
Among which:					
Individual insurance agents	**149,731**	**33.4**	**0.9**	148,438	34.4
Ancillary insurance agents	**38,426**	**8.6**	**-10.5**	42,933	9.9
Professional insurance agents	**91,550**	**20.4**	**-2.6**	93,957	21.7
Direct sales	**130,017**	**29.0**	**15.0**	113,033	26.2
Insurance brokers	**38,660**	**8.6**	**14.9**	33,658	7.8
Total	**448,384**	**100.0**	**3.8**	432,019	100.0

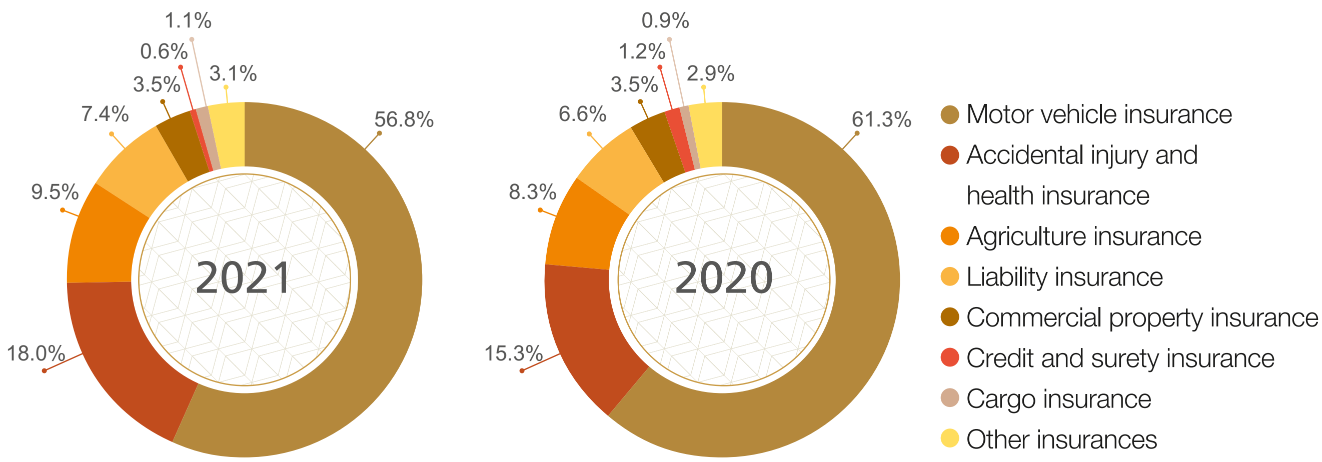
Geographical segments

The following table sets forth the direct written premiums of the Company and its subsidiaries by top ten regions for the relevant periods:

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	%
Guangdong Province	**44,774**	41,522	7.8
Jiangsu Province	**44,144**	42,343	4.3
Zhejiang Province	**35,849**	34,213	4.8
Shandong Province	**27,410**	25,860	6.0
Hebei Province	**24,205**	24,252	-0.2
Sichuan Province	**22,309**	21,362	4.4
Hunan Province	**19,217**	17,983	6.9
Hubei Province	**18,424**	17,473	5.4
Fujian Province	**18,039**	16,576	8.8
Anhui Province	**17,664**	17,381	1.6
Other regions	**176,349**	173,054	1.9
Total	**448,384**	432,019	3.8

2. Operating results by insurance segments

Composition of gross written premiums



(1) Motor vehicle insurance

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*%*
Gross written premiums	**255,275**	265,651	-3.9
Net earned premiums	**243,833**	254,249	-4.1
Net claims incurred	**(170,890)**	(147,573)	15.8
Total expenses	**(66,271)**	(97,867)	-32.3
Underwriting profit	**6,672**	8,809	-24.3
Loss ratio (%)	**(70.1)**	(58.0)	Increase by 12.1 pp
Expense ratio (%)	**(27.2)**	(38.5)	Decrease by 11.3 pp
Combined ratio (%)	**(97.3)**	(96.5)	Increase by 0.8 pp

In 2021, the Company and its subsidiaries actively aligned with the trend of comprehensive reform of motor vehicle insurance, thoroughly carried out the regulatory reform logic of "increasing the coverage, decreasing the premium rate and enhancing the quality", and continued to optimise the operating model of motor vehicle insurance business and enhance channel performance to maintain renewed businesses, and optimise the transferred-in insurance businesses. The renewal rate of commercial motor vehicle insurance and compulsory motor vehicle insurance increased by 2.0 and 2.1 percentage points, respectively, as compared to the previous year, and their corresponding amount of vehicles insured increased by 11.3% and 9.9%, respectively, as compared to the previous year. Due to the decrease in premium rate, the average premium income per motor vehicle decreased as compared to the previous year, and the gross written premiums of the motor vehicle insurance for the first three quarters in 2021 dropped by RMB16,280 million (or -8.2%) while the gross written premiums had a year-on-year increase of RMB5,904 million (or 8.9%) in the fourth quarter of 2021. The gross written premiums of the motor vehicle insurance for 2021 was RMB255,275 million, which decreased by RMB10,376 million (or -3.9%) as compared to the previous year.

After the implementation of the comprehensive reform of motor vehicle insurance, the coverages of compulsory motor vehicle insurance and motor vehicle damage insurance were expanded and value-added services were included in the insurance clauses, increasing the insurance coverages for customers. While providing better services to customers, in order to ensure operating profitability, the Company and its subsidiaries proactively improved pricing model, continued to optimise business quality and business structure and raise the utilisation efficiency of expenses and resources. The commission rate of motor vehicle insurance was 7.8%, representing a year-on-year decrease of 5.4 percentage points; and the expense ratio was 27.2%, representing a year-on-year decrease of 11.3 percentage points. Due to the decrease in the average premium per motor vehicle, the increase in insurance liabilities and the impacts of the 7·20 heavy rainfall in Henan Province, the loss ratio of the motor vehicle insurance increased by 12.1 percentage points to 70.1% as compared to the previous year; the combined ratio was 97.3%, representing a year-on-year increase of 0.8 percentage point; and the underwriting profit was RMB6,672 million, representing a year-on-year decrease of RMB2,137 million (or -24.3%).

(2) Accidental injury and health insurance

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

	Year ended 31 December		
	2021 *RMB million*	2020 *RMB million*	Change %
Gross written premiums	**80,692**	66,187	21.9
Net earned premiums	**76,526**	63,428	20.7
Net claims incurred	**(65,192)**	(55,900)	16.6
Total expenses	**(13,286)**	(8,346)	59.2
Underwriting loss	**(1,952)**	(818)	—
Loss ratio (%)	**(85.2)**	(88.1)	Decrease by 2.9 pp
Expense ratio (%)	**(17.4)**	(13.2)	Increase by 4.2 pp
Combined ratio (%)	**(102.6)**	(101.3)	Increase by 1.3 pp

In 2021, while successfully consolidating the established advantages of social medical insurance businesses and developing new critical illness insurance programs, the Company and its subsidiaries further developed various other new policy-oriented health insurance businesses, and the social medical insurance business maintained steady growth. In terms of commercial accidental injury and health insurance, the Company and its subsidiaries constantly improved the penetration rate of household automobile customers, increased further development of customer demands. The individual non-social medical insurance business, such as accidental injury insurance for drivers, "Huimin Insurance" and million-coverage medical insurance, developed rapidly. The overall accidental injury and health insurance business achieved gross written premiums of RMB80,692 million, representing a year-on-year increase of RMB14,505 million (or 21.9%).

The Company and its subsidiaries strengthened procedural monitoring on project risks, optimised the procedure of claim settlement, improved system functions, enhanced controls over claim costs, resulting in an accidental injury and health insurance loss ratio of 85.2%, representing a year-on-year decrease of 2.9 percentage points. Impacted mainly by the intensified market competition, the overall accidental injury and health insurance recorded an expense ratio of 17.4%, representing a year-on-year increase of 4.2 percentage points; the combined ratio of overall accidental injury and health insurance was 102.6%, which increased by 1.3 percentage points as compared to the year 2020; and the underwriting loss was RMB1,952 million, the underwriting loss for the year 2020 was RMB818 million.

(3) Agriculture Insurance

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*%*
Gross written premiums	**42,769**	36,121	18.4
Net earned premiums	**30,274**	25,966	16.6
Net claims incurred	**(24,694)**	(19,405)	27.3
Total expenses	**(6,058)**	(6,505)	-6.9
Underwriting (loss)/profit	**(478)**	56	—
Loss ratio (%)	**(81.6)**	(74.7)	Increase by 6.9 pp
Expense ratio (%)	**(20.0)**	(25.1)	Decrease by 5.1 pp
Combined ratio (%)	**(101.6)**	(99.8)	Increase by 1.8 pp

In 2021, the Company and its subsidiaries implemented the central government's pilot work of full cost and income insurance for the three policy-oriented major crops, took the initiative to serve the ecological conservation and the work of "Six Priorities" and "Stability in Six Areas", continuously promoted product innovation, enriched and optimised product supply, and realised the leapfrog development of new and special insurance types. The policy-oriented business and commercial business grew simultaneously, and the scale of plant insurance, livestock and agriculture insurance and forestry insurance business increased comprehensively. The gross written premiums of the overall agriculture insurance business reached RMB42,769 million, representing a year-on-year increase of RMB6,648 million (or 18.4%).

Due to the impact of natural disasters such as rainstorms, typhoons, freezes and droughts as well as diseases, net claims incurred of agriculture insurance was RMB24,694 million, representing a year-on-year increase of 27.3%, and the loss ratio was 81.6%, which increased by 6.9 percentage points as compared to the year 2020. The agriculture insurance recorded an underwriting loss of RMB478 million, as compared to an underwriting profit of RMB56 million in the year 2020. The Company and its subsidiaries strengthened expense control and continuously reduced operating costs, resulting in an agriculture insurance expense ratio of 20.0%, which decreased by 5.1 percentage points year-on-year.

(4) Liability Insurance

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	%
Gross written premiums	**33,134**	28,467	16.4
Net earned premiums	**22,436**	19,697	13.9
Net claims incurred	**(15,223)**	(12,236)	24.4
Total expenses	**(8,856)**	(6,918)	28.0
Underwriting (loss)/profit	**(1,643)**	543	—
Loss ratio (%)	**(67.9)**	(62.1)	Increase by 5.8 pp
Expense ratio (%)	**(39.5)**	(35.1)	Increase by 4.4 pp
Combined ratio (%)	**(107.4)**	(97.2)	Increase by 10.2 pp

In 2021, the Company and its subsidiaries seized opportunities of promulgation of the new Work Safety Law of the People's Republic of China, proactively responded to the changing trend of market demands, promptly adjusted product marketing strategies, and continued to promote integrated development of businesses, with large growth in work safety liability insurance, public liability insurance, etc. The liability insurance achieved gross written premiums of RMB33,134 million, representing a year-on-year increase of RMB4,667 million (or 16.4%).

In 2021, as the claim standard of personal injuries increased in step with the rise in the average social income level, the claim cost of personal injury-involved insurance increased, leading to an overall loss ratio of the liability insurance of 67.9%, representing a year-on-year increase of 5.8 percentage points. Due to the decrease in the percentage of policy-oriented business, the expense ratio of liability insurance was 39.5%, representing a year-on-year increase of 4.4 percentage points, and the underwriting loss was RMB1,643 million, as compared to an underwriting profit of RMB543 million in the previous year.

(5) Commercial property insurance

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	%
Gross written premiums	**15,912**	14,957	6.4
Net earned premiums	**8,158**	8,548	-4.6
Net claims incurred	**(7,396)**	(5,784)	27.9
Total expenses	**(3,205)**	(3,108)	3.1
Underwriting loss	**(2,443)**	(344)	—
Loss ratio (%)	**(90.7)**	(67.7)	Increase by 23.0 pp
Expense ratio (%)	**(39.3)**	(36.4)	Increase by 2.9 pp
Combined ratio (%)	**(130.0)**	(104.1)	Increase by 25.9 pp

In 2021, the continuous and steady recovery of domestic economy and the increase in insurance awareness of enterprises led to a gradual release of insurance demand. The Company and its subsidiaries actively seized market opportunities to meet the demand for protection against risks. Businesses like property all risks insurance and property comprehensive insurance developed in a fast pace. Commercial property insurance achieved gross written premiums of RMB15,912 million, representing a year-on-year increase of RMB955 million (or 6.4%).

Due to the impact of natural disasters and large claims as well as the decrease in net earned premiums as compared to the previous year, the loss ratio of the commercial property insurance was 90.7%, representing a year-on-year increase of 23.0 percentage points, and the expense ratio was 39.3%, representing a year-on-year increase of 2.9 percentage points. The commercial property insurance recorded underwriting losses of RMB2,443 million and RMB344 million in 2021 and 2020, respectively.

(6) Credit and surety insurance

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*%*
Gross written premiums	**2,840**	5,283	-46.2
Net earned premiums	**5,289**	11,409	-53.6
Net claims incurred	**(2,674)**	(14,225)	-81.2
Total expenses	**(853)**	(2,288)	-62.7
Underwriting profit/(loss)	**1,762**	(5,104)	—
Loss ratio (%)	**(50.6)**	(124.7)	Decrease by 74.1 pp
Expense ratio (%)	**(16.1)**	(20.1)	Decrease by 4.0 pp
Combined ratio (%)	**(66.7)**	(144.8)	Decrease by 78.1 pp

In 2021, the Company and its subsidiaries continued to strengthen risk control, the gross written premiums of the financing credit and surety insurance decreased by RMB3,104 million (or -98.4%) as compared to the previous year. The gross written premiums of the non-financing credit and surety insurance increased by RMB661 million (or 31.0%) as compared to the previous year. The overall credit and surety insurance achieved gross written premiums of RMB2,840 million, representing a year-on-year decrease of RMB2,443 million (or -46.2%).

The Company and its subsidiaries actively adjusted the business structure through continuous clearance of the risk of existing businesses of financing credit and surety insurance, continued to strengthen subrogation and process control, strictly controlled the quality of new business, thus, the risks of the financing credit and surety insurance business were effectively resolved, and the financing credit and surety insurance business recorded a subrogation income of RMB2,596 million. The loss ratio of the overall credit and surety insurance was 50.6%, representing a year-on-year decrease of 74.1 percentage points. The financing credit and surety insurance recorded a profit, which was a turnaround, and the non-financing credit and surety insurance continued to maintain a decent underwriting profitability. The combined ratio of credit and surety insurance in total was 66.7%, which decreased by 78.1 percentage points as compared to the previous year. The credit and surety insurance in total achieved an underwriting profit of RMB1,762 million, as compared to an underwriting loss of RMB5,104 million in the previous year.

(7) Cargo insurance

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*%*
Gross written premiums	**4,814**	3,807	26.5
Net earned premiums	**2,944**	2,566	14.7
Net claims incurred	**(1,548)**	(1,118)	38.5
Total expenses	**(1,136)**	(1,008)	12.7
Underwriting profit	**260**	440	-40.9
Loss ratio (%)	**(52.6)**	(43.6)	Increase by 9.0 pp
Expense ratio (%)	**(38.6)**	(39.3)	Decrease by 0.7 pp
Combined ratio (%)	**(91.2)**	(82.9)	Increase by 8.3 pp

In 2021, the Company and its subsidiaries seized opportunities brought by the rebound in import and export trade and domestic logistics, and vigorously developed high-quality businesses. In addition, the rising global commodity prices drove up the sum insured, promoting fast development of the cargo insurance. The gross written premiums of cargo insurance was RMB4,814 million, representing a year-on-year increase of RMB1,007 million (or 26.5%).

The Company and its subsidiaries promoted loss reduction in the claim side, and applied intelligent risk monitoring platform for strengthening post-insurance risk control of cargo insurance. However, due to the low claim frequency base in the previous year as a result of the traffic and logistics control during the Covid-19, the loss ratio of cargo insurance increased by 9.0 percentage points to 52.6% in 2021. Through differentiated management of sales expenses, the expense ratio decreased by 0.7 percentage point to 38.6% as compared to the previous year. The combined ratio was 91.2%, representing a year-on-year increase of 8.3 percentage points; and the underwriting profit was RMB260 million, representing a year-on-year decrease of RMB180 million (or -40.9%).

(8) Other insurances

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*%*
Gross written premiums	**14,097**	12,714	10.9
Net earned premiums	**7,537**	7,264	3.8
Net claims incurred	**(4,971)**	(4,079)	21.9
Total expenses	**(3,223)**	(2,590)	24.4
Underwriting (loss)/profit	**(657)**	595	—
Loss ratio (%)	**(66.0)**	(56.2)	Increase by 9.8 pp
Expense ratio (%)	**(42.8)**	(35.7)	Increase by 7.1 pp
Combined ratio (%)	**(108.8)**	(91.9)	Increase by 16.9 pp

In 2021, the Company and its subsidiaries fully grasped the policy and market opportunities, focused on the different insurance demands from corporate customers and individual customers, and enhanced the construction of the professional personnel, technological tools and operation platforms. The Company and its subsidiaries vigorously developed the non-motor vehicle insurance businesses, achieving gross written premiums of RMB14,097 million for other insurances, representing a year-on-year increase of RMB1,383 million (or 10.9%). Except for a slight decrease in the gross written premiums of hull insurance as compared to the previous year, which was due to the slowdown in the growth rate of inland waterway fleet business and the decline in the premium rates of some businesses, special risk insurance, household property insurance and construction insurance all achieved rapid growth in gross written premiums as compared to the previous year. The gross written premiums of special risk insurance was RMB4,438 million, representing a year-on-year increase of RMB609 million (or 15.9%); the gross written premiums of household property insurance was RMB3,814 million, representing a year-on-year increase of RMB475 million (or 14.2%); the gross written premiums of construction insurance was RMB3,561 million, representing a year-on-year increase of RMB401 million (or 12.7%); and the gross written premiums of hull insurance was RMB2,284 million, representing a year-on-year decrease of RMB102 million (or -4.3%).

Due to natural disasters and intensified market competition, household property insurance, construction insurance and hull insurance of the Company and its subsidiaries all had an increase in loss ratio and expense ratio as compared to the previous year. The loss ratio of other insurances in total was 66.0%, representing a year-on-year increase of 9.8 percentage points, and the expense ratio was 42.8%, representing a year-on-year increase of 7.1 percentage points. The underwriting loss was RMB657 million, as compared to an underwriting profit of RMB595 million in the previous year.

(II) INSURANCE FUNDS INVESTMENT BUSINESS

1. Investment results

	Year ended 31 December		
	2021	2020	Change
	RMB million	RMB million	%
Investment income	17,996	17,709	1.6
Net investment income	**17,996**	17,709	1.6
Net realised and unrealised gains on investments	3,634	1,520	139.1
Share of profits or losses of associates and joint ventures	4,524	3,951	14.5
Total investment assets	**26,154**	23,180	12.8
Net investment yield* (%)	3.5	3.6	Decrease by 0.1 pp
Total investment yield** (%)	5.0	4.8	Increase by 0.2 pp
Total investment assets***	534,072	507,525	5.2

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

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

*** Based on the data as at 31 December 2021 and 31 December 2020.

2. Investment income

	Year ended 31 December		
	2021	2020	Change
	RMB million	RMB million	%
Operating lease income from investment properties	277	259	6.9
Interest income	14,341	14,447	-0.7
Dividend income	3,378	3,003	12.5
Total of investment income	17,996	17,709	1.6

In 2021, investment income of the Company and its subsidiaries was RMB17,996 million, representing an increase of RMB287 million (or 1.6%) from RMB17,709 million in the previous year, mainly because the Company properly increased investment in equity assets with dividend distribution and fixed income assets, which led to an increase of RMB375 million (or 12.5%) in interest income.

3. Net realised and unrealised gains on investments

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	%
Realised gains on investments	**4,380**	4,583	-4.4
Unrealised gains/(losses) on investments	**251**	(72)	—
Impairment losses	**(928)**	(3,031)	-69.4
Fair value (losses)/gains on investment properties	**(69)**	40	—
Total of net realised and unrealised gains on investments	**3,634**	1,520	139.1

In 2021, the realised and unrealised gains on investments of Company and its subsidiaries achieved RMB3,634 million, representing an increase of RMB2,114 million (or 139.1%) as compared to 2020, which was mainly due to increased provisions on risk events in certain equity projects in 2020.

4. Share of profits or losses of associates and joint ventures

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	%
Share of profits or losses of associates and joint ventures	**4,524**	3,951	14.5

In 2021, share of profits of associates and joint ventures of the Company and its subsidiaries amounted to RMB4,524 million, representing a year-on-year increase of RMB573 million (or 14.5%), mainly due to the positive operating performance of the Company's major associate and the corresponding increase in share of profit attributed to the Company and its subsidiaries.

5. *Composition of investment assets*

	31 December 2021			31 December 2020	
	Balance	Percentage	Change	Balance	Percentage
	RMB million	*%*	*%*	*RMB million*	*%*
By category:					
Cash and cash equivalents	**17,414**	**3.3**	**-33.5**	26,192	5.2
Term deposits	**73,574**	**13.8**	**3.7**	70,943	13.9
Debt securities	**172,851**	**32.3**	**2.6**	168,511	33.2
Equity securities and mutual funds	**143,804**	**26.9**	**29.9**	110,734	21.8
Investments classified as loans and receivables	**58,638**	**11.0**	**-13.7**	67,944	13.4
Investment properties	**5,851**	**1.1**	**27.1**	4,603	0.9
Investments in associates and joint ventures	**56,945**	**10.7**	**6.9**	53,262	10.5
Other investment assets *(Note)*	**4,995**	**0.9**	**-6.4**	5,336	1.1
Total investment assets	**534,072**	**100.0**	**5.2**	507,525	100.0

Note: Other investment assets mainly included capital security fund.

As of 31 December 2021, the investment assets of the Company and its subsidiaries were RMB534,072 million, representing an increase of RMB26,547 million (or 5.2%) as compared to the beginning of the Year. The improvement of operational cash flow provided capital support to the steady increase of the investment assets. At the meantime, the Company adhered to a long-term and prudent investment philosophy, proactively controlled risks in accordance with conditions of currency market and capital market, continuously optimised the investment structure and quality of investment portfolio, achieving a balance of return and risk.

6. *Investments in associates and joint ventures*

As of 31 December 2021, the investments in associates and joint ventures of the Company and its subsidiaries achieved RMB56,945 million, representing an increase of RMB3,683 million (or 6.9%) as compared to the beginning of the Year, as described in Note 24 to the consolidated financial statements.

7. *Material investment*

The Company and its subsidiaries held 16.660% of the equity in Hua Xia Bank which was classified as an associate and accounted using the equity method. The purpose of the investment was to facilitate business interaction and gain stable investment returns. As at 31 December 2021, the carrying amount of equity held by the Company and its subsidiaries in Hua Xia Bank was RMB39,972 million, accounting for approximately 5.9% of the total assets of the Company and its subsidiaries, and the fair value was RMB14,354 million, accounting for approximately 2.1% of the total assets of the Company and its subsidiaries. Detailed information of investment in such associate was described in Note 24 to the consolidated financial statements.

8. Asset pledge

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

(III) OVERALL RESULTS

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

	Year ended 31 December		
	2021 *RMB million*	2020 *RMB million*	Change *%*
Profit before income tax	**26,028**	24,676	5.5
Income tax expense	**(3,663)**	(3,808)	-3.8
Net profit for the year	**22,365**	20,868	7.2
Total assets *(Note)*	**682,622**	646,801	5.5
Net assets *(Note)*	**205,649**	190,031	8.2

Note: Based on the data as at 31 December 2021 and 31 December 2020.

Profit before income tax

As a result of the foregoing, the profit before income tax of the Company and its subsidiaries in 2021 was RMB26,028 million, representing an increase of RMB1,352 million (or 5.5%) as compared to the profit before income tax of RMB24,676 million in 2020.

Income tax expense

In 2021, the Company and its subsidiaries recorded an income tax expense of RMB3,663 million, representing a decrease of RMB145 million (or -3.8%) as compared to the income tax expense of RMB3,808 million in 2020. The decrease in income tax expense was mainly due to the increase in non-taxable profit.

Net profit for the year

As a result of the foregoing, the net profit for the Year increased to RMB22,365 million from RMB20,868 million in 2020, representing an increase of RMB1,497 million (or 7.2%), and basic earnings per share was RMB1.005.

III. SPECIFIC ANALYSIS

(I) ANALYSIS OF LIQUIDITY AND CAPITAL ADEQUACY

Cash Flow Analysis

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

	Year ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	*RMB million*
Net cash flows from generated operating activities	**16,336**	12,811	3,525
Net cash flows used in investing activities	**(8,158)**	(29,390)	21,232
Net cash flows (used in)/generated from financing activities	**(16,845)**	10,409	-27,254
Net foreign exchange differences	**(111)**	(158)	47
Net decrease in cash and cash equivalents	**(8,778)**	(6,328)	-2,450

In 2021, the net cash flows generated from operating activities of the Company and its subsidiaries amounted to RMB16,336 million, representing a year-on-year increase of RMB3,525 million (or 27.5%). In 2021, as a result of the comprehensive reform of motor vehicle insurance and impacts of major disasters, claim settlement paid in cash increased. The Company and its subsidiaries strengthened management of credit on premiums receivable and process control as well as put more efforts on premium collection assessment, enhanced control over costs and expenses, resulting in a steady increase in premiums received, a significant decrease in operating expenses paid in cash, and an increase in net cash inflow from operating activities.

In 2021, the net cash flows used in investing activities of the Company and its subsidiaries amounted to RMB8,158 million, while net cash flows used in investing activities in 2020 was RMB29,390 million. In 2021, the Company and its subsidiaries balanced income and risk, maintained the scale of investment at a reasonable level, resulting in a decrease in net cash flows used in investing activities as compared to the previous year.

In 2021, the net cash flows used in financing activities of the Company and its subsidiaries amounted to RMB16,845 million, as compared to net cash flows generated from financing activities of RMB10,409 million in 2020. The Company and its subsidiaries redeemed capital supplementary bonds of RMB15,000 million in 2021, and received RMB8,000 million of cash from issuance of capital supplementary bonds in 2020.

As of 31 December 2021, cash and cash equivalents of the Company and its subsidiaries amounted to RMB17,414 million.

Gearing Ratio

As of 31 December 2021, the gearing ratio *(Note)* of the Company and its subsidiaries was 68.7%, representing an increase of 1.7 percentage points as compared to the gearing ratio of 67.0% as of 31 December 2020.

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

Source of Working Capital

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

The Company issued capital supplementary bonds of RMB8,000 million in March 2020, with a term of 10 years.

Save for the capital supplementary bonds mentioned above, the Company and its subsidiaries did not obtain working capital by borrowing.

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

Capital Expenditure

The capital expenditure of the Company and its subsidiaries primarily includes expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. In 2021, the capital expenditure of the Company and its subsidiaries was RMB2,417 million.

Solvency Margin

	31 December 2021 *RMB million*	31 December 2020 *RMB million*	Change %
Actual capital	**207,421**	207,246	0.1
Core capital	**194,361**	179,290	8.4
Minimum capital	**73,082**	71,757	1.8
Comprehensive solvency margin ratio (%)	**284**	289	Decrease by 5 pp
Core solvency margin ratio (%)	**266**	250	Increase by 16 pp

(II) RISK MANAGEMENT

Credit Risk

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

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

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

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

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

Exchange Rate Risk

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

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

Interest Rate Risk

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

Interest Rate Swaps

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

(III) OTHER SPECIFIC ANALYSIS

Contingent Events

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

As of 31 December 2021, there were certain pending legal proceedings of the Company and its subsidiaries. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not induce significant impact on the operation of the Company and its subsidiaries.

Events after the Reporting Period

On 25 March 2022, the Board of the Company proposed a final dividend of RMB0.407 per ordinary share for the year ended 31 December 2021, approximately RMB9,053 million in total, which is subject to the approval of shareholders' general meeting of the Company.

Development of New Products

In 2021, the Company focused on hot spots of the market and customers' demand, and developed a total of 2,657 new insurance provisions, among which, 1,463 national provisions, 1,194 regional provisions, 1,378 main insurance provisions and 1,279 rider provisions. Among these new provisions, the Company registered 1,663 insurance provisions on the self-help registration platform of the Insurance Association of China and 30 insurance provisions on the platform of Shanghai Institute of Marine Insurance, filed 945 agriculture insurance provisions and agriculture-related provisions with the CBIRC's Insurance Provisions Electronic Filing System and filed 19 model provisions of commercial motor vehicle insurance.

Employees

As of 31 December 2021, the Company had 171,508 employees. In 2021, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB34,750 million, mainly including basic salaries, performance related bonuses, and various insurance and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by providing various career development paths, strengthening employee trainings, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

IV. LOOKING FORWARD

2022 is the year of the 20th CPC Congress and a significant year for the comprehensive promotion of PICC's "Excellent Insurance Strategy". The Company and its subsidiaries will adhere to the guidance of Xi Jinping's thought of socialism with Chinese characteristics for a New Era, strengthen the leadership of the CPC, and conscientiously carry out the Group's "Excellent Insurance Strategy". We will stay firm in our belief and strive for change and innovation to serve the people. We will accelerate the construction of a new model of high-quality development and greet the 20th CPC Congress with better results.

(I) TO COMPREHENSIVELY PROMOTE THE "SIX STRATEGIC SERVICES" AND ENHANCE THE ABILITY TO SERVE THE NEW DEVELOPMENT PARADIGM

We will focus on the needs of individual, corporate and government customers, enrich the content of the six strategic services, accelerate product and service innovation and expand business development space. We will vigorously develop personal insurance business such as motor vehicle insurance, "Huimin Insurance", accidental insurance for drivers, service-oriented household property insurance, etc., to build three ecosystems centering on car, house and health, and serve people's aspiration for a better life. We will pursue high-quality development of corporate business, expand insurance supply and increase penetration rate in areas such as helping to protect market entities, scientific and technological self-reliance and self-improvement, the construction of new infrastructure and new urbanisation initiatives as well as major projects, carbon peaking and carbon neutrality strategy, social governance, and the opening-up policy. We will consolidate and enhance the development advantages of government-related business such as agriculture insurance and social medical insurance to serve rural revitalisation and the construction of a healthy China. We will develop financing credit and surety insurance business at a high quality by focusing on improving professional capabilities, and build an integrated risk management system that penetrates and covers the whole process. We will strengthen regional synergy, formulate and implement a list of services for the government, and enhance the ability to serve regional development and market competitiveness.

(II) TO STRENGTHEN MANAGEMENT OF KEY POINTS AND IMPROVE PROFESSIONAL OPERATION CAPABILITY

We will innovate and upgrade the management model, establish the operation mechanism of business management committee, carry out comprehensive governance of commercial non-motor vehicle business with high loss ratio, and improve the profitability of commercial non-motor vehicle business. New development logic will be implemented in the form of risk reduction management operation platform and risk research and development center, bolstering the high-quality development of the Company. We will establish and improve the independent underwriter system and increase the application of intelligent underwriting to improve the underwriting quality. To improve the quality of claim settlement, we will deepen digitalisation of claims and centralised operation of claims at headquarters and provincial branches, and promote the online settlement of small cases and centralised management of large claims. We will promote artificial intelligence and 95518 platform, improve customer journey management application, and strengthen the protection of consumers' rights and interests, performing as the people's insurance company with warmth through practical actions.

(III) TO DEEPEN THE REFORM OF SYSTEM AND MECHANISM TO BOOST DEVELOPMENT IMPETUS AND VITALITY

In terms of human resources, we will establish a market-oriented talent selection mechanism that highlights grassroots experience and practical capability, and put more younger officials in position. To enhance the organisational vitality, we will establish qualification systems for professional and technical sequences such as underwriting, claims, actuarial, science and technology, and promote the implementation of the basic law for sales staff. In terms of finance, we will implement comprehensive budget management, establish a decision-making unit mechanism, promote cost reduction and efficiency enhancement, and improve resource allocation efficiency. As of IT, we will promote the standardisation of business information, integration of core systems, and customer-orientation of transaction systems, enhancing digital capabilities in a comprehensive way.

(IV) TO IMPROVE RISK MANAGEMENT MECHANISM AND GUARD THE BOTTOM LINE OF NO SYSTEMIC RISKS

We will improve modern corporate governance, promote the organic connection between corporate governance and operation management, strengthen comprehensive risk management, promote the construction of risk compliance committee and establish a major risk management mechanism. The Company will take the opportunity of the implementation of the "C-ROSS" Phase II project, improve the risk management panorama, apply the quantitative risk management model, and implement rigid control over risks of the whole process. We will carry out comprehensive risk identification to ensure that the potential risks are effectively controlled.

(V) TO OPTIMISE ASSET PORTFOLIO AND STABILISE INVESTMENT INCOME

We will strictly control the scale of equity assets, properly adjust the proportion of secondary market equity investment, carefully select equity investment projects and optimise the portfolio; maintain the proportion of fixed income assets, uphold credit risk standards, and actively allocate financial products and bank deposits with the goal of stabilising the yield; further improve the efficiency of capital utilisation while ensuring the overall liquidity of the Company.

Biographical Details of Directors, Supervisors and Other Senior Management

DIRECTORS

Luo Xi, aged 61, a Master, a senior economist, a Non-executive Director and the Chairman of the board of directors of the Company. Mr. Luo worked in Agricultural Bank of China* from December 1987 to December 2009, during which, he was appointed as an Assistant to President and the General Manager of International Business Department in January 2002, Vice President in March 2004, and an Executive Director and Vice President in December 2008. From December 2009 to November 2013, he served as an Executive Director and Vice President of Industrial and Commercial Bank of China Limited*. From November 2013 to January 2016, he served as the Vice Chairman of the board of directors and the General Manager of China Export & Credit Insurance Corporation. From January 2016 to August 2018, he served as the Vice Chairman of the board of directors and General Manager of China Resources (Holdings) Company Limited. From August 2018 to September 2020, he was the Chairman of the board of directors of China Taiping Insurance Group Ltd. (China Taiping Insurance Group (HK) Company Limited), and also served as the Chairman of the board of directors of China Taiping Insurance Holdings Company Limited**, Taiping Life Insurance Company Limited and Taiping Asset Management Company Limited. Mr. Luo was appointed as an Executive Director and the Chairman of the board of directors of The People's Insurance Company (Group) of China Limited* since October 2020. Mr. Luo also serves as a Non-executive Director and the Chairman of the board of directors of PICC Asset Management Company Limited, a Non-executive Director and the Chairman of the board of directors of The People's Insurance Company of China (Hong Kong), Limited. Since May 2019, he has served as the Honorary President of Insurance Association of China. Since July 2021, he has served as a Vice President of China Society for Finance and Banking. Mr. Luo graduated from the Postgraduate Department of People's Bank of China in December 1987 and received a master's degree in economics.

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

Yu Ze, aged 50, a university graduate, an Executive Director and the President of the Company. Mr. Yu joined the People's Insurance Company of China (the "PICC") in July 1994 and worked until July 2003. From July 2003 to October 2006, Mr. Yu served as the Deputy General Manager of the Motor Vehicle Insurance Department of Tianjin Branch of the Company. He worked at The Tai Ping Insurance Company Limited (Taiping General Insurance Co., Ltd.) from October 2006 to December 2019 and served as the General Manager of the Tianjin Branch in February 2007, Marketing Director in May 2009, Assistant General Manager in April 2010, Deputy General Manager in October 2012, Deputy General Manager (in charge) in October 2015, and the General Manager in September 2016. He also served as a Director of Taiping Reinsurance Brokers Limited, the Chairman of the board of directors of Taiping Science and Technology Insurance Co., Ltd., a Director of Taiping-Starr Holdings, LLC and a Director of Taiping-Starr Insurance Agency, Inc. Mr. Yu was appointed as the Vice President of The People's Insurance Company (Group) of China Limited* since December 2019 and he also serves as a Non-executive Director and the Chairman of the board of directors of PICC Financial Services Company Limited. Mr. Yu once served as the Responsible Compliance Officer and Chief Risk Officer of The People's Insurance Company (Group) of China Limited* and the Chairman of the board of directors of PICC Investment Holding Company Limited. Mr. Yu graduated from Nankai University in July 1994 with a bachelor's degree in economics.

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

Jiang Caishi, aged 56, Ph.D., a senior economist, an Executive Director and a Vice President of the Company. Mr. Jiang currently is also the Director Member of Specialized Committee on Non-Motor Vehicle Property Insurance and the Associate Director Member of Specialized Committee on Rural Revitalisation of the Insurance Association of China, the President of China Integrated Circuit Insurance Pool, the Vice President of China Classification Society and the General Conference Chairman of the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool. Mr. Jiang joined PICC in 1988 and was seconded to New York, U.S.A. for 2 years. Mr. Jiang was previously the General Manager of the International Insurance Department of PICC Tianjin Branch, Deputy General Manager of PICC Tianjin Branch, General Manager of the Property Insurance Department of PICC, General Manager of the Group Insurance Marketing and Management Department and General Manager of the Large-Scale Commercial Risk Insurance Department of the Company, General Manager of Shenzhen Branch of the Company, General Manager of the Agriculture Insurance Department of the Company, a Senior Specialist and concurrently the General Manager of the Business Development Department of The People's Insurance Company (Group) of China, an Executive Vice President, the Chairman of the Supervisory Committee and a Supervisor of the Company. Mr. Jiang once served as the first General Conference Chairman of the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool and the Chairman on Duty of China Agriculture Insurance and Reinsurance Community. Mr. Jiang resigned as the Chairman of the Supervisory Committee and a Supervisor of the Company on 12 March 2020. Mr. Jiang has 34 years of substantial experience in operation and management in the PRC insurance industry.

Li Tao, aged 56, Ph.D., a senior economist, a Non-executive Director of the Company. Mr. Li is currently the Chairman of the Supervisory Committee of PICC Life Insurance Company Limited. Mr. Li began his career in 1985 and previously taught at Beijing University of Aeronautics and Astronautics. He joined PICC in 1998 and was previously the Deputy General Manager of the Research and Development Center and the Planning and Statistics Department of PICC, Deputy General Manager and General Manager of the Secretariat of the Board of Directors of the Company, and the General Manager of the Development and Reform Department, General Manager of the Policy Research Office, a Senior Specialist of The People's Insurance Company (Group) of China and the Secretary of the Board of Directors of The People's Insurance Company (Group) of China Limited*. Mr. Li graduated from Renmin University of China with a master's degree in philosophy in 1993 and graduated from the Party School of the Central Committee of the Communist Party of China with a doctorate degree in economics in 1998. He has 37 years of substantial experience in research and management.

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

Lin Hanchuan, aged 73, Ph.D., a professor, a doctoral supervisor, enjoying the special government allowance awarded by the State Council, an Independent Non-executive Director of the Company. Mr. Lin is the Honorary Dean of the Chinese SME Research Institute of Zhejiang University of Technology and the Chief Expert of the New and Core Professional Think Tank of Zhejiang Province for Transformation and Upgrading of SME. Mr. Lin was formerly the Dean of the School of Economics of Zhongnan University of Economics and Law, the Deputy Director of the University Academic Committee and the Deputy Director of the Academic Degree Committee of the University of International Business and Economics, an Independent Director of Hubei Kaile Science and Technology Co., Ltd.* and an Independent Non-executive Director of Shengang Securities Co., Ltd. He has received over 20 awards at or above provincial and ministerial level such as the First Class Award for Outstanding Achievements in Humanities and Social Science Studies by National Institute of Higher Education. Mr. Lin graduated from Zhongnan University of Economics and Law with a doctorate degree in economics. Mr. Lin has substantial experience in the areas of economic and management research.

* This company is listed on the Shanghai Stock Exchange.

Lo Chung Hing (Silver Bauhinia Star), aged 70, an Independent Non-executive Director of the Company. Mr. Lo was a member of the Selection Committee of the 1st and the 2nd Government of Hong Kong, a member of the Election Meeting of the 9th to the 13th National People's Congress of Hong Kong, a member of the 9th National People's Congress of China and a member of the Executive Officer Election Committee of Hong Kong in 2007 and 2012. Mr. Lo was previously an Independent Non-executive Director and the Vice Chairman of the Airport Authority of Hong Kong, an Independent Non-executive Director of Mass Transit Railway Corporation Limited (now known as "MTR Corporation Limited"*) and MTR Corporation Limited* (now known as "MTR Corporation Limited"*), a member of the Hospital Authority of Hong Kong, an Independent Non-executive Director of the Urban Renewal Authority of Hong Kong, a member of the Financial Services Advisory Committee of the Trade Development Council of Hong Kong, the Chairman of the Hospital Governing Committee of Hong Kong Kowloon Hospital and Eye Hospital, and an Independent Non-executive Director of China Shanshui Cement Group Limited*. Mr. Lo was also a Deputy General Manager of the Hong Kong Branch of Bank of China (now known as "Bank of China (Hong Kong) Limited"**) and he worked in Bank of China (Hong Kong) Limited** as the Chief Adviser of the Operation Committee and so on. During his employment in the bank, he was a Rotating Alternate Chairman of the Hong Kong Association of Banks. Mr. Lo graduated from The University of Hong Kong with an MBA degree and has substantial experience in public management and financial industry.

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

** This company is the major operating subsidiary of and wholly owned by BOC Hong Kong (Holdings) Limited***.

*** This company is listed on the Hong Kong Stock Exchange and traded in the form of American depositary receipts in U.S.A.

Chu Bende, aged 68, a postgraduate of the Party School of the Central Committee of the Communist Party of China, a senior economist, and an Independent Non-executive Director of the Company. Mr. Chu is currently the Deputy Director Member of the China Digital Economy Investment and Financing Alliance, an adjunct professor of University of International Business and Economics and an external adjunct tutor of postgraduate students majored in finance of Zhejiang University, and was previously the Deputy Director of the Office of the State Administration of Foreign Exchange ("SAFE"), Director-General of the General Affairs Department and Director-General of the Supervision and Inspection Department of SAFE, Deputy Secretary of the Party Committee and Vice President of Shenyang Branch of the People's Bank of China and concurrently Deputy President of Liaoning Branch of SAFE, and Executive Deputy Director (department or bureau level) of Staff Union Work Committee of the People's Bank of China, the Chairman and the Secretary-General of the China Foundation for Development of Financial Education, a Consultant of the National Internet Finance Association of China, the Chairman of the Financial Consumer Protection and Training Committee, and he has published, edited and compiled 8 books, and published dozens of byline articles on newspapers and periodicals such as *People's Daily*, *Financial News* and *China Finance Journal*. Mr. Chu graduated from Chinese Academy of Social Sciences and afterwards graduated from the Party School of the Central Committee of Communist Party of China, respectively majoring in currency banking and history of the Communist Party of China. Mr. Chu has substantial experience in public management and financial industry.

Qu Xiaohui, aged 67, Ph.D., an Independent Non-executive Director of the Company. Ms. Qu is a member of the Department of Social Sciences, a retired professor and Doctoral Supervisor of Xiamen University, and is currently a professor, a Doctoral Supervisor and the leader of the Accounting Discipline of Harbin Institute of Technology, Shenzhen, and an expert enjoying the special government allowance awarded by the State Council. Ms. Qu is the first female Ph.D. of Economics (Accounting) and the first female doctoral supervisor in accounting in China, the promoter of demonstration of the set-up of national Master of Professional Accounting (MPAcc). Ms. Qu was a Deputy Dean of the Graduate School of Xiamen University, Director of the Center for Accounting Development Studies of Xiamen University, Director of Financial Management and Accounting Research Institute of Xiamen University, a consultant to the Accounting Standards Committee of the Ministry of Finance of the PRC and an Independent Non-executive Director of ZTE Corporation*, Yunnan Baiyao Group Co., Ltd.**, Guangzhou Baiyun Electric Equipment Co., Ltd.*** and SDIC Essence Co., Ltd.***. Ms. Qu is currently a consultant to the China National Steering Committee of Professional Accounting Degree Education, and a member of the Social Sciences Committee of the Ministry of Education, a Vice Chairman of China Cost Research Society, the Director of the Standing Committee of Guangdong-Hong Kong-Macao University Accounting Union and an Independent Non-executive Director of SKSHU Paint Co., Ltd.*** and Qingdao Doublestar Co., LTD**. Ms. Qu graduated from Xiamen University with a doctorate degree in economics and has substantial experience in the areas of accounting research and financial management.

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

** These companies are listed on the Shenzhen Stock Exchange.

*** These companies are listed on the Shanghai Stock Exchange.

SUPERVISORS

Zhang Xiaoli, aged 57, a postgraduate, a Master, the Chairman of the Supervisory Committee of the Company. Mr. Zhang was a troop leader of the Chinese People's Liberation Army from 1980 to 2000. He joined PICC in 2000 and was previously the Manager of the Disciplinary and Supervisory Office of PICC, Deputy General Manager of the Monitoring Department of the Company, General Manager of the Office of the Board of Directors and the President Office of PICC Life Insurance Company Limited, and Secretary of the Commission for Discipline Inspection, an Executive Vice President, Secretary of the Board of Directors, the Responsible Compliance Officer, the Responsible Auditing Officer and General Manager of the Secretariat of the Board of Directors and Office of the Supervisory Committee of the Company. Mr. Zhang graduated from China Europe International Business School with an MBA degree. Mr. Zhang has 22 years of substantial management experience in the PRC insurance industry.

Wang Yadong, aged 51, a Master, an economist, a Shareholder Representative Supervisor of the Company since March 2019. Mr. Wang is currently the General Manager of the Audit Department/Audit Center and an Employee Representative Supervisor of The People's Insurance Company (Group) of China Limited*. Mr. Wang joined PICC in 1995, and was previously the Deputy Manager of the Property Insurance Division, General Manager of the Underwriting Management Department, General Manager of the Property Insurance Business Department, the Large-scale Commercial Risk Insurance Department, the Marine Hull and Cargo Insurance Business Department and the Reinsurance Department of PICC Hubei Branch, and the Senior Manager of the Business Coordination Division of Business Development Department, Senior Manager of the Infrastructure Office, Deputy General Manager of the Infrastructure Office of the South Information Centre (Phase II) and General Manager of the Infrastructure Office of The People's Insurance Company (Group) of China Limited*. Mr. Wang graduated from Hunan Institute of Finance with a bachelor's degree in management and afterwards graduated from Huazhong University of Science and Technology with a master's degree in business management. Mr. Wang has 27 years of substantial experience in operation and management in the PRC Insurance Industry.

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

Lu Zhengfei, aged 58, Ph.D., a professor, a doctoral supervisor, an Independent Supervisor of the Company since January 2011. Mr. Lu is currently a Professor of Accounting and Doctoral Supervisor of Guanghua School of Management of Peking University, the Director of the Research Center for Financial Analysis and Financial Investment of Peking University, an Executive Director and concurrently the Deputy Director of the Professional Committee for Financial Management of the Chinese Accounting Association. Mr. Lu is also a member of the Editorial Committees of *Accounting Research* and *Auditing Research*. He is an Independent Non-executive Director of Sino Biopharmaceutical Limited*, Zhejiang Tailong Commercial Bank Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd and an Independent Director of China Cinda Asset Management Co., Ltd.*, CMB International Capital Corporation Limited and Xinjiang Tianshan Cement Company Limited**. Mr. Lu was previously an Independent Non- executive Director of the Company, Bank of China Limited*** and China Nuclear Engineering & Construction Corporation Limited****, Lian Life Insurance Co., Ltd. and Beijing Turen Urban Planning and Design Co., Ltd. Mr. Lu was elected into the "100 Outstanding Persons' Research Program" as a man of talent in social science theories in Beijing in 2001, the "New Century Excellent Scholarship Program" of the Ministry of Education of the PRC in 2005, the "Accountant Specialist Training Project" of the Ministry of Finance of the PRC in 2013, and as a Cheung Kong Chair Professor of the Ministry of Education of the PRC in 2014. Mr. Lu graduated from Nanjing University with a doctorate degree in economics and completed the post-doctoral research on economics (accounting) at Renmin University of China.

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

Gao Hong, aged 55, a university graduate, an engineer, an Employee Representative Supervisor of the Company since February 2017. Ms. Gao joined PICC in 1996 and was previously the Deputy Manager of the Education and Training Division of the Human Resources Department of PICC, Manager of the Training Division of the Human Resources Department, Assistant General Manager, Deputy General Manager of the Education and Training Department, Deputy General Manager of the Education and Training Department and concurrently Director of the Exam Center (department manager level), Deputy General Manager of the Trade Union Work Department (in charge, department manager level) of the Company, the Deputy Chairman of the Staff Union Committee and General Manager of the Staff Union Work Department of the Company. Ms. Gao has 26 years of operation and management experience in the PRC insurance industry.

Wang Xiaoli, aged 59, a full-time university graduate, a bachelor of agriculture, a senior accountant and an Employee Representative Supervisor of the Company since 12 May 2020. Ms. Wang started work in 1983 and has engaged in the economic management work for many years. She joined The People's Insurance Company (Group) of China Limited* in March 2016, and was previously the Deputy General Manager (in charge) of the Audit Department of PICC Capital Investment Management Co., Ltd., the Deputy General Manager (manager level) of the Supervision Department/ Audit Department of the Company, the Senior Expert and Deputy General Manager and General Manager of the Audit Department/Office of the Board of Supervisors of the Company. Ms. Wang has 29 years of substantial management experience in economic and insurance industries.

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

OTHER SENIOR MANAGEMENT

Fu Lianghua, aged 55, a postgraduate, a Master of Military Science, the Secretary of the Discipline Inspection Commission of the Company. Mr. Fu served the People's Liberation Army from October 1983 to December 2016. He joined China Life Insurance Company Limited* in December 2016, successively serving as the Deputy General Manager of the Audit and Supervision Department, the Secretary of the Discipline Inspection Commission of Jilin Branch, a member of the Party Committee and the Director of the Trade Union (headquarters department general manager level). Mr. Fu joined The People's Insurance Company (Group) of China Limited* since April 2018, successively serving as the Deputy General Manager of General Office (department manager level), the Deputy Director of the Party Committee Office, the General Manger of General Office and the Director of the Party Committee Office. Mr. Fu graduated successively from China People's Liberation Army Sports College and China People's Liberation Army National Defence University. Mr. Fu has 30 years of substantial management experience.

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

Zhang Daoming, aged 46, a postgraduate, a Master of Business Administration, an economist, the Vice President of the Company. Mr. Zhang was the Deputy Division Chief of the Comprehensive Planning Division of the Human Resources Department and the Deputy Division Chief of the Market Research Division of the Strategic Development Department of the Company, the Deputy General Manager of the Human Resources Department of Anbang Property & Casualty Insurance co., LTD, the Assistant to the General Manager, the Deputy General Manager, the Deputy General Manager (in charge) of the Market Research Department/Channel Management Department of the Company, a member of Party Committee and the Deputy General Manager of Zhejiang Provincial Branch of the Company and the General Manager of Compliance Department/Risk Management Department of the Company, the Secretary of Party Committee and the General Manager of Jiangxi Provincial Branch and Guangdong Provincial Branch of the Company and an Assistant to the President of the Company. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University with a master's degree in business administration. Mr. Zhang has 23 years of substantial management experience in the PRC insurance industry.

Lv Chen, aged 50, a university graduate, a Master of Business Administration, a senior economist, an Associate of President of the Company, the Secretary of Party Committee and the General Manager of Jilin Provincial Branch of the Company. Mr. Lv served as Secretary of Youth League Committee (Deputy Manager level) of PICC Property Insurance Company, the Manager of Foreign Affairs Division, Assistant to the General Manager of International Affairs Department of PICC, Deputy General Manager of International Affairs Department of PICC Holding Company, General Manager of International Affairs and Policy-oriented Insurance Department of The People's Insurance Company (Group) of China, General Manager of International Affairs and Training Department, Business Director of The People's Insurance Company (Group) of China Limited*. Mr. Lv graduated from Guanghua School of Management, Peking University with an MBA degree. Mr. Lv has 29 years of substantial management experience in the PRC insurance industry.

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

Xia Yuyang, aged 58, a postgraduate of party school of the Communist Party of China, a senior economist, an Assistant to the President of the Company, the Secretary of Party Committee and the General Manager of Jiangsu Provincial Branch of the Company. Mr. Xia served as a member of Party Committee, the Assistant to General Manager, the Deputy General Manager of Yangzhou Branch of the Company, the Secretary of Party Committee and the General Manager of Lianyungang Branch of the Company, the Assistant to General Manager, a member of Party Committee and the Deputy General Manager of Jiangsu Provincial Branch of the Company, the Director of Nanjing Supervision and Audit Center, the Secretary of Party Committee and the General Manager of Anhui Provincial Branch and Jiangsu Provincial Branch of the Company. Mr. Xia graduated from the Jiangsu Provincial Party School. Mr. Xia has 39 years of substantial management experience in the PRC insurance industry.

Zou Zhihong, aged 51, a full-time Ph.D., a senior economist, Secretary of the Board of Directors. Mr. Zou joined PICC Property Insurance Company in 1998. He was previously Manager of the Litigation Recovery Management Division of the Legal Department and Assistant General Manager of the Legal Department of PICC Property Insurance Company, Deputy General Manager and General Manager of the Legal Department and General Manager of the Legal Affairs Department of the Company. Mr. Zou graduated from Wuhan University with a doctorate degree in law. Mr. Zou has 23 years of substantial experience in the field of legal compliance.

Report of the Board of Directors

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

BUSINESS REVIEW

PRINCIPAL ACTIVITIES

The Company is engaged in motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, homeowners insurance, marine hull insurance and other insurance businesses in Chinese mainland, which are denominated in RMB and foreign currencies, and the related reinsurance business as well as investment and funds application business permitted under the relevant laws and regulations of the PRC. The Company's subsidiaries are mainly engaged in providing insurance agency services, training services, IT services, property management services, etc. Details of the Company's subsidiaries are set out in note 25 to the consolidated financial statements.

OPERATING RESULTS AND FINANCIAL POSITION

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

FINANCIAL SUMMARY

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

PRINCIPAL RISKS AND UNCERTAINTIES

In 2021, the Company faced more complex internal and external environments and the insurance industry faced a certain degree of risks and challenges. **Firstly, in terms of insurance risks,** due to the impact of COVID-19, demand and supply of insurance products changed significantly. The continuous emergence of non-traditional insurance products and the expansion of the scope of liability for some types of insurance brought potential risks. Natural disasters due to climate change may continue, leading to an increase in overall economic losses, driving up the industry's loss ratio and affecting business profitability to some extent. **Secondly, in terms of credit risk**, the COVID-19 has led to an increased pressure on business operations, credit defaults occurred from time to time, credit ratings of counterparties may be downgraded, and we need to pay attention to the risks of financing credit and surety insurance and the risks of premiums receivable. **Thirdly, in terms of regulatory policies,** the CBIRC officially released the "Rules for the Supervision of Insurance Company Solvency (II)" to implement stricter capital recognition standards and comprehensive and penetrable management, force insurance institutions to optimise business quality and improve capital management capabilities.

In 2022, the Company will continue to adhere to the general keynote of seeking progress while maintaining stability, build a comprehensive and effective risk management platform around PICC Group's "Excellent Insurance Strategy", continuously improve the construction of the risk management system, establish a new digital risk management model, improve the level of quantitative risk assessment, and comprehensively enhance the risk management capability and the effectiveness of risk control. **In terms of improvement of business operating capability,** the Company will firmly stick to the concept of underwriting profitability, continue to optimise the business structure and increase the penetration rate and renewal rate of high-quality business. We will improve pricing capability through differentiated pricing and cost allocation. We will explore and innovate targeted insurance products and services with focus on the key risks of key industries to upgrade insurance supply, and improve service capability level on the basis of strict claim settlement process management to enhance profitability. We will continue to research and follow up on the impact of natural disasters and the epidemic, and use bottom-line thinking to assess possible risks and losses and formulate corresponding plans to be prepared for risks. **In terms of risk management and control of financing credit and surety insurance,** the Company adopts prudent underwriting principle, optimises its business structure and business cooperation model, strictly controls risk exposure, strengthens centralised underwriting at the headquarters, upgrades big data resources, improves third-party big data system docking, and establishes a business system with auditing and monitoring functions such as anti-fraud, credit risk assessment and tracking, and lending (repayment) funds monitoring information records. **In terms of management and control of premiums receivable,** the Company will strengthen front-end control and credit management, pay close attention to the process control of premiums receivable, strengthen assessment and accountability, and take multiple measures to gradually establish a closed-loop management model with "target management as the guide, system construction as the assurance, process control as the core, assessment and evaluation as the traction, and accountability as the measure". **In terms of investment risk management and control,** the Company will continuously adhere to prudent investment strategy and relatively low tolerance of credit risks, set relatively high standards for entry of counterparties and investment assets, conduct categorised assessments of risky assets regularly, keep track of principals and interests payment of non-standard financial products, and strengthen post-investment management. The Company will continuously optimise the portfolio structure, reasonably control the scale of equity investment assets and curb the volatility of investment assets through position mechanisms.

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

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

FUTURE DEVELOPMENT

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

SOCIAL RESPONSIBILITY REPORT

For details of the implementation of social responsibilities of the Company during the Year, please refer to the Corporate Social Responsibility Report, the full text of which will be separately disclosed by the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company diligently carried out the fundamental state policy of environmental protection, upheld the idea of green development in its development strategy and the management of daily business operations, developed green finance, reduced environmental costs and contributed to the sustainable development goals (SDGs).

The Company was devoted to green finance by developing green insurance and responsible investment to promote sustainable development by way of providing financial support and guarantee.

The Company strictly complied with all relevant national environmental laws and regulations, actively put its philosophy of green development into practice by implementing a mechanism for green operation and striving to reduce consumption of resources and energy. As water and papers are the primary resources consumed by the Company, in order to continuously reduce the consumption of resources, the Company continued to improve paperless operation at all levels of the Company through the promotion of digital operation, and imposed reasonable control over water consumption. The primary energies consumed by the Company include electricity, gasoline and natural gas. By adopting specific measures such as staggering the operation hours of central air-conditioning, public lighting, elevators and other public energy-consuming facilities, introducing energy conservation signs and increasing employees' awareness about energy conservation, the Company strived to reduce energy consumption and continued to increase efficiency in order to reduce the emission of greenhouse gases.

Following the principle of classified treatments of wastes and in strict compliance with the relevant national environmental protection standards, the Company applied specialised treatments to all kinds of wastes based on the principle of classified treatments and relied on third parties' professional treatments.

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

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

In 2021, the Company actively adapted to the insurance industry development and reform trends, focused on the newly promulgated policies in the financial sector, and proactively took measures to ensure the effective implementation of various reform initiatives. The Company continuously strengthened compliance culture promotion by introducing innovative means and methods and expanding coverage of promotion and training so as to promote the philosophy of carrying out business in accordance with laws and regulations throughout the Company.

According to the requirements of the CBIRC, the Company continuously promoted the project of "the Year of Building up Internal Control and Compliance Management" throughout the Company, carried out rectification and accountability of problems identified by the CBIRC during on-site inspection, effectively strengthened consumers' right and interest protection and ensured the risks were overall controllable. Through formulating and improving internal rules and systems, the Company carried out various legal and regulatory requirements, improved internal control and management of the Company and facilitated the establishment of a long-term mechanism of operation in compliance with laws and regulations, with a view to providing solid support for the high-quality development of the Company.

In 2021, the overall compliance status of the Company's operation and management was good and the compliance risk management system was in normal operation. There was no material systematic compliance risk.

RELATIONSHIP BETWEEN THE COMPANY AND EMPLOYEES

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

RELATIONSHIP BETWEEN THE COMPANY AND CUSTOMERS

In 2021, the Company conscientiously implemented the "Excellent Insurance Strategy", adhered to the "customer-centric" principle, organised and carried out the "Warmth Project" activities, continuously improved the service process and enhanced customer experience.

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

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTRATION FOR H SHARE MEMBERS

The Board proposed the distribution of a final dividend of RMB0.407 per share (inclusive of applicable tax) for the year ended 31 December 2021. The total amount of dividend was approximately RMB9,053 million. The above proposal is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The specific arrangement regarding announcement and distribution of the final dividend, the closure of registration for H share members, etc. will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the final dividend will be paid on or around 19 August 2022 by the Company. To the knowledge of the Company, there was no arrangement under which the shareholders waived or agreed to waive any dividend.

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

WITHHOLDING AND PAYMENT OF DIVIDEND INCOME TAX

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2021, according to the PRC Accounting Standards for Business Enterprises, the distributable reserves of the Company and its subsidiaries were RMB58,852 million and the distributable reserves of the Company were RMB59,384 million.

CAPITAL SUPPLEMENTATRY BONDS

On 23 November 2016, the Company issued capital supplementary bonds of RMB15 billion publicly in the national inter-bank bond market. The term of the capital supplementary bonds is 10 years. The coupon rate is 3.65% per annum for the first five years. The Company has the option to redeem the capital supplementary bonds at the end of the fifth year. On 23 November 2021, the Company has exercised the redemption right and fully redeemed the capital supplementary bonds.

INVESTMENT PROPERTIES, PROPERTY AND EQUIPMENT

Details of the investment properties, property and equipment of the Company are set out in notes 26 and 27 to the consolidated financial statements. As at 31 December 2021, the Company did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5%.

CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in the Year were RMB95.05 million, of which RMB22.61 million were donations for public benefits.

MAJOR CUSTOMERS

The gross written premiums of the Company and its subsidiaries attributable to their five largest customers did not exceed 1% of the gross written premiums of the Company and its subsidiaries for the Year.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the Year, and the changes in the members of the Board of Directors and the members of the Supervisory Committee as well as the reasons for resignation of Directors and Supervisors from 1 January 2021 to the date of this report are set out in the "Corporate Governance Report" section of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

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

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

Details of the remuneration of the Directors and Supervisors are set out in note 13 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company are set out in note 14 to the consolidated financial statements.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

PICC Life, PICC Health and PICC Pension, subsidiaries of PICC Group, the controlling shareholder of the Company, are also engaged in accidental injury insurance and short-term health insurance businesses. Mr. Li Tao, a Non-executive Director of the Company, is also the Chairman of the Supervisory Committee of PICC Life.

Save as disclosed above, none of the Directors is or was interested in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business from 1 January 2021 to the date of this report.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

At any time during the Year and up to the date of this report, there was or is no permitted indemnity provision being in force for the benefit of any of the Directors or its associates.

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

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

The Directors, Supervisors and President of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 31 December 2021 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

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

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2021, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

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

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
Schroders Plc	Investment manager	412,432,251	Long position	5.98%	1.85%
BlackRock, Inc.	Interest of controlled corporations	404,640,164 *(Note 2)*	Long position	5.86%	1.82%
	Interest of controlled corporations	7,634,000 *(Note 2)*	Short position	0.11%	0.03%
JPMorgan Chase & Co.	Interest of controlled corporations, investment manager, person having a security interest in shares, trustee, approved lending agent	367,381,779 *(Note 3)*	Long position	5.32%	1.65%
	Interest of controlled corporations	27,472,504 *(Note 3)*	Short position	0.39%	0.12%
	Approved lending agent	229,642,244	Lending pool	3.32%	1.03%
Citigroup Inc.	Interest of controlled corporations, approved lending agent	366,584,888 *(Note 4)*	Long position	5.31%	1.65%
	Interest of controlled corporations	8,494,326 *(Note 4)*	Short position	0.12%	0.04%
	Approved lending agent	353,592,822	Lending pool	5.12%	1.59%

Notes:

1. As of 31 December 2021, the Company has issued a total of 15,343,471,470 domestic shares and 6,899,293,833 H shares. Combined, the Company has issued a total of 22,242,765,303 shares as of 31 December 2021.

2. Among which, 2,730,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

3. Among which, 508,000 H shares (Long position) and 624,000 H shares (Short position) were held through derivatives, categorised as held through physically settled listed derivatives; 526,000 H shares (Short position) were held through derivatives, categorised as held through cash settled listed derivatives; 4,432,000 H shares (Long position) and 825,864 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 7,962,000 H shares (Long position) and 24,479,800 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives; and 4 H shares (Short position) were held through derivatives, categorised as held through convertible instruments listed derivatives.

4. Among which, 87,850 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 1,050,326 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 1,902,000 H shares (Long position) and 7,444,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept under Section 336 of the SFO, or being substantial shareholders of the Company as at 31 December 2021.

PUBLIC FLOAT

For the period from 1 January 2021 to the date of this report, 31.02% of the total number of issued shares of the Company is held by the public and therefore the Company continues to comply with the minimum public float requirement under the Listing Rules.

MANAGEMENT CONTRACT

Pursuant to the Asset Management Agreement and the Supplemental Agreement to Asset Management Agreement entered into between the Company and PICC AMC (a subsidiary of PICC Group, the Company's controlling shareholder), PICC AMC provides the Company with investment management services in respect of certain investment assets entrusted by the Company. The Company pays PICC AMC entrusted asset management fees. Pursuant to the Asset Management Agreement and the Supplemental Agreement to Asset Management Agreement entered into between the Company and PICC Investment and PICC Capital (subsidiaries of PICC Group, the Company's controlling shareholder), respectively, the Company entrusts PICC Investment and PICC Capital to manage certain investment assets, and PICC Investment and PICC Capital use the assets entrusted by the Company to subscribe for the debt financial products and equity financial products sponsored and managed by them. The Company pays PICC Investment and PICC Capital product management fees. The particulars of such agreements are set forth in "Continuing Connected Transactions" below.

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

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

CONNECTED TRANSACTIONS

The connected transaction of the Company in the Year that was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules was the South Information Center Package Service Agreement with PICC Group. As PICC Group is the controlling shareholder of the Company, PICC Group is a connected person of the Company according to the Listing Rules.

THE SOUTH INFORMATION CENTER PACKAGE SERVICE AGREEMENT WITH PICC GROUP

In order to lead the strategic synergy within the group into further play and reduce the costs arising from repeated construction and usage, the Company entered into the South Information Center Package Service Agreement with PICC Group on 18 March 2020, with a term commencing from 1 January 2020 to 31 December 2021. Pursuant to the agreement, PICC Group shall provide the Company with, among others, the service of leasing workplaces, meeting rooms and server installation positions in the server building. The lease service charge consists of the rents of workplaces, the rents of meeting rooms and the rents of server installation positions in the server building, and shall be calculated on the basis of the areas of workplaces actually rented, usage of meeting rooms and the number of server installation positions actually rented as well as the corresponding rental per unit. Pursuant to the agreement, the Company estimates the maximum lease service charges to be paid to PICC Group in 2020 and 2021 to be RMB88.33 million (exclusive of tax) and RMB97.17 million (exclusive of tax) respectively. In accordance with HKFRSs 16 – Lease, the Company is required to recognise the property use right of the South Information Center under the agreement as a right-of-use asset with an approximate amount of RMB176.27 million.

On 31 December 2021, the Company entered into the South Centre Package Service Agreement with PICC Group, commencing from 1 January 2022 and expiring on 31 December 2022. Detailed information is set out below under the section "Continuing Connected Transactions".

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Company in the Year that are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules include: (I) the reinsurance framework agreement with PICC HK; (II) the reinsurance framework agreement with PICC Re; (III) the asset management agreement and the supplemental agreement to the asset management agreement entered into between the Company and PICC AMC; (IV) the asset management agreements and the supplemental agreements to the asset management agreements entered into between the Company and PICC Investment and PICC Capital respectively, as well as the memorandum on connected transaction entered into between the Company and PICC AMC; (V) the mutual agency agreements entered into between the Company and PICC Life and PICC Health, respectively; (VI) the Auto Parts Procurement Contract with Bangbang Auto Sales & Services; (VII) the business cooperation agreement with PIB; (VIII) the Customer Services Cooperation Framework Agreement with Aibao Technology; and (IX) the South Centre Package Service Agreement with PICC Group. As all of PICC HK, PICC Re, PICC AMC, PICC Investment, PICC Capital, PICC Life, PICC Health and PIB are subsidiaries of PICC Group, the controlling shareholder of the Company, these companies are connected persons of the Company according to the Listing Rules. As the Company and PICC Financial Services, a wholly-owned subsidiary of PICC Group (the controlling shareholder of the Company) each holds 24.5% of the registered capital in Bangbang Auto Sales & Services, pursuant to the Listing Rules, Bangbang Auto Sales & Services is a connected person of the Company. As PICC Financial Services holds 45.1% of the registered capital in Aibao Techonology, pursuant to the relevant provisions of the Listing Rules, Aibao Technology is an associate of PICC Group and thereby is a connected person of the Company.

(I) THE REINSURANCE FRAMEWORK AGREEMENT WITH PICC HK

On 20 January 2021, the Company and PICC HK entered into the Reinsurance Framework Agreement for a term of one year commencing from 1 January 2021 and expiring on 31 December 2021. PICC HK is one of the reinsurers of the Company and the Company entered into the Framework Agreement on Reinsurance Business Cooperation with PICC HK for the purposes of risk diversification and stabilisation of operation. Pursuant to the framework agreement, the Company agreed to cede insurance premiums to PICC HK from time to time, and PICC HK agreed to cede insurance premiums to the Company from time to time. One party to the agreement who acted as reinsurer accepted the risks of and paid commissions to the other party to the agreement in return for the agreed insurance premiums received from such other party. Under the framework agreement, the parties to the agreement would enter into various types of reinsurance agreements in respect of particular reinsurance business.

Under the framework agreement, the annual caps for the insurance premiums expected to be ceded to PICC HK by the Company and the commissions expected to be received by the Company from PICC HK for the Year were RMB1,100 million and RMB495 million, respectively. Such transactions constitute de minimis exempted continuing connected transactions under Rule 14A.76 of the Listing Rules. The actual insurance premiums ceded to PICC HK by the Company and the commissions received by the Company from PICC HK for the Year were RMB705 million and RMB216 million, respectively. The actual insurance premiums ceded to the Company by PICC HK and the commissions received by PICC HK from the Company for the Year were RMB13 million and RMB3 million, respectively.

On 17 December 2021, the Company and PICC HK entered into the 2022 Framework Agreement on Reinsurance Business Cooperation for a term of one year commencing from 1 January 2022 and expiring on 31 December 2022. For relevant details please refer to the Company's announcement dated 17 December 2021.

(II) THE REINSURANCE FRAMEWORK AGREEMENT WITH PICC RE

On 20 January 2021, the Company and PICC Re entered into the Reinsurance Framework Agreement for a term of one year commencing from 1 January 2021 and expiring on 31 December 2021. PICC Re is the fourth Chinese-funded corporate reinsurance company in the PRC. The Company entered into the Framework Agreement on Reinsurance Business Cooperation with PICC Re in order to achieve risk diversification and stabilisation of operation. Pursuant to the framework agreement, the Company agreed to cede insurance premiums to PICC Re from time to time, and PICC Re, who acted as reinsurer, accepted the risks of and paid commissions to the Company in return for the agreed insurance premiums received. Under the framework agreement, the parties to the agreement would enter into various types of reinsurance agreements in respect of particular reinsurance business.

Under the framework agreement, the annual caps for the insurance premiums expected to be ceded by the Company to PICC Re and the commissions expected to be received by the Company from PICC Re for the Year were RMB5,000 million and RMB2,250 million, respectively. The actual insurance premiums ceded by the Company to PICC Re and commissions received by the Company from PICC Re were RMB4,457 million and RMB1,421 million, respectively.

On 17 December 2021, the Company and PICC Re entered into the 2022 Framework Agreement on Reinsurance Business Cooperation for a term of one year commencing from 1 January 2022 and expiring on 31 December 2022. For relevant details please refer to the Company's announcement dated 17 December 2021.

(III) THE ASSET MANAGEMENT AGREEMENT AND THE SUPPLEMENTAL AGREEMENT TO THE ASSET MANAGEMENT AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND PICC AMC

On 28 August 2019, the Company and PICC AMC entered into the Asset Management Agreement and Supplemental Agreement to the Asset Management Agreement with a term commencing from 1 July 2019 and expiring on 30 June 2022 to continue the original asset management arrangement. PICC AMC, principally engaged in the provision of asset management and asset management consultation services in the PRC, has the experience and expertise in asset management and presents satisfactory investment management capability with management fee rates at comparatively lower level in the asset management industry. PICC AMC has established a good cooperation relationship with the Company. Pursuant to the Asset Management Agreement and Supplemental Agreement to the Asset Management Agreement, the Company entrusted PICC AMC to manage some of its investment assets, and PICC AMC manages the entrusted assets in accordance with the Asset Management Agreement and Supplemental agreement, relevant laws and regulations and regulatory rules and the investment guidelines formulated by the Company. The Company pays entrusted asset management fees and performance bonuses or deduction of management fees (if any) to PICC AMC. If the Company subscribes for the financial products sponsored and managed by PICC AMC, it will not make double payment for the entrusted asset management fees and only pay PICC AMC product management fees. The annual cap for the entrusted asset management fees (including performance-based bonuses and penalties) expected to be paid by the Company to PICC AMC for the Year was RMB280 million. The actual entrusted asset management fees (including performance-based bonuses and penalties) incurred for the Year were RMB224 million.

In addition, the Company entered into the Marketisation Entrusted Portfolio Asset Management Agreement with PICC AMC on 7 August 2019 with a term from 7 August 2019 to 6 August 2022. As the Marketisation Agreement differs from the Asset Management Agreement and the Supplemental Agreement in terms of investment asset scale, investable scope, management fee level and performance benchmark, the Company entered into the Marketisation Agreement with PICC AMC separately. Pursuant to the Marketisation Agreement, the Company agreed to entrust PICC AMC to manage some of its assets, and PICC AMC should manage the entrusted assets in accordance with the Marketisation Agreement, relevant laws and regulations and regulatory rules; the Company would pay entrusted asset management fees to PICC AMC. Under the Marketisation Agreement, the annual cap for the entrusted asset management fees expected to be paid by the Company to PICC AMC for the Year was RMB4.6 million, and the Company didn't incur any actual entrusted asset management fees for the Year.

(IV) THE ASSET MANAGEMENT AGREEMENTS AND THE SUPPLEMENTAL AGREEMENTS TO THE ASSET MANAGEMENT AGREEMENTS ENTERED INTO BETWEEN THE COMPANY AND PICC INVESTMENT AND PICC CAPITAL RESPECTIVELY, AS WELL AS THE MEMORANDUM ON CONNECTED TRANSACTION ENTERED INTO BETWEEN THE COMPANY AND PICC AMC

On 28 August 2019, the Company entered into the Asset Management Agreements and Supplemental Agreements to Asset Management Agreements with PICC Investment and PICC Capital respectively for a term of three years commencing from 28 August 2019. Pursuant to such Agreements, the Company entrusts some investment assets to PICC Investment and PICC Capital for their management, and PICC Investment and PICC Capital manage the entrusted assets in accordance with such Agreements, relevant laws and regulations and regulatory provisions and the investment guidelines formulated by the Company, and use the assets entrusted by the Company to subscribe for the debt financial products and equity financial products sponsored and managed by them. Meanwhile, the Company pays product management fees to PICC Investment and PICC Capital.

The Company has previously entrusted some investment assets to PICC AMC for its management, and PICC AMC may utilise the assets entrusted by the Company to subscribe for debt financial products and equity financial products sponsored and managed by PICC AMC, PICC Capital, PICC Investment or PICC Equity, while the Company shall pay product management fees to PICC AMC, PICC Capital, PICC Investment and PICC Equity. On 28 August 2019, the Company entered into the Memorandum on Connected Transaction with PICC AMC, which regulates the connected transactions in relation to the subscription of debt financial products, the subscription of equity financial products and the payments of product management fees. The Memorandum took effect on 28 August 2019, with a term of three years.

Debt financial products and equity financial products present relatively good risk-return profile and play an important role in improving the investment return rate of the insurance funds. In recent years, PICC AMC, PICC Capital, PICC Investment and PICC Equity have actively developed such financial products. Their products suit the Company's risk preference in term of risk profile, deliver a relatively high investment return with a fair pricing, and are beneficial in improving the Company's capability on allocation of general categories of assets, enhancing its efficiency on allocation of non-standard assets and increasing the investment yield.

Pursuant to the Asset Management Agreements and Supplemental Agreements between the Company and PICC Investment and PICC Capital respectively, and the Memorandum on Connected Transaction between the Company and PICC AMC, for each calendar year, the aggregated annual cap of the paid-up amount of the product management fees paid by the Company to PICC AMC, PICC Capital, PICC Investment and PICC Equity shall not exceed RMB450 million. The actual aggregated amount of product management fees incurred for the Year was RMB89 million.

Under the Asset Management Agreements and Supplemental Agreements between the Company and PICC Investment and PICC Capital respectively, and the Memorandum on Connected Transaction between the Company and PICC AMC, PICC AMC, PICC Capital or PICC Investment use the assets entrusted by the Company to subscribe for the debt financial products or the equity financial products individually or jointly sponsored and managed by PICC AMC, PICC Capital, PICC Investment or PICC Equity. If the subscribers of these financial products include connected persons of the Company, then the subscription by the Company in the same financial product constitutes a connected transaction of the Company. For each calendar year, each of the annual cap of the aggregated paid-up amount of the debt financial products or the equity financial products subscribed by the Company where connected persons participate in the subscription shall be RMB8 billion, and none of the applicable percentage ratios shall be more than 5% under Chapter 14A of the Listing Rules. The aggregated amount of the debt financial products actually and cumulatively subscribed by the Company where connected persons participate in the subscription for the Year was RMB85 million. The aggregated amount of the equity financial products actually and cumulatively subscribed by the Company where connected persons participate in the subscription for the Year was RMB139 million.

(V) THE MUTUAL AGENCY AGREEMENTS ENTERED INTO BETWEEN THE COMPANY AND PICC LIFE AND PICC HEALTH, RESPECTIVELY

On 30 August 2019, the Company renewed the Mutual Agency Agreements with PICC Life and PICC Health respectively, with a term of three years commencing from 31 August 2019 and expiring on 30 August 2022, in order to continue the sales of insurance products of each other on a mutual agency basis. PICC Life and PICC Health have their own distribution channels and customer bases, and the Company renewed the mutual agency agreements with PICC Life and PICC Health in order to lead the strategic synergies into further play and expand the sales channels of the Company. Pursuant to such agreements, the Company and PICC Life and PICC Health mutually act as an agency for selling insurance products of each other, collecting the premiums on behalf of each other, and engaging in such other businesses or services on a mutual agency basis as authorised in writing. The Company, PICC Life and PICC Health pay commissions to each other, including the business commissions to be paid to the business personnel of the agent party and the management commissions to be paid to the agent party for organising and conducting the mutual agency business.

Under the Mutual Agency Agreements, the estimated annual caps of the commissions to be paid by the Company to PICC Life and PICC Health in aggregate for the Year was RMB1,068 million, the estimated annual caps of the commissions to be paid by PICC Life and PICC Health to the Company in aggregate for the Year was RMB366 million. The actual commissions paid by the Company to PICC Life and PICC Health for the Year was RMB553 million. The actual commissions paid by PICC Life and PICC Health to the Company for the Year was RMB113 million.

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

On 29 May 2019, the Company entered into the Goods Procurement Contract with Bangbang Auto Sales & Services with a term commencing from 1 April 2019 and expiring on 31 March 2021. Pursuant to the Contract, the Company purchases spare parts for the maintenance of insured vehicles damaged in accidents from Bangbang Auto Sales & Services, and Bangbang Auto Sales & Services supplies spare parts for damaged vehicles and provides services on development, operation and maintenance of relevant systems to the Company. The Company pays the cost of the auto spare parts to Bangbang Auto Sales & Services; other than that, the Company is not liable to make any extra payment to Bangbang Auto Sales & Services pursuant to the contract. The cooperation between the Company and Bangbang Auto Sales & Services will be able to improve our pricing power during the claim settlement of motor vehicle insurances, promote business development, reduce the claim cost, accelerate the processing of claim cases and enhance the customer satisfaction so as to provide high-quality claim services to the insured. The Company and Bangbang Auto Sales & Services entered into the contract and expressly set out the cooperation policy guidance of the headquarter for each branch office, which will be helpful for loss reduction in claim settlement in each branch. Under the Contract, the annual cap for the payment for auto spare parts expected to be paid by the Company to Bangbang Auto Sales & Services for the period from 1 January 2021 to 31 March 2021 was RMB1,500 million. The actual payment for auto spare parts paid by the Company to Bangbang Auto Sales & Services for the period from 1 January 2021 to 31 March 2021 was RMB131 million.

On 29 April 2021, in order to continuously provide quality claim services to customers, share resources and meet the business cooperation needs between the Company and Bangbang Auto Sales & Services, the Company entered into Auto Parts Procurement Contract with Bangbang Auto Sales & Services. Pursuant to the Contract, the Company shall purchase auto spare parts from Bangbang Auto Sales & Services for the maintenance of insured vehicles damaged in accidents, and Bangbang Auto Sales & Services shall supply the goods ordered under the Contract, undertake the responsibility of delivery, installment, adjustment of goods, and provide the Company with services including warranty, maintenance, consultation and training. The Company shall pay the cost of the auto spare parts to Bangbang Auto Sales & Services. Under the Auto Parts Procurement Contract, the annual cap for the payment for auto spare parts to be paid by the Company to Bangbang Auto Sales & Services for the period from 1 April 2021 to 31 December 2021 was RMB1,500 million. The actual payment for auto spare parts paid by the Company to Bangbang Auto Sales & Services for the period from 1 April 2021 to 31 December 2021 was RMB365 million.

(VII) THE BUSINESS COOPERATION AGREEMENT WITH PIB

On 21 June 2019, the Company entered into the Business Cooperation Agreement with PIB with a term commencing from 17 June 2019 and expiring on 16 June 2022. Pursuant to the Business Cooperation Agreement, PIB provides insurance brokerage services for the insurance contracts entered into between the insurance purchasers and the Company, and the Company pays brokerage commissions to PIB. The Company and PIB will enter into agreements for cooperation in specific projects. The Business Cooperation Agreement between the Company and PIB is beneficial to the respective parties in terms of resources integration and business synergy and, furthermore, to the Company in its building up of distribution channels and promotion of its development capability in the broker business market. Under the Business Cooperation Agreement between the Company and PIB, the annual cap for the brokerage commissions expected to be paid by the Company to PIB for the Year was RMB600 million. The actual brokerage commissions paid by the Company to PIB for the Year was RMB216 million.

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

On 28 October 2021, the Company entered into a Customer Services Cooperation Framework Agreement with Aibao Technology with a term from the date of signing the Agreement to 31 December 2022. Pursuant to the Agreement, Aibao Technology and its subsidiaries shall provide value-added services for customers' motor vehicle insurance, value-added services related to online activities, and online advertising services etc. to the Company, and the Company shall pay service fees to Aibao Technology and its subsidiaries. Through cooperations with Aibao Technology and its subsidiaries, the Company can provide newly added additional service insurance for motor vehicle insurance after the comprehensive reform of motor vehicle insurance to customers more effectively in accordance with the requirements of comprehensive reform of motor vehicle insurance set out by the CBIRC. Under the Agreement, the annual cap for the service fees to be paid by the Company to Aibao Technology and its subsidiaries for the Year was RMB450 million. The actual service fees paid by the Company to Aibao Technology and its subsidiaries for the Year was RMB335 million.

The Company disclosed a supplemental announcement in relation to the customer services cooperation framework agreement with Aibao Technology providing further information in relation to the underlying arrangements of the Customer Services Cooperation Framework Agreement, including details of services, benefits from the services under the Customer Services Cooperation Framework Agreement to the Company, pricing policy and related internal control measures, transaction amounts incurred in the year of 2021 and basis of annual caps. For relevant details please refer to the Company's announcement dated 1 December 2021.

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

On 31 December 2021, the Company entered into the South Centre Package Service Agreement with PICC Group, commencing from 1 January 2022 and expiring on 31 December 2022. Pursuant to the Agreement, PICC Group shall provide the Company with Lease Service of the office space, conference rooms and server seats of the computer room building of the South Centre, and Other Services, including network services, operation and maintenance services of the Midea computer room of the South Centre, etc. The Lease Service fees consist of the rents of office space, conference rooms and server seats in the computer room building, which are calculated according to the actual areas of rented office space, conference room usage, the actual number of rented server seats and the corresponding rental unit price. Other Services fees consist of network service fees and operation and maintenance service fees of Midea computer room of South Centre, etc. Pursuant to the Agreement, the annual cap of Lease Service fees to be paid by the Company to PICC Group in 2022 is estimated to be RMB96.91 million, the annual cap of Other Services fees to be paid by the Company to PICC Group in 2022 is estimated to be RMB89.46 million. In accordance with the Hong Kong Financial Report Standards No.16 – Lease, the Company shall recognize the right of use of the property of the South Centre under the Agreement as a right-of-use asset with an approximate amount of RMB96.13 million. Through the usage of the South Centre and Midea Computer Room of the South Centre, which is owned or comprehensively managed by PICC Group, information security of the Company can be effectively protected, the cooperation between the Company and other subsidiaries of PICC Group in operation and maintenance management can be facilitated, the strategic synergy of PICC Group can be further exerted, redundant construction and usage costs can be reduced, the operation and maintenance work can be made more efficiently, and the management can be made more strictly.

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

AUDITORS

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

The service terms of PricewaterhouseCoopers, the international auditor of the Company, and PricewaterhouseCoopers Zhong Tian LLP, the domestic auditor of the Company, will end upon the conclusion of the forthcoming annual general meeting.

By Order of the Board of Directors
Luo Xi
Chairman

Beijing, the PRC
25 March 2022

Report of the Supervisory Committee

In 2021, the Supervisory Committee and all its members demonstrated dedication and diligence, continued to reinforce the ideology, and exercised its functions and powers in accordance with the Company Law and other laws and regulations as well as relevant provisions in the Articles of Association. The Supervisory Committee and all of its members upheld the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guidance, earnestly studied and implemented the spirits of the 19th National Congress of the Communist Party of China, the 19th Plenary Sessions and the Central Economic Work Conference, contributed to the "Excellent Insurance Strategy", effectively performed their supervisory functions, urged the Company to carry out its work in accordance with the laws and regulations, and continuously upheld the effective operation of the Company's corporate governance structure and the interests of shareholders, the Company and its employees.

MEETINGS OF THE SUPERVISORY COMMITTEE

During the Year, according to the operation of the Company and the relevant requirements of the Procedural Rules for the Supervisory Committee, the Supervisory Committee adhered to the regular meeting system, convened six meetings to consider and review 29 proposals, provided comments and suggestions in respect of certain proposals and provided feedbacks to the Board and the operational management team. Details are set out as follows:

Firstly, the eleventh meeting of the fifth session of the Supervisory Committee was held on 23 March and 16 proposals, including the Proposal on the Auditor's Report and the Audited Financial Statements for 2020 and the Proposal on the Report of the Supervisory Committee for 2020, were considered and approved. Separately, 2 proposals, including the Report of Deloitte Touche Tohmatsu on the Findings of the Reviewing Work for 2020 were also reviewed.

Secondly, the twelfth meeting of the fifth session of the Supervisory Committee was held on 22 April and the Proposal on the Financial Statements and Results Announcement for the First Quarter of 2021 was considered and approved.

Thirdly, the thirteenth meeting of the fifth session of the Supervisory Committee was held on 14 July and the Proposal on the Planning Outline of the "14th Five-Year Plan" Development Strategy of PICC Property and Casualty Company Limited was considered and approved.

Fourthly, the fourteenth meeting of the fifth session of the Supervisory Committee was held on 28 July and the Proposal on the Performance Report and Performance Evaluation Results of the Supervisors of the Company for the Year 2020 was considered and approved.

Fifthly, the fifteenth meeting of the fifth session of the Supervisory Committee was held on 20 August and 3 proposals, including the Proposal on the Interim Financial Report and Results Announcement for 2021, were considered and approved. Separately, 2 proposals, including the Report of PricewaterhouseCoopers on the Findings of the Reviewing Work for the Interim Period of 2021, were also reviewed.

Sixthly, the sixteenth meeting of the fifth session of the Supervisory Committee was held on 28 October and 3 proposals, including the Proposal to amend the Procedural Rules for the Supervisory Committee of PICC Property and Casualty Company Limited, were considered and approved.

WORK OF THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee has attended the Company's 2020 annual general meeting and the first and second extraordinary general meetings of 2021. The Supervisory Committee attended nine meetings of the Board and eight meetings of the Audit Committee, earnestly reviewed and studied the considerations of the shareholders' general meetings and the meetings of the Board, fully expressed its opinions and suggestions, and performed supervision over the legality of the agendas and procedures of the meetings while strengthening the supervision over significant issues of the Company. The Supervisory Committee further regulated the corporate governance structure of the Company, and supervised and urged the Company to run its business according to laws and regulations. The Employee Representative Supervisors fully expressed employees' intentions and requests, and effectively protected employees' legal rights and interests.

During the Year, the Supervisory Committee continued to improve the supervision work system, promoted the regularization and systematization of supervision, enhanced daily supervision, adopted various ways to understand the Company's finance, risks, internal control and compliance and strategic development plan and urged and supervised to facilitate the operation of the Company in compliance with laws and regulations. It reinforced the communication and coordination with the external auditor, heard the auditor's report on the audit plan, the keynote of audit work and the audit of the Company's annual results, obtained an understanding of the audit status and paid special attention to the keynote of audit work. The Supervisory Committee put forward requirements in respect of the auditor's work and assessed the audit results. It deliberated on the proposals on Company's development strategic plan, Company's annual internal control assessment report, compliance assessment report, risk assessment report and etc. It kept abreast of the status of the establishment, improvement and operation of the Company's internal control and risk management mechanisms, the implementation of related party transactions, management and audit of related party transactions, the protection of consumer rights, anti-money laundering, anti-terrorist financing and etc., and gave its opinions and suggestions.

During the Year, the Supervisory Committee performed comprehensive supervisory duties, carefully heard the reports of relevant departments including the Finance and Accounting Department, the Customer Service Department, the Capital Operation Department/Investment Industry Department, the Risk Management Department, the Legal Compliance Department, had a comprehensive understanding of the Company's business operation, finance, the protection of insurance consumer rights, funds application, internal control and compliance, anti-money laundering and anti-terrorist financing and other aspects, promptly obtained the information relating to the Company's operation and management, business development and financial conditions, and promoted the continuous improvement of the Company's compliance and internal control, and continuous standardization of operational management.

During the Year, the Supervisory Committee continued to improve the corporate governance system. In accordance with the laws and regulations and regulatory requirements such as the Code of Corporate Governance of Banking and Insurance Institutions and the Measures for the Evaluation of the Performance of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation) of the CBIRC and the corporate governance procedures, it revised the Procedural Rules for the Supervisory Committee and formulated the Implementation Measures for the Evaluation of the Performance of Directors and Supervisors and further improved the operation of the Supervisory Committee and standardized the evaluation mechanism for the performance of directors and supervisors.

During the Year, while earnestly performing its duties, the Supervisory Committee continued to strengthen its own construction, gain an in-depth understanding of relevant laws and regulations, related party transactions, corporate governance and other regulatory requirements, and conscientiously conducted trainings on laws and regulations, corporate governance, insurance profession, anti-money laundering, anti-terrorist financing and etc.

INDEPENDENT OPINIONS ISSUED BY THE SUPERVISORY COMMITTEE

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

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

Authenticity of financial reports. The Company and its subsidiaries' auditor's report and the audited financial statements for 2020 and the interim financial report for 2021 were prepared in accordance with the relevant accounting standards. The financial reports have given a true and fair view of the financial position and operating results of the Company and its subsidiaries.

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

In 2022, the Supervisory Committee will, in accordance with the Company Law and other laws and regulations as well as relevant provisions in the Articles of Association, continue to reinforce and implement its supervisory functions, strictly perform its duties, be practical and realistic, be serious and responsible, take the initiative in exploration and innovation, fully exert the important role of the Supervisory Committee in the corporate governance system, urge and supervise the standardized operation of corporate governance, earnestly safeguard the interests of the shareholders, the Company and employees, contribute to the sustainable and healthy development of the Company.

By Order of the Supervisory Committee
Zhang Xiaoli
Chairman of the Supervisory Committee

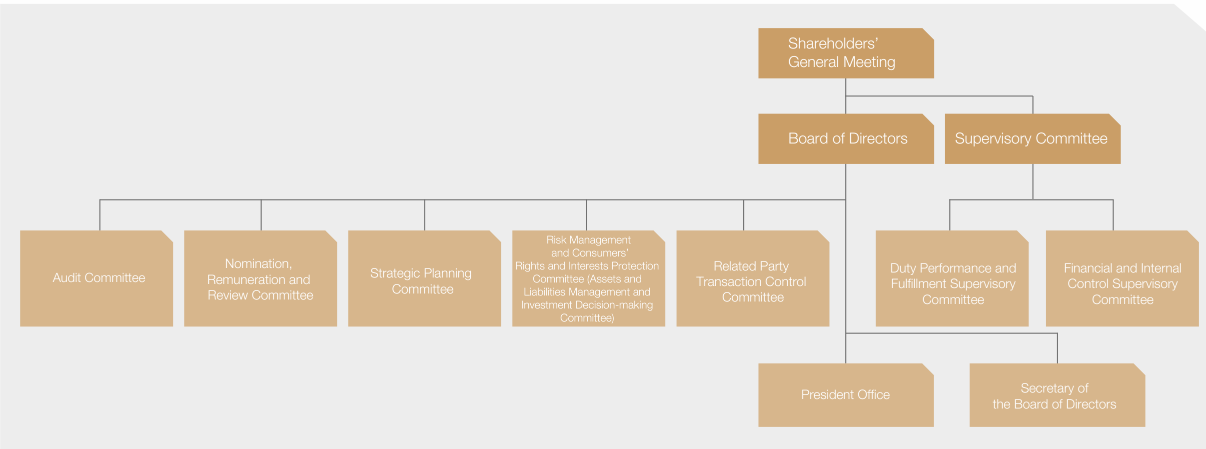
Beijing, the PRC
25 March 2022

Corporate Governance Report

OVERVIEW

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

In 2021, the Company continuously strengthened its internal control, supervision and risk management capabilities, refined its management system for related party transactions, and strengthened its compliance construction and management in accordance with the Insurance Law of the PRC, the Measures on the Administration of Information Disclosure of Insurance Companies, the Working Rules for the Internal Audit of Insurance Institutions and the Measures on the Administration of Related Party Transactions of Insurance Companies issued by the CBIRC and the requirements under the applicable code provisions of the Corporate Governance Code and the SFO.



The Company complied with all the code provisions of the Corporate Governance Code during the Year.

BOARD OF DIRECTORS

OVERVIEW

During the Year, the Board convened three shareholders' general meetings and submitted 25 proposals and reports to the shareholders' general meetings, held nine Board meetings, at which 81 proposals were considered and approved; the Planning Outline of the "14th Five-year Plan" Development Strategy of the Company, the business development plan, financial plan, fixed assets investment plan, strategic allocations of and investment policies on entrusted assets were formulated; annual performance appraisals of the senior management were conducted; the Executive Director and Independent Non-executive Directors were appointed; senior management was employed; specialised committees were adjusted; the auditors were appointed, and enhanced the Company's internal control management, compliance management, and risk management and control capabilities.

The Board holds regular meetings at least four times a year, and convenes extraordinary meetings when necessary. Notices and materials for regular Board meetings shall be given to the Directors at least 14 days and three days prior to the meetings, respectively. All Directors are entitled to propose resolutions to be included as part of the agenda of the Board meetings. Detailed minutes of each Board meeting and specialised committees meeting are kept, including matters considered and agreed on by the Board and specialised committees, and any related concerns raised by the Directors. Relevant minutes shall be sent to all Directors within a reasonable period, and be available for inspection within a reasonable time after a reasonable notice by the Directors. Five specialised committees are formed under the Board, namely the Strategic Planning Committee, the Audit Committee, the Nomination, Remuneration and Review Committee, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), and Related Party Transaction Control Committee. The duties and responsibilities of and the operating procedures for each of the Board committees are clearly defined in writing, among which, the duties and powers of the Audit Committee and the Nomination, Remuneration and Review Committee are published on the websites of the Company and the Hong Kong Stock Exchange. The Board committees submit opinions and proposals to the Board on matters within their respective scope of duties and responsibilities.

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

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

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

COMPOSITION

During the Year, the Board comprised the following Directors:

Name	Position	Date of commencement of directorship	Term
Mr. Luo Xi *(Note 1)*	Chairman, Non-executive Director	18 March 2021	From 18 March 2021 to 6 March 2022
Mr. Xie Yiqun (Resigned) *(Note 2)*	Vice Chairman, Executive Director	22 June 2018	From 7 March 2019 to 25 June 2021 (Resigned on 25 June 2021)
Mr. Yu Ze *(Note 3)*	Executive Director	30 December 2021	From 30 December 2021 to 6 March 2022
Mr. Jiang Caishi *(Note 4)*	Executive Director	9 April 2021	From 9 April 2021 to 6 March 2022
Ms. Xie Xiaoyu (Resigned) *(Note 5)*	Executive Director	7 March 2019	From 7 March 2019 to 22 February 2021 (Resigned on 22 February 2021)
Mr. Li Tao	Non-executive Director	18 October 2006	From 7 March 2019 to 6 March 2022
Mr. Lin Hanchuan	Independent Non-executive Director	25 March 2013	From 7 March 2019 to 6 March 2022
Mr. Lo Chung Hing	Independent Non-executive Director	26 June 2015	From 7 March 2019 to 6 March 2022
Mr. Ma Yusheng (Resigned) *(Note 6)*	Independent Non-executive Director	26 June 2015	From 7 March 2019 to 31 May 2021 (Resigned on 31 May 2021)
Mr. Chu Bende	Independent Non-executive Director	24 June 2016	From 7 March 2019 to 6 March 2022
Ms. Qu Xiaohui	Independent Non-executive Director	31 October 2017	From 7 March 2019 to 6 March 2022

Notes:

1. The qualification of Mr. Luo Xi as the Chairman of the Board was approved by the CBIRC on 18 March 2021.

2. Mr. Xie Yiqun resigned as the Vice Chairman of the Board and an Executive Director on 26 March 2021 and 25 June 2021, respectively.

3. The qualification of Mr. Yu Ze as a Director was approved by the CBIRC on 30 December 2021.

4. The qualification of Mr. Jiang Caishi as a Director was approved by the CBIRC on 9 April 2021.

5. Ms. Xie Xiaoyu resigned as an Executive Director on 22 February 2021.

6. Mr. Ma Yusheng resigned as an Independent Non-executive Director on 31 May 2021.

During the period from 1 January 2021 to the date of this report:

On 18 March 2021, the qualification of Mr. Luo Xi as the Chairman of the Board was approved by the CBIRC.

On 9 April 2021, the qualification of Mr. Jiang Caishi as an Executive Director was approved by the CBIRC.

On 30 December 2021, the qualification of Mr. Yu Ze as an Executive Director was approved by the CBIRC.

Ms. Xie Xiaoyu resigned as an Executive Director due to her retirement, with effect from 22 February 2021.

Mr. Xie Yiqun resigned as the Vice Chairman of the Board with effect from 26 March 2021 due to other work arrangements, and resigned as an Executive Director due to his age with effect from 25 June 2021.

Mr. Ma Yusheng resigned as an Independent Non-executive Director with effect from 31 May 2021 due to other work arrangements.

Pursuant to laws and regulations, regulatory provisions and the Articles of Association, the Directors of the fifth session of the Board shall continue to perform their duties as Directors.

At the first extraordinary general meeting in the year of 2021 of the Company on 28 October 2021, Mr. Wei Chenyang* was appointed as an Independent Non-executive Director of the fifth session of the Board and has been appointed by the Board as a committee member of the Nomination, Remuneration and Review Committee and a committee member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) with the term of office commencing from the date of obtaining approval for his Director qualification from the CBIRC and ending upon the expiry of the term of appointment of the fifth session of the Board of the Company.

At the second extraordinary general meeting in the year of 2021 of the Company on 29 December 2021, Mr. Cheng Fengchao* was appointed as an Independent Non-executive Director of the fifth session of the Board and has been appointed by the Board as a committee member of the Nomination, Remuneration and Review Committee and a committee member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) with the term of office commencing from the date of obtaining approval for his Director qualification from the CBIRC and ending upon the expiry of the term of appointment of the fifth session of the Board of the Company. Mr. Zhang Daoming* was appointed as an Executive Director of the fifth session of the Board and has been appointed by the Board as a committee member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) with the term of office commencing from the date of obtaining approval for his Director qualification from the CBIRC and ending upon the expiry of the term of appointment of the fifth session of the Board of the Company.

* Pending the CBIRC's approval of the qualification of the relevant personnel for serving as a Director.

DUTIES AND RESPONSIBILITIES

The Board is responsible for leading and monitoring the operation of the Company, formulating the overall strategies, policies, financial budgets and final accounts, determining the annual operation plans and investment plans, and the organisation of the fundamental management system and internal management structure, assessing the performance of the Company and supervising the work of the management. The Board is also responsible for convening shareholders' general meetings, reporting to shareholders' general meetings and implementing resolutions of the shareholders' general meetings; formulating plans for distribution of profits and recovery of losses, proposals for the increase in or reduction of the registered capital, plans for the issuance of bonds or other securities as well as the listing, and plans for material acquisitions, purchase of shares of the Company, or for merger, division, dissolution, change of corporate form of the Company; considering and approving the outbound investments, asset acquisitions, asset disposals and write-offs, asset mortgages or other transactions of the Company, the annual transaction value of which is more than 10% but less than 30% of the Company's total asset value, as well as material related party transactions and other matters which are required to be submitted to the Board for consideration and approval in accordance with laws and regulations and regulatory provisions; appointing or removing the senior management of the Company and determining their remuneration, rewards and disciplinary matters; formulating proposals for any amendment to the Articles of Association; drawing up the rules of procedures for the shareholders' general meetings and the Board; considering the working rules of the specialised committees under the Board; electing members of the specialised committees under the Board; proposing to the shareholders' general meeting on the appointment or removal of the accounting firm which carries out statutory audit on the financial reports of the Company on a regular basis; selecting the external auditor who conducts audit of the Directors and senior management of the Company; receiving the work report of, and reviewing the work, of the President of the Company. The Board is ultimately responsible for the internal control, risk management and compliance management of the Company.

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

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

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened three shareholders' general meetings and submitted 25 proposals and reports to the shareholders' general meetings. Nine Board meetings were convened, at which 81 proposals were considered and approved. The attendance record of the Directors at the meetings is as follows:

	Board Meeting		Shareholders' General Meeting	
Name	Number of meetings attended/ Number of meetings that require attendance	Attendance rate	Number of meetings attended/ Number of meetings that require attendance	Attendance rate
Luo Xi	7/7	100%	2/3	67%
Xie Yiqun	5/5	100%	2/2	100%
Yu Ze	0/0	–	0/0	–
Jiang Caishi	9/9	100%	3/3	100%
Xie Xiaoyu	2/2	100%	0/0	–
Li Tao	9/9	100%	3/3	100%
Lin Hanchuan	9/9	100%	2/3	67%
Lo Chung Hing	9/9	100%	3/3	100%
Ma Yusheng	3/3	100%	0/0	–
Chu Bende	9/9	100%	3/3	100%
Qu Xiaohui	9/9	100%	3/3	100%

Notes:

1. During the Year, the Board appointed new Directors and certain Directors resigned. The table above lists the numbers of Board meetings and shareholders' general meetings held and attended by each Director during his/her term of office.

2. During the Year, the Chairman of the Board held a meeting with the Independent Non-executive Directors, at which no other Directors attended.

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

- convened three shareholders' general meetings and submitted 25 proposals and reports to the shareholders' general meetings, including the proposals for the appointment of the Director, the Report of the Board for 2020, the Report of the Supervisory Committee for 2020, the Auditor's Report and the audited financial statements for 2020, the profit distribution plan for 2020, amendments to the Articles of Association, amendments to the Procedural Rules for Shareholders' General Meeting, amendments to Procedural Rules for the Board of Directors, and the appointment of the auditors, all of which were approved at the shareholders' general meetings;

- considered and approved the appointment of the nominated director and the appointments of the chairman and members of the relevant specialised Board committees;

- considered and approved the appointments of Mr. Yu Ze as the President, Mr. Zhang Daoming as a Vice President and Mr. Lv Chen as an Assistant to the President;

- considered and approved the adjustment to and establishment of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee);

- considered and approved the business development plan, financial plan, fixed assets investment plan, and strategic allocations of and investment strategies on entrusted assets of the Company for the Year;

- considered and approved the annual performance appraisals of the senior management, including the President, Vice Presidents, Assistants to the President;

- considered and approved the internal control assessment report for 2020 and the compliance report for 2020 of the Company, considered the report on progress of improvement based on the management recommendation letter of the previous year, reviewed and continuously enhanced the effectiveness of the Company's internal control;

- considered and approved the risk assessment report for 2020, the solvency report for the fourth quarter in 2020 and the second quarter in 2021, the solvency margin condition and audit report and the solvency stress test report for 2020 of the Company, revised and improved the risk preference statement and risk tolerance and limit indicator system of the Company, and reviewed and continuously improved the effectiveness of the Company's risk management;

- considered and approved the information disclosure report for 2020, the financial report on compulsory third party liability motor vehicle insurance for 2020, the report on the implementation of the related party transactions management system for 2020 and the evaluation report on implementation of the development plan for 2020, the Capital Plan (2021-2023);

- considered and approved the report of asset and liability management for 2020, and stipulated the overall goals and strategies of the asset and liability management of the Company to meet new regulatory requirements;

- considered and approved the 2021 interim results;
- considered and approved the 2020 Corporate Social Responsibility Report of the Company; and
- considered and approved the purchase of fixed assets by branches of the Company, the related party transactions between the Company and its subsidiaries, affiliated branches or related subsidiaries and affiliated branches of PICC Group.

DIRECTORS

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles of Association and the Working Rules of the Nomination, Remuneration and Review Committee of PICC Property and Casualty Company Limited, the appointment of director shall be subject to the consideration and approval of the Nomination, Remuneration and Review Committee, the Board, and the general meeting, after which, it shall be submitted and reported to the CBIRC for qualification approval. Upon the approval of the qualification, the candidate will be officially appointed. The procedures of re-election of Directors are the same.

REMOVAL OF DIRECTORS

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall give a true and fair view of the business operations of the Company in accordance with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants and through the consistent adoption of appropriate accounting policies and, subject to compliance with the Hong Kong Financial Reporting Standards, the implementation of the regulations on accounting treatment issued by the Ministry of Finance of the PRC and the CBIRC. The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2021, which shall present a true and fair view of the affairs of the Company and its subsidiaries and of the results and cash flows of the Company and its subsidiaries. The Directors are not aware of any event or condition which may cause material adverse impact on the Company's ability to continue as a going concern.

SECURITIES TRANSACTIONS

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

During the Year, all Directors earnestly participated in continuous professional development. All Directors received trainings or conducted research or exchange in areas of corporate governance, corporate finance, information disclosure, related party transactions, directors' continuous responsibilities and obligations, economic and social situations, relevant laws and regulations, professional knowledge related to the business, professional norms, etc., which continuously enhanced their related knowledge and skills, and they proactively put forward various timely and appropriate advice and suggestions on the Company's management and development.

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

Luo Xi: attended various trainings and meetings organised by regulatory authorities and PICC Group related to the performance of director's functions and duties, conducted deeper study to understand the State's reform and development situation, macroeconomic trends, and industry regulatory trends, and gained a deeper understanding of applicable domestic and foreign laws and regulations as well as regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, anti-money laundering and anti-terrorism financing, etc.

Jiang Caishi: paid continuous attention to and conducted research on the issues of corporate finance and corporate governance, gained a deeper understanding of applicable domestic and foreign laws and regulations as well as regulatory requirements in respect of related party transactions, directors' continuous responsibilities, etc., and attended trainings in respect of laws and regulations, corporate governance, performance of director's functions and duties, insurance industry, anti-money laundering and anti-terrorism financing, etc.

Li Tao: attended trainings on various topics organised by PICC Group, participated in the courses of enhancing the performance of duties of directors, supervisors and senior management in insurance organizations held by Insurance Association of China, and gained a deeper understanding of applicable domestic and foreign laws and regulations as well as regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, anti-money laundering and anti-terrorism financing, etc.

Lin Hanchuan: paid continuous attention to and conducted research on the issues of corporate finance and corporate governance, participated in trainings organised by the Company in relation to laws and regulations, corporate governance, performance of director's functions and insurance industry, and attended trainings in respect of laws and regulations, corporate governance, performance of director's functions and duties, insurance industry, anti-money laundering and anti-terrorism financing, etc.

Lo Chung Hing: paid continuous attention to and conducted research on corporate finance and corporate governance, attended the trainings organised by the Company related to the laws and regulations, corporate governance, performance of director's functions and duties and insurance industry, and attended trainings in respect of laws and regulations, corporate governance, performance of director's functions and duties, insurance industry, anti-money laundering and anti-terrorism financing, etc.

Chu Bende: paid continuous attention to and conducted research on corporate finance and corporate governance; gained a deeper understanding of applicable domestic and foreign laws and regulations as well as regulatory requirements in respect of related party transactions, directors' continuous responsibilities and obligations, etc., attended the trainings organised by the Company related to the laws and regulations, corporate governance, performance of director's functions and duties, insurance industry, anti-money laundering and anti-terrorism financing, etc., attended the online training of the 56th joint member ECPD seminar given by The Hong Kong Institute of Chartered Secretaries and the 58th joint member ECPD seminar hosted by The Hong Kong Chartered Governance Institute.

Qu Xiaohui: paid continuous attention to and conducted research on the changes in global accounting standards, regulations and reformation on corporate reports and corporate governance, hosted the research on key ministerial-level major projects, and attended the 2021 Annual Academic Conference of Accounting Society of China, the 13th (2021) Financial Risk and Corporate Finance International Seminar, the seminar of the China Business Accounting Institute, the Seminar on Development and Innovation of Financial Education in the Digital Era, 2021 academic Annual Meeting and the 34th theory seminar of the Finance Cost Branch of the Accounting Society of China and 2021 Annual Meeting of the Senior Engineering Colleges Branch of Accounting Society of China; participated in the 20th Symposium on Empirical Accounting Research in China and its standing council meeting and hosted the doctoral student forum on line, the fifth Intelligent Accountant Forum, the second Accounting Summit and 2021 Academic Annual Meeting of Guangdong-Hong Kong-Macao University Accounting Union; took in lead to host 2021 Academic Seminar of the Accounting Fundamental Theory Committee of Accounting Society of China; took in lead to host the 2021 Senior Seminar on Accounting, Finance and Taxation Teaching in higher education; attended the online training of 56th joint member ECPD seminar given by The Hong Kong Institute of Chartered Secretaries and several academic accounting and finance forums held by Harbin Institute of Technology, Shenzhen.

CHAIRMAN/PRESIDENT

Mr. Luo Xi serves as the Chairman commencing from 18 March 2021. Mr. Xie Yiqun resigned as the Vice Chairman of the Board on 26 March 2021. As at the date of this report, the Chairman of the Company is Mr. Luo Xi. Mr. Yu Ze serves as the President commencing from 28 June 2021. As at the date of this report, the President of the Company is Mr. Yu Ze. The Chairman is responsible for leading the Board and ensuring that the Board operates effectively and discharges its responsibilities properly. The President is responsible for taking charge of the operation and management of the Company, organising and implementing the resolutions of the Board, the annual operation plans and investment plans, formulating proposals for organisational structure for internal management and the basic management system, and making proposals to the Board for the appointment or removal of the Vice President(s), the Responsible Compliance Officer, the Responsible Finance Officer and the Assistant(s) to the President, etc.

The duties and responsibilities of the Chairman are as follows:

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

The duties and responsibilities of the President are as follows:

- to be in charge of the operation and management of the Company and shall organise the implementation of the Board resolutions;
- to organise the implementation of the Company's annual business plans and annual investment plans;

- to issue general administrative documents of the Company;
- to draw up plans for organisational structure for internal management of the Company and, in accordance with operating needs, and decide on general organisational adjustment plans;
- to draw up the Company's basic management system;
- to formulate basic rules and regulations for the Company;
- to propose to the Board for the appointment or removal of Vice President(s), Responsible Compliance Officer, Responsible Financial Officer and Assistant(s) to the President;
- to appoint or remove responsible management personnel other than those required to be appointed or removed by the Board;
- to formulate policies for the remuneration, welfare benefits, rewards and penalties of the employees of the Company other than the senior management personnel and to determine, or authorise subordinate department heads to determine, the employment and removal of the employees other than the senior management personnel and the responsible management personnel described in the item 8 of the details of the duties and responsibilities of the President above;
- to propose the convening of special meetings of the Board; and
- to exercise any other functions and powers authorised by laws and regulations, regulatory provisions, the Articles of Association and the Board.

AUDIT COMMITTEE

OVERVIEW

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

COMPOSITION

During the Year, the Audit Committee comprised:

Chairman: Qu Xiaohui (Independent Non-executive Director)
Members: Lin Hanchuan (Independent Non-executive Director), Li Tao (Non-executive Director), Lo Chung Hing (Independent Non-executive Director), Chu Bende (Independent Non-executive Director)

DUTIES AND RESPONSIBILITIES

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

REMUNERATION OF AUDITORS

During the Year, the Company paid RMB12.90 million for audit-related services, including the fees for the audit of the financial statements for 2021 and the review of the interim financial statements for 2021. During the Year, there was no non-audit services. Therefore, no such non-audit services fee was paid.

SUMMARY OF WORK UNDERTAKEN

During the Year, the Audit Committee held eight meetings and considered 28 proposals. The attendance record of committee members at the meetings is as follows:

Name	Qu Xiaohui	Lin Hanchuan	Li Tao	Lo Chung Hing	Chu Bende
Number of meetings attended/Number of meetings that require attendance	8/8	8/8	8/8	8/8	8/8
Attendance rate	100%	100%	100%	100%	100%

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

Engagement of and communication with the auditors:

- considered the auditors' reports on the work plans for and results of the audit work for 2020 and on the interim review work for 2021; and

- considered the proposal for the engagement of auditors for 2021, and obtained approvals from the Board and the shareholders' general meeting for the engagement proposal.

Reviewing the financial reports, etc.:

- reviewed the financial statements and results announcement, the information disclosure report, the special financial report on compulsory third party liability motor vehicle insurance and the solvency reports of the Company for 2020, the solvency reports for the fourth quarter of 2020 and the second quarter of 2020, the financial statements and results announcement for the interim period of 2021, and the financial statements and results announcement for the first and third quarters of 2021.

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

- considered and approved the Company's internal control assessment report and the compliance assessment report for 2020;

- considered and approved the report on progress of improvement based on the management recommendation letter for 2019, considered the management recommendation letter for 2020; and

- supervised and provided guidance on the internal audit and financial accounting work, reviewed the working report on internal audit for 2020, the asset and liability management audit results report for 2020, the quarterly work report of the Company for 2021 audited by the Group Audit Center, and considered the work summary report of the Finance and Accounting Department of the Company for 2020 and the work plans for 2021.

NOMINATION, REMUNERATION AND REVIEW COMMITTEE

OVERVIEW

During the Year, the Nomination, Remuneration and Review Committee nominated Directors and senior management, conducted annual appraisals of the President and other senior management, and reviewed the remuneration of the Independent Non-executive Directors and independent Supervisors.

COMPOSITION

During the Year, the Nomination, Remuneration and Review Committee comprised:

Chairman: Ma Yusheng (Independent Non-executive Director, resigned)
Members: Lin Hanchuan (Independent Non-executive Director), Chu Bende (Independent Non-executive Director)

Note: Mr. Ma Yusheng resigned as an Independent Non-executive Director on 31 May 2021 and ceased to act as the Chairman of the Nomination, Remuneration and Review Committee simultaneously.

DUTIES AND RESPONSIBILITIES

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

NOMINATION OF DIRECTORS AND POLICY ON DIVERSITY OF BOARD MEMBERS

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

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

The Company currently has eight Directors, consisting of two Non-executive Director (Mr. Luo Xi and Mr. Li Tao), two Executive Directors (including Mr. Yu Ze and Mr. Jiang Caishi) and four Independent Non-executive Directors (including Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Chu Bende and Ms. Qu Xiaohui). The two Non-executive Director comes from shareholder's entities and have rich experience in the operation management and expertise in insurance institutions; the two Executive Directors have performed operating and management roles in the insurance sector for many years and have rich experience in the operation management and expertise in insurance institutions; the four Independent Non-executive Directors (one of whom is from Hong Kong) are experts in economics, finance, accounting research, financial management, public administration and corporate management. They are capable of giving the Company professional advice on various areas. The biographical details of the Directors are set out in the "Biographical Details of Directors, Supervisors and Other Senior Management" section of this annual report.

In view of the current situation of the Directors of the Company, the Nomination, Remuneration and Review Committee is of the view that the composition of the Board meets the diversity requirement.

REMUNERATION OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The fixed salaries of the Executive Directors and other senior management are determined in accordance with the market levels and their respective positions and duties. Their performance-related bonuses are subject to various considerations, including the operating results of the Company and the scores in their performance appraisals. Directors' remunerations and Supervisors' remunerations are determined with reference to the market levels and the actual circumstances of the Company.

REMUNERATION POLICY OF THE COMPANY

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

SUMMARY OF WORK UNDERTAKEN

During the Year, the Nomination, Remuneration and Review Committee held five meetings, at which 12 proposals were considered, at which matters related to the nomination of Directors, senior management, the remuneration of the Directors and the Supervisors, and the appraisals of the senior management were discussed. The attendance record of committee members at the meetings is as follows:

Name	Ma Yusheng	Lin Hanchuan	Chu Bende
Number of meetings attended/Number of meetings that require attendance	3/3	5/5	5/5
Attendance rate	100%	100%	100%

Note: During the Year, a Director resigned and ceased to act as a member of the Nomination, Remuneration and Review Committee simultaneously. The table above lists the numbers of meetings held and attended by each member during his term of office.

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

- nominated Directors and senior management;
- took into consideration the market salary levels of comparable companies of the same industry and the Company's actual circumstances, made recommendations to the Board in respect of the remuneration for the Directors and Supervisors for 2021, and such recommendations were approved by the Board and the shareholders' general meeting;
- considered the performance appraisal plan for the senior management for 2020 and made recommendations to the Board in respect thereof; carried out annual performance appraisals of the President, Vice Presidents, Assistants to the President, the Secretary of the Board, the Chief Accountant, and the senior professional officers of the head office of the Company, which were approved by the Board;
- considered the change of the Company Secretary; and
- considered the Corporate Governance Report for 2020.

STRATEGIC PLANNING COMMITTEE

OVERVIEW

During the Year, the Strategic Planning Committee considered the annual business development plan, major investments, operating results and profit distributions of the Company, and continued to supervise the corporate governance of the Company.

COMPOSITION

During the Year, the Strategic Planning Committee comprised:

Chairman: Luo Xi (Non-executive Director)
Members: Xie Yiqun (Executive Director, resigned), Yu Ze (Executive Director), Li Tao (Non-executive Director)

Notes:

1. Mr. Luo Xi was appointed as a Non-executive Director on 29 December 2020, and was elected as the Chairman of the Board and the chairman of the Strategic Planning Committee, his term of the chairman of the Strategic Planning Committee commenced from 18 March 2021 on which his qualification as the Chairman of the Board was approved by CBIRC.

2. Mr. Xie Yiqun resigned as an Executive Director on 25 June 2021 and ceased to act as a member of the Strategic Planning Committee simultaneously.

3. Mr. Yu Ze was appointed as an Executive Director on 18 June 2021, and was elected as a member of the Strategic Planning Committee, his term of a member of the Strategic Planning Committee commenced from 30 December 2021 on which his qualification as a Director of the Board was approved by CBIRC.

DUTIES AND RESPONSIBILITIES

The Strategic Planning Committee is responsible for formulating mid-term and long-term development strategies, considering business plans, major investment plans, financing plans, annual financial budgets and final accounts, profit distribution plans and loss recovery plans, plans for the disposal of material assets, plans for the issuance of shares and bonds, plans for material modification to the organisational structure of the Company and proposals for amendments to the Articles of Association, formulating and reviewing corporate governance policies and practices of the Company, formulating and amending the Company's policies in respect of environmental, social and governance and other corporate social responsibilities, and reporting and proposing to the Board etc.

SUMMARY OF WORK UNDERTAKEN

During the Year, the Strategic Planning Committee held five meetings and considered 20 proposals. The attendance record of committee members at the meetings is as follows:

Name	Luo Xi	Xie Yiqun	Yu Ze	Li Tao
Number of meetings attended/Number of meetings that require attendance	5/5	2/2	0/0	5/5
Attendance rate	100%	100%	–	100%

Note: During the Year, a Director was elected as a member of the Strategic Planning Committee and a Director resigned and ceased to act as a member of the Strategic Planning Committee simultaneously. The table above lists the numbers of meetings held and attended by each member during his term of office.

The major work accomplished by the Strategic Planning Committee in the Year included:

- considered and approved the business development plan and financial plan, fixed assets investment plan for the Year, purchases of operational properties and the reformation of headquarter management structure;
- considered and approved the Profit Distribution Plan for 2020, Evaluation Report on Implementation of the Development Plan for 2020 and the Corporate Management Report for 2020;
- considered and approved to issue the capital supplementary bonds;
- considered and approved to amend the Articles of Associations, the Procedural Rules for Shareholders' General Meeting and the Procedural Rules for the Board of Directors;
- considered and approved to adjust the establishments of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee);
- considered and approved the Planning Outline of the "14th Five-year Plan" Development Strategy of the Company and the Capital Plan (2021-2023) of the Company;
- considered and approved the 2020 Corporate Social Responsibility Report of the Company;
- reviewed and supervised the Company's corporate governance policies and practices;

- reviewed and monitored the training and continuous professional development of Directors, Supervisors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed and supervised the regular update of the Normative Manual on Rights and Duties by the Company; and
- considered the Company's compliance with the Corporate Governance Code and the Corporate Governance Report for 2020.

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

OVERVIEW

During the Year, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) continued to supervise the operation of the risk management system of the Company, and considered the risk assessment report, the risk preference statements and indicators of risk tolerance, the Capital Plan (2021-2023) and various risk management basic rules and investment plans of the Company.

COMPOSITION

During the Year, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) comprised:

Chairman: Yu Ze (Executive Director)
Members: Xie Yiqun (Executive Director, resigned), Jiang Caishi (Executive Director)

Notes:

1. Mr. Yu Ze was appointed as an Executive Director on 18 June 2021 and was elected the Chairman of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), his terms of office commencing from 30 December 2021 on which his qualification as a Director of the Board was approved by CBIRC.

2. Mr. Xie Yiqun resigned as an Executive Director on 25 June 2021 and has ceased to act as a member of the former Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee simultaneously.

DUTIES AND RESPONSIBILITIES

In October 2021, the 30th Meeting of the fifth session of the Board considered and approved the adjustment of the former Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee to the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), which shall take the same responsibilities. The Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) is responsible for promoting full implementation of consumers' rights protection by the management, evaluating and clearly determining the nature and extent of the risks that the Company is willing to take in achieving the Company's business objectives, considering the various basic systems of the Company for risk management, considering annual risk assessment reports and the risk assessment reports in respect of major decisions, monitoring the effectiveness and adequacy of the operation of the risk management system, monitoring the design, implementation and supervision of the risk management system by the management, so as to ensure that the Company has and maintains an appropriate and effective risk management system. Meanwhile, it undertakes asset-liability management of the Company by reviewing the asset-liability management system, the annual report of asset-liability management, the management mode of insurance funds utilisation, utilisation strategy and investment strategy of the Company, inspecting the establishment and enforcement of the risk control system for insurance funds utilisation, as well as formulating asset allocation strategic plan for insurance funds utilisation.

SUMMARY OF WORK UNDERTAKEN

During the Year, the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) held five meetings and considered 11 proposals. The attendance record of committee members at the meetings is as follows:

Name	Yu Ze	Xie Yiqun	Jiang Caishi
Number of meetings attended/Number of meetings that require attendance	0/0	3/3	5/5
Attendance rate	–	100%	100%

Note: During the Year, a Director was elected as a member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee), and a Director resigned and ceased to act as a member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) simultaneously. The table above lists the numbers of meetings held and attended by each member during his/her term of office.

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

- considered and approved the Risk Assessment Report for 2020, inspected the risk management system of the Company and reviewed the effectiveness of the risk management system of the Company (including subsidiaries of the Company), and gave advice on further development of the comprehensive risk management system; formulated the risk preference statement and risk tolerance indicators for 2021, discussed with the management on ongoing improvement in risk management policies and procedures and ensuring the effectiveness of the risk management system of the Company, and considered and approved the 2020 annual report on anti-money laundering;

- considered and approved the plan on consumers' rights and interests protection for 2021 and reviewed the report on insurance consumer rights and interests protection for the first half of 2021;

- considered and approved the 2020 Annual Report on Assets and Liabilities Management, the report on special audit results of asset and liability management and the overall objectives and strategies of asset and liability management; and

- considered and approved the business development plan and finance plan for 2021, the strategic allocation plans of and 2021 reports on invested assets, the guidance on relevant offshore investment and the Capital Plan (2021-2023) of the Company.

RELATED PARTY TRANSACTION CONTROL COMMITTEE

OVERVIEW

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

COMPOSITION

As at the date of this report, the Related Party Transaction Control Committee comprised:

Chairman:	Chu Bende (Independent Non-executive Director)
Members:	Jiang Caishi (Executive Director), Lin Hanchuan (Independent Non-executive Director), Lo Chung Hing (Independent Non-executive Director), Qu Xiaohui (Independent Non-executive Director)

DUTIES AND RESPONSIBILITIES

The Related Party Transaction Control Committee is primarily responsible for examining the connected transaction management system of the Company and the state of its implementation, coordinating and managing the identification and maintenance of related parties, and for the management, examination, filing, approval and risk control of connected transactions, and coordinating and managing information disclosure and reporting in respect of connected transactions, etc.

SUMMARY OF WORK UNDERTAKEN

During the Year, the Related Party Transaction Control Committee held eight meetings and considered 14 proposals. The attendance record of committee members at the meetings is as follows:

Name	Chu Bende	Jiang Caishi	Lin Hanchuan	Lo Chung Hing	Qu Xiaohui
Number of meetings attended/Number of meetings that require attendance	8/8	8/8	8/8	8/8	8/8
Attendance rate	100%	100%	100%	100%	100%

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

- considered and approved the Report on the Audit Results of the Connected Transaction Management for 2019, the Report on the Implementation of the Connected Transactions for 2020, and the Report on Corporate Governance for 2020; and

- considered and approved the Policy-oriented Agriculture Reinsurance Standardized Agreement with China Agriculture Reinsurance Co., Ltd for 2021, the framework agreement on occupational annuity fund management business and corporate annuity fund management business cooperation entered into between the Company and PICC Pension Company Limited, the auto parts procurement contract with Bangbang Auto Sales & Services (Beijing) Co. Ltd., the head office-to-headquarters cooperation agreement with PICC Motor Insurance Sales Services Company Limited, the framework agreement of post loan service of auto finance with Chongqing PICC Microfinance Co., Ltd., the Customer Services Cooperation Framework Agreement with Aibao Technology, the Reinsurance Framework Agreement for 2022 with PICC Re., the Reinsurance Framework Agreement for 2022 with PICC HK, the South Centre Package Service Agreement with PICC Group, and Policy-oriented Agriculture Insurance Reinsurance Standardized Agreement with China Agricultural Reinsurance Co., Ltd for 2022 etc.

INTERNAL CONTROL

In accordance with the Basic Rules for Internal Control of Enterprises and their supporting guidelines and the Basic Standards for Internal Control of Insurance Companies and having regard to the Company's internal control system and assessment methods, the Company conducted a self-assessment of the effectiveness of its internal control as of 31 December 2021 in terms of day-to-day supervision and supervision of particular matters. The Board and the Audit Committee considered and discussed the Internal Control Assessment Report and the Compliance Assessment Report of the Company for 2021 to review and continuously improve the effectiveness of the internal control systems of the Company and its subsidiaries.

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

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

The assessment result demonstrated that effective and adequate internal control had been established for all businesses and matters that were within the scope of assessment, which achieved the internal control objectives of the Company without major defects. No major changes in internal control which would cause fundamental impact on assessment result occurred between the reference date of internal control assessment and the issuance date of the internal control assessment report. The objectives of the Company's internal control are to reasonably ensure the lawfulness and compliance of its operation and management, security of the assets and the truthfulness and completeness of its financial statements and related information, to improve operating efficiency and performance and to achieve the development strategy. Due to its inherent limitations, internal control can only give reasonable but not absolute assurance for achieving such objectives. According to the Measures on the Administration of Internal Control Assessment of the Company, after being aware of any major or material defects in internal control, the main responsible department or entity should make rectifications within the prescribed period and report them to the Board and the President Office.

In 2021, the PICC Group strengthened the Party's leadership in audit, reformed the audit system and mechanism, implemented centralized audit management, and established the Group Audit Center to conduct internal audit for its subsidiaries and branches. Currently, the Group Audit Center is responsible for the internal audit of the Company.

RISK MANAGEMENT

The Company has devoted to implementing effective risk management, adhering to the basic risk management principles of "covering every aspect with focus on key areas, practising division of labour and cooperation, and adopting a closed-loop management system" and upholding the risk management objective of "operational compliance, effective management and control, asset safety, and sufficient capital". The Company has continued to improve the risk management system and its risk prevention and control ability, managed to contain the operational risk within the scope of its risk preference, tolerance and limit, and vigorously upheld the bottom line of abiding by laws and regulations and avoiding systematic risks. The Board is ultimately responsible for the completeness and effectiveness of the risk management system of the Company. The Board is committed to establishing a complete and effective risk management system, continuously paying close attention to and monitoring the effectiveness of the risk management, examining and approving the risk preference system, the organisational structure for risk management, the solutions to significant risks and the annual risk assessment reports of the Company, etc. The relevant specialized committee of risk management under the Board is responsible for considering the risk management system, the annual risk assessment reports, risk assessment of major business matters and the solutions to significant risks as well as continuously reviewing, monitoring and assessing the effectiveness of the risk management system. The President Office and the Risk Compliance Committee under the President Office are responsible for guiding, coordinating and supervising the work of risk management, internal control and compliance. The President Office reviews the risk assessment reports on a quarterly basis, reports the Company's risk level and management situations to the Board and relevant specialized committee of risk management under the Board at least once a year and is subject to the Board's supervision. The functional departments of the Company bear primary responsibilities for the risk management, where the risk management department is responsible for the coordinating, planning and organising the implementation of risk management before and during implementation, and the Group Audit Center assesses the operation and operational effect of the risk management system at least once a year and monitors the implementation of risk management policies.

In 2021, the Company continued to thoroughly implement the decisions of the Party's Central Committee to prevent and resolve major financial risks, focus on the provisions of the C-ROSS of the CBIRC, take the establishment of risk management platform and new digital risk management model as our goal, complete the risk management mechanism, strengthen the IT system, intelligent technology etc., and continuously promote the level of risk management in accordance with the "Excellent Insurance Strategy" of PICC Group and the Planning Outline of the "14th Five-year Plan" Development Strategy of the Company.

Firstly, the Company established and improved the comprehensive and highlighted risk management mechanism and system. Pursuant to the provisions of the second phase of C-ROSS of the CBIRC, the Company revised rules of risk management, clarified the division of duties and enhanced the performance of such dituies. Secondly, the Company focused on improving the constructions of risk management system platform. The Company created a new model of digital risk management, enhanced the intelligent level of identifying and assessing risk as well as monitoring and the early warning such risk by upgrading the risk information system. Thirdly, the Company strengthened capability and level of risk management by way of promoting the implementation of the provisions of the C-ROSS. The Company implemented the C-ROSS regulatory requirements, regularly carried out the solvency measurement, stress tests and cash flow stress tests, continuously enhanced the monitoring, management and control of risks, conducted evaluation and reporting on a regular basis, analyzed the influence on the solvency according to the new provisions and formulated measures to cope with it.

In 2021, the Company has achieved adequate solvency, maintained the comprehensive risk rating and the evaluation of solvency risk management at a relatively good level.

In 2021, with a view to reviewing and continuously enhancing the effectiveness of the risk management system of the Company and its subsidiaries, the Board and the former Consumers' Rights and Interest Protection, Risk Management and Investment Decision-making Committee considered and discussed the Risk Assessment Report of the Company for 2020 and considered that system was effective and sufficient.

SUPERVISORY COMMITTEE

OVERVIEW

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

COMPOSITION

During the Year, the Supervisory Committee comprised:

Chairman:	Zhang Xiaoli
Supervisors:	Wang Yadong (Shareholder Representative Supervisor), Lu Zhengfei (Independent Supervisor), Gao Hong* (Employee Representative Supervisor), Wang Xiaoli* (Employee Representative Supervisor)

During the period from 1 January 2021 to the date of this report:

At the first extraordinary general meeting of the Company held on 28 October 2021, Ms. Li Shuxian* has been appointed as the Independent Supervisor of the fifth session of the Supervisory Committee and elected by the Supervisory Committee as a member of the specialized committees of the Supervisory Committee of Company with the term of office commencing from the date of obtaining approval for her Supervisor qualification from the CBIRC and ending upon the expiry of the term of appointment of the fifth session of the Supervisory Committee of the Company.

At the employees representatives meeting of the Company held on 29 October 2021, Mr. Li Qi* and Ms. Li Ling* have been appointed as the Employee Representative Supervisors of the Company with the term of office for three years commencing from the date of obtaining approval for their Supervisor qualifications from the CBIRC.

* Pending the CBIRC's approval of the qualification of the relevant personnel for serving as a Supervisor.

DUTIES AND RESPONSIBILITIES

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

SUMMARY OF WORK UNDERTAKEN

During the Year, the Supervisory Committee carried out its work, performed its supervisory duties and protected the interests of the shareholders, the Company and its employees strictly in accordance with the relevant provisions of the Company Law and the Articles of Association. During the Year, the Supervisory Committee held six meetings, at which 29 proposals were considered and approved. The attendance record of the Supervisors at the meetings is as follows:

Name	Zhang Xiaoli	Wang Yadong	Lu Zhengfei	Gao Hong	Wang Xiaoli
Number of meetings attended/Number of meetings that require attendance	6/6	6/6	6/6	6/6	6/6
Attendance rate	100%	100%	100%	100%	100%

Note: The table above lists the numbers of meetings held and attended by each Supervisor during his/her term of office.

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

DUTY PERFORMANCE AND FULFILLMENT SUPERVISORY COMMITTEE

OVERVIEW

During the Year, the Duty Performance and Fulfillment Supervisory Committee reviewed the performance of Supervisors, considered the performance report of Directors, the performance report and the performance evaluation results of the Independent Directors, Duty Performance Evaluation Scheme of Supervisors and proposals to appoint independent supervisor, etc.

COMPOSITION

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

Chairman: Zhang Xiaoli (Chairman of the Supervisory Committee)
Members: Gao Hong (Employee Representative Supervisor), Wang Xiaoli (Employee Representative Supervisor)

DUTIES AND RESPONSIBILITIES

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

SUMMARY OF WORK UNDERTAKEN

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

Name	Zhang Xiaoli	Gao Hong	Wang Xiaoli
Number of meetings attended/Number of meetings that require attendance	4/4	4/4	4/4
Attendance rate	100%	100%	100%

Note: The table above lists the numbers of meetings held and attended by each member during his/her term of office.

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

- reviewed the performance report of Directors for 2020;
- consider and approve the performance report and the performance evaluation results of the Independent Directors of the Company for 2020 and gave suggestions to the Supervisory Committee;
- considered the Duty Performance Evaluation Scheme of Supervisors for 2020 and gave suggestions to the Supervisory Committee;
- proposed the appointment of Independent Supervisor;
- considered and approved the formulation of the Rules of Duty Performance Evaluation of the Directors and Supervisors of the PICC Property and Casualty; and
- considered and approved the amendments to the Procedural Rules of the Supervisory Committee of the PICC Property and Casualty.

FINANCIAL AND INTERNAL CONTROL SUPERVISORY COMMITTEE

OVERVIEW

During the Year, the Financial and Internal Control Supervisory Committee mainly supervised corporate finance, internal control, risk management, etc., considered the internal control assessment report, risk assessment report, financial statements and results announcements.

COMPOSITION

During the Year, the Financial and Internal Control Supervisory Committee comprised:

Chairman: Lu Zhengfei (Independent Supervisor)
Members: Wang Yadong (Shareholder Representative Supervisor), Wang Xiaoli (Employee Representative Supervisor)

DUTIES AND RESPONSIBILITIES

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

SUMMARY OF WORK UNDERTAKEN

During the Year, the Financial and Internal Control Supervisory Committee held four meetings and considered 5 proposals. The attendance record of committee members at the meetings is as follows:

Name	Lu Zhengfei	Wang Yadong	Wang Xiaoli
Number of meetings attended/Number of meetings that require attendance	4/4	4/4	4/4
Attendance rate	100%	100%	100%

Note: The table above lists the numbers of meetings held and attended by each member during his/her term of office.

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

- consider and approve the Internal Control Assessment Report for 2020 and gave suggestions to the Supervisory Committee;
- consider and approve the Risk Assessment Report for 2020, and gave suggestions to the Supervisory Committee; and
- considered and approved the financial statements and results announcement for the first quarter of 2021, the interim financial statements and results announcement for 2021 and the financial statements and results announcement for the third quarter of 2021.

COMPANY SECRETARY

Ms. Ko Mei Ying has resigned as Company Secretary of the Company on 29 December 2021. Ms. Zhang Xiao was appointed as Company Secretary on the 29 December 2021. She is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Zhang is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She has received no less than 15 hours of relevant professional training during the Year. Mr. Zou Zhihong, the Secretary to the Board of the Company, is the primary contact person of Ms. Zhang at the Company.

RIGHTS OF SHAREHOLDERS

METHODS OF CONVENING EXTRAORDINARY GENERAL MEETINGS

According to the Articles of Association and the Rules of Procedures for Shareholders' General Meeting of the Company, any shareholder(s), individually or collectively, holding 10% or more of the voting shares of the Company may request in writing to convene an extraordinary general meeting and such shareholder(s) shall submit the complete proposed resolution(s) to the Board in writing. If the Board is of view that the proposed resolution(s) complies with the requirements under the laws and regulations and the Articles of Association, it shall issue a notice of extraordinary general meeting within 15 days after the receipt of such written resolution(s).

PROCEDURES FOR PROPOSING RESOLUTIONS AT ANNUAL GENERAL MEETINGS

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

DIVIDEND POLICY

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

INVESTOR RELATIONS

The Company focused on the maintenance of sound investor relations and maintained effective communication with investors through various means. After the announcements of the 2020 annual results and the 2021 interim results, the Company by way of results briefings and roadshows, among others, timely communicated its operating results and business development trends with investors which strengthened communication with investors and facilitated the understanding of the Company by investors. The Company also maintained sound communication with investors through accepting investors' visits, holding telephone conferences, attending major investment forums, by telephone and email, etc., and proactively provided information to investors on the Company's website, to establish and maintain good relationships with investors.

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

PARTICULARS OF THE LATEST SHAREHOLDERS' GENERAL MEETING

The latest shareholders' general meeting of the Company was the extraordinary general meeting held at PICC Building, No. 88 Xichang'an Street, Xicheng District, Beijing, the PRC on 29 December 2021, at which the proposals of amendments to the Articles of Associations, amendments to Procedural Rules for Shareholders' General Meeting, amendments to the Procedural Rules for the Board of Directors, and appointments of Mr. Cheng Fengchao as an Independent Non-executive Director and Mr. Zhang Daoming as an Executive Director of the Company were considered and approved by way of poll. Details are set out in the circular of the Company dated 12 November 2021 and the announcement in relation to the poll results of the extraordinary general meeting dated 29 December 2021.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Year, the Company amended the Articles of Association twice to reflect the latest provisions of applicable laws and regulations as well as the requirements of the CBIRC and other relevant authorities. The first amendment was approved at the annual general meeting held on 18 June 2021 and the second amendment was approved at the extraordinary general meeting held on 29 December 2021, which are subject to the approval by the CBIRC.

Independent Auditor's Report

TO THE SHAREHOLDERS OF
PICC PROPERTY AND CASUALTY COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 99 to 222, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Valuation of insurance contract liabilities
- Valuation of level 3 investments measured at fair value

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities	
Refer to note 2.4 (17) Summary of significant accounting policies – Insurance contract liabilities, note 3.2 (1) Estimation uncertainty – Valuation of insurance contract liabilities and note 35 Insurance contract liabilities to the consolidated financial statements. As at 31 December 2021, the Group's insurance contract liabilities were RMB338.8 billion, representing 71% of the Group's total liabilities. Insurance contract liabilities comprise unearned premium reserves and loss and loss adjustment expense reserves. We focused on this area because the liability adequacy test for unearned premium reserves and the valuation of loss and loss adjustment expense reserves involved a high degree of judgement by management in selecting models and setting assumptions including claim development factors and expected loss ratios, and the inherent risk in relation to the liability adequacy test for unearned premium reserves and the valuation of loss and loss adjustment expense reserves was considered significant.	We (including our actuarial experts) performed the following audit procedures: We obtained an understanding of the management's assessment processes and internal controls of the liability adequacy test for unearned premium reserves and the valuation of loss and loss adjustment expense reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We evaluated and tested the key controls over the liability adequacy test for unearned premium reserves and the valuation of loss and loss adjustment expense reserves including data collection and analysis, and approval process for management's assumption setting, etc. We performed independent modelling analysis for the liability adequacy test for unearned premium reserves and the valuation of loss and loss adjustment reserves by performing below procedures. • For the underlying data used in actuarial models, we compared the data to source systems, such as earned premiums and unearned premiums to accounting records and reported claims to the claims system. • We set up independent actuarial assumptions including claim development factors, expected loss ratios, etc., by considering both the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of the Group's liability adequacy test for unearned premium reserves and valuation of loss and loss adjustment reserves by comparing management's results to the results from our independent modelling analysis and calculation. Based on our audit work, we found management judgements in the liability adequacy test for unearned premium reserves and the valuation of loss and loss adjustment expense reserves supportable by the evidence we gathered.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 investments measured at fair value	
Refer to note 3.2 (3) Estimation uncertainty – Fair values of financial assets determined using valuation techniques and note 41 Classification and fair value of financial instruments to the consolidated financial statements. As at 31 December 2021, the Group's investments measured at fair value that were classified as level 3 were RMB28.5 billion, representing 4% of the Group's total assets. We focused on this area because level 3 investments measured at fair value were valued based on models and assumptions and inputs that are not observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 investments measured at fair value was considered significant.	We obtained an understanding of the management's assessment processes and internal controls of the valuation of level 3 investments measured at fair value and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We evaluated and tested the key controls over the valuation of level 3 investments measured at fair value including management's determination and approval of internally operated valuation models, methodologies and assumptions used in model-based calculations, controls over data integrity and data choice, and management's review of valuation inputs provided by data vendors. We (including our valuation experts) performed the following audit procedures over the valuation of level 3 investments measured at fair value: • We assessed valuation model methodologies and assumptions against industry practice and valuation guidelines. • We compared the significant unobservable inputs such as discount rates and liquidity discounts used in the valuation models against information available from third party sources or market data. • We independently developed fair value estimates and compared them to the management's valuation results on a sample basis. Based on our audit work, we found that the valuation methodologies applied were acceptable and that the inputs and assumptions used were supportable by the evidence we gathered.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is CHAN KWONG TAK.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
25 March 2022

Consolidated Income Statement

For the year ended 31 December 2021
(All amounts expressed in RMB million unless otherwise specified)

	Notes	**2021**	2020
Gross written premiums	*5*	**449,533**	433,187
Net earned premiums	*5*	**396,997**	393,127
Net claims incurred	*6*	**(292,588)**	(260,320)
Net policy acquisition costs	*7*	**(60,116)**	(69,075)
Other underwriting expenses		**(32,564)**	(49,729)
Administrative expenses		**(10,208)**	(9,826)
UNDERWRITING PROFIT		**1,521**	4,177
Investment income	*8*	**17,996**	17,709
Net realised and unrealised gains on investments	*9*	**3,634**	1,520
Investment related expenses		**(456)**	(424)
Foreign exchange losses, net		**(282)**	(621)
Other income/(expenses), net		**624**	(89)
Finance costs	*10*	**(1,533)**	(1,547)
Share of profits or losses of associates and joint ventures		**4,524**	3,951
PROFIT BEFORE INCOME TAX	*11*	**26,028**	24,676
Income tax expense	*12*	**(3,663)**	(3,808)
NET PROFIT FOR THE YEAR		**22,365**	20,868
Attributable to:			
– Owners of the parent		**22,360**	20,868
– Non-controlling interests		**5**	–
		22,365	20,868
Basic earnings per share	*15*	**RMB1.005**	RMB0.938
Diluted earnings per share	*15*	**RMB1.005**	RMB0.938

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021
(All amounts expressed in RMB million unless otherwise specified)

	Notes	**2021**	2020
NET PROFIT FOR THE YEAR		**22,365**	20,868
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale financial assets			
– Fair value gains		**1,679**	10,301
– Reclassification of gains to profit or loss on disposals		**(1,332)**	(4,321)
– Impairment losses	*9*	**440**	2,421
– Income tax effect	*29*	**(196)**	(1,848)
		591	6,553
Share of other comprehensive income of associates and joint ventures		**157**	108
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT IN SUBSEQUENT PERIODS		**748**	6,661
Items that will not be reclassified to profit or loss in subsequent periods:			
– Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	*26*	**803**	320
– Income tax effect	*29*	**(195)**	(35)
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**608**	285
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,356**	6,946
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,721**	27,814
Attributable to			
– Owners of the parent		**23,716**	27,814
– Non-controlling interests		**5**	–
		23,721	27,814

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

Consolidated Statement of Financial Position

As at 31 December 2021
(All amounts expressed in RMB million unless otherwise specified)

	Notes	**31 December 2021**	31 December 2020
ASSETS			
Cash and cash equivalents	*17*	**17,414**	26,192
Debt securities	*18*	**172,851**	168,511
Equity securities and mutual funds	*19*	**143,804**	110,734
Insurance receivables	*20*	**55,399**	50,103
Reinsurance assets	*21*	**37,535**	33,167
Term deposits	*22*	**73,574**	70,943
Investments classified as loans and receivables	*23*	**58,638**	67,944
Investments in associates and joint ventures	*24*	**56,945**	53,262
Investment properties	*26*	**5,851**	4,603
Property and equipment	*27*	**23,743**	25,725
Right-of-use assets	*28*	**5,926**	5,087
Deferred income tax assets	*29*	**7,116**	5,055
Prepayments and other assets	*30*	**23,826**	25,475
TOTAL ASSETS		**682,622**	646,801
LIABILITIES			
Payables to reinsurers	*32*	**22,496**	21,818
Accrued insurance security fund	*33*	**994**	837
Securities sold under agreements to repurchase	*34*	**37,985**	29,028
Income tax payable		**856**	38
Insurance contract liabilities	*35*	**338,781**	312,873
Policyholders' deposits	*36*	**1,748**	1,750
Bonds payable	*37*	**8,058**	23,297
Lease liabilities	*38*	**1,786**	1,668
Accruals and other liabilities	*39*	**64,269**	65,461
TOTAL LIABILITIES		**476,973**	456,770

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

	Notes	**31 December 2021**	31 December 2020
EQUITY			
Issued capital	*40*	**22,242**	22,242
Reserves		**180,645**	165,271
Equity attributable to owners of the parent		**202,887**	187,513
Non-controlling interests	*25*	**2,762**	2,518
TOTAL EQUITY		**205,649**	190,031
TOTAL EQUITY AND LIABILITIES		**682,622**	646,801

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

For the year ended 31 December 2021												
	Attributable to owners of the Company											
		Reserves*										
	Issued capital	Share premium	Asset revaluation reserve**	Available-for-sale financial assets revaluation reserve	Surplus reserve***	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income of associates and joint ventures	Retained profits	Sub-total	Non-controlling interests	Total equity
1 January 2021	22,242	11,412	3,661	20,764	61,814	17,537	1,149	904	48,030	187,513	2,518	190,031
The comprehensive income												
Net profit for the year	-	-	-	-	-	-	-	-	22,360	22,360	5	22,365
Other comprehensive income	-	-	608	591	-	-	-	157	-	1,356	-	1,356
Appropriations to statutory surplus reserve and general risk reserve	-	-	-	-	2,286	2,286	-	-	(4,572)	-	-	-
Appropriations to catastrophic loss reserve	-	-	-	-	-	-	296	-	(296)	-	-	-
Utilisation of catastrophic loss reserve	-	-	-	-	-	-	(1,138)	-	1,138	-	-	-
Dividends declared *(note 16)*	-	-	-	-	-	-	-	-	(8,342)	(8,342)	-	(8,342)
Capital invested by non-controlling Shareholders *(note 25)*	-	-	-	-	-	-	-	-	-	-	239	239
31 December 2021	22,242	11,412	4,269	21,355	64,100	19,823	307	1,061	58,318	202,887	2,762	205,649

* The consolidated reserves of RMB180,645 million in the consolidated statement of financial position at 31 December 2021 comprise these reserve accounts.

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

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

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

For the year ended 31 December 2020

	Attributable to owners of the Company											
			Reserves*									
	Issued capital	Share premium	Asset revaluation reserve**	Available-for-sale financial assets revaluation reserve	Surplus reserve***	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income of associates and joint ventures	Retained profits	Sub-total	Non–controlling interests	Total equity
1 January 2020	22,242	11,412	3,376	14,211	59,703	15,426	1,789	796	40,998	169,953	1	169,954
The comprehensive income												
Net profit for the period	–	–	–	–	–	–	–	–	20,868	20,868	–	20,868
Other comprehensive income	–	–	285	6,553	–	–	–	108	–	6,946	–	6,946
Appropriations to statutory surplus reserve and general risk reserve	–	–	–	–	2,111	2,111	–	–	(4,222)	–	–	–
Appropriations to catastrophic loss reserve	–	–	–	–	–	–	312	–	(312)	–	–	–
Utilisation of catastrophic loss reserve	–	–	–	–	–	–	(952)	–	952	–	–	–
Dividend declared *(note 16)*	–	–	–	–	–	–	–	–	(10,254)	(10,254)	–	(10,254)
Capital invested by non-controlling Shareholders	–	–	–	–	–	–	–	–	–	–	2,517	2,517
31 December 2020	22,242	11,412	3,661	20,764	61,814	17,537	1,149	904	48,030	187,513	2,518	190,031

* The consolidated reserves of RMB165,271 million in the consolidated statement of financial position as at 31 December 2020 comprise these reserve accounts.

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

	Notes	**2021**	2020
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Profit before income tax		**26,028**	24,676
Adjustments for:			
Investment income	*8*	**(17,996)**	(17,709)
Net realised and unrealised gains on investments	*9*	**(3,634)**	(1,520)
Foreign exchange losses, net		**282**	621
Share of profits or losses of associates and joint ventures		**(4,524)**	(3,951)
Depreciation of property and equipment	*11, 27*	**1,850**	1,920
Depreciation of right-of-use assets	*11, 28*	**1,097**	1,186
Amortisation of intangible assets	*11*	**549**	433
Net gains on disposal of property and equipment	*11*	**(111)**	(71)
Finance costs	*10*	**1,533**	1,547
Investment related expenses		**456**	424
Provision for impairment losses on insurance receivables	*11, 20*	**118**	113
Provision for/(Reversal of) impairment losses on prepayments and other assets	*11*	**268**	(3)
Operating cash flows before working capital changes		**5,916**	7,666
Changes in working capital:			
(Increase)/Decrease in insurance receivables		**(5,390)**	3,377
Decrease in policyholders' deposits		**(2)**	(12)
Increase in other assets		**(1,016)**	(1,183)
Increase in payables to reinsurers		**678**	2,369
Increase/(Decrease) in accrued insurance security fund		**157**	(239)
(Decrease)/Increase in accruals and other liabilities		**(776)**	1,629
Increase in insurance contract liabilities, net		**21,540**	4,887
Cash generated from operating activities		**21,107**	18,494
Income tax paid		**(4,771)**	(5,683)
Subtotal		**16,336**	12,811

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

	Notes	2021	2020
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**19,046**	14,961
Rental income received from investment properties		**277**	259
Dividend income received from equity securities and mutual funds		**3,380**	2,993
Payment for capital expenditure		**(2,417)**	(9,780)
Proceeds from disposal of property and equipment		**340**	157
Payment for acquisition of associates and joint ventures		**–**	(300)
Payment for purchase of debt securities, equity securities and mutual funds		**(160,568)**	(117,289)
Payment for purchase of investments classified as loans and receivables		**(5,360)**	(15,684)
Dividend income received from associates and joint ventures		**1,296**	918
Proceeds from sale of debt securities, equity securities and mutual funds		**124,301**	85,805
Proceeds from maturities of investments classified as loans and receivables		**14,178**	14,521
Proceeds on disposal of interest in an associate		**–**	594
Increase in term deposits, net		**(2,631)**	(6,545)
Subtotal		**(8,158)**	(29,390)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital supplementary bonds	*45*	**–**	8,000
Payment for redemption of capital supplementary bonds	*45*	**(15,000)**	–
Increase in securities sold under agreements to repurchase, net	*45*	**8,957**	12,269
Interest paid	*45*	**(1,775)**	(1,123)
Dividends paid		**(8,342)**	(10,254)
Repayments of lease liabilities	*45*	**(924)**	(1,000)
Funds from capital invested by non-controlling shareholders	*25*	**239**	2,517
Subtotal		**(16,845)**	10,409
Effect of exchange rate changes on cash and cash equivalents		**(111)**	(158)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,778)**	(6,328)
Cash and cash equivalents at beginning of the year		**26,192**	32,520
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*17*	**17,414**	26,192
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Demand deposits	*17*	**13,309**	14,173
Securities purchased under resale agreements with original maturity of no more than three months	*17*	**4,105**	12,019
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**17,414**	26,192

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

Notes To The Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

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

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

2.2 Application of amendments to HKFRSs

In current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 9,HKAS 39,HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-related rent concessions beyond 30 June 2021".

The application of the amendments to HKFRSs in current year has had no material effect on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in the consolidated financial statements.

2.3 New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was set out in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 Cycle[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1 HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKFRS 1 and HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after a date to be determined

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

2.3 New and revised standards not yet adopted (continued)

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are generally measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

2.3 New and revised standards not yet adopted (continued)

HKFRS 9 – Financial Instruments (continued)

Based on the Group's financial instruments and risk management policies at 31 December 2021, the following principal impacts to the consolidated financial statements on initial application of HKFRS 9 are expected:

Classification and measurement

- Debt instruments classified as held to maturity as disclosed in note 18 and investments classified as loans and receivables measured at amortised cost as disclosed in note 23: a significant portion of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding ("contractual cash flow characteristics test"). Accordingly, most of them will continue to be subsequently measured at amortised cost upon the application of HKFRS 9. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value through profit or loss instead of amortised cost under HKFRS 9. On initial application of HKFRS 9, the difference between the fair value and the amortised cost will be adjusted to retained profits at the date of transition;

- Debt instruments classified as available-for-sale financial assets measured at fair value as disclosed in note 18: a significant portion of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the available-for-sale investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under HKFRS 9. On initial application of HKFRS 9, available-for-sale investment revaluation reserve relating to these financial assets will be transferred to retained profits at the date of transition;

- Equity instruments classified as available-for-sale financial assets measured at fair value as disclosed in note 19: the Group will not elect the option to designate as at FVTOCI for most equity available-for-sale financial assets measured at fair value. Therefore, most equity available-for-sale financial instruments will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, available-for-sale investment revaluation reserve relating to these financial assets will be transferred to retained profits on the date of transition.

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

2.3 New and revised standards not yet adopted (continued)

HKFRS 9 – Financial Instruments (continued)

Classification and measurement (continued)

- Financial assets at fair value through profit or loss as disclosed in note 18 and note 19: all these financial assets at fair value through profit or loss are held within a business model whose objective is achieved by selling these financial instruments in the open market, so they will be measured at fair value with fair value gains or losses to be recognised in profit or loss under both HKAS 39 and HKFRS 9.

Impairment

If the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group would be generally increased as compared to the accumulated amount recognised under HKAS 39. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at the date of transition.

HKFRS 17 – Insurance Contracts and the related Amendments

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

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

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

2.3 New and revised standards not yet adopted (continued)

HKFRS 17 – Insurance Contracts and the related Amendments (continued)

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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 period immediately preceding the date of initial application.

The directors of the Company anticipate that the new standard will result in an important change to the accounting policies for insurance contracts and is likely to have a material impact on the Group's profit and financial position, together with significant changes in presentation and disclosure. In order to adopt HKFRS 17 in the consolidated financial statements, a HKFRS 17 implementation workgroup comprised of various functions (Finance, Actuarial, Risk, IT and Operations) has been operating since 2018. The Company is in the process of assessing the impact of HKFRS 17. As of 31 December 2021, it was not practicable to quantify the potential impact on the Group's financial position or performance of applying HKFRS 17.

2.4 Summary of significant accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these consolidated financial statements is set out below.

(1) Basis of consolidation

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

(1) Basis of consolidation (continued)

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

(1) Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interest' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in associates and joint ventures

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

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

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

2.4 Summary of significant accounting policies (continued)

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transactions and events in similar circumstances, unless allowed by other standards. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

2.4 Summary of significant accounting policies (continued)

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

When the Group ceases to have significant influence over an associate or joint control, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

(3) Foreign currencies

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

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

2.4 Summary of significant accounting policies (continued)

(3) Foreign currencies (continued)

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

(4) Cash and cash equivalents

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

(5) Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

2.4 Summary of significant accounting policies (continued)

(5) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are measured in the consolidated statement of financial position at fair value with net changes in fair value presented as net realised and unrealised gains/(losses) on investments in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables include cash equivalents, term deposits, insurance receivables and investments classified as loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included in investment income in the income statement.

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

2.4 Summary of significant accounting policies (continued)

(5) Financial assets (continued)

Subsequent measurement (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities dates that are quoted in an active market are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation and the losses arising from impairment are both included and recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

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

2.4 Summary of significant accounting policies (continued)

(6) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears arising from defaults.

Financial assets measured at amortised cost

If financial assets measured at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets measured at amortised cost, if there is an objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

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

2.4 Summary of significant accounting policies (continued)

(6) Impairment of financial assets (continued)

Financial assets measured at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not measured at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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

2.4 Summary of significant accounting policies (continued)

(6) Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets measured at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(7) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

2.4 Summary of significant accounting policies (continued)

(7) Derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(8) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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

2.4 Summary of significant accounting policies (continued)

(8) Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities including securities sold under agreements to repurchase, miscellaneous payables and accruals, policyholders' deposits and bonds payable are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be insignificant, in which case they are stated at cost. The related interest expense is recognised in the income statement. Amounts due to reinsurers are accounted for as if they were other financial liabilities.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or have expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.4 Summary of significant accounting policies (continued)

(9) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are measured as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before applications of HKFRS 16) Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, 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:

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

2.4 Summary of significant accounting policies (continued)

(10) Fair value measurement (continued)

- 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.

(11) Investment properties

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

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

(12) Property and equipment and depreciation

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

(12) Property and equipment and depreciation (continued)

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

(13) Impairment of non-financial assets

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

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

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

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

2.4 Summary of significant accounting policies (continued)

(14) Insurance contracts

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 are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as assessed by the Group is based on the additional amount that the Group needs to compensate policyholders upon the occurrence of the insurance events.

Some contracts issued by the Group may contain both an insurance component and a deposit component. If these two components are distinct and can be measured reliably, the underlying amounts are unbundled. The unbundled insurance component is accounted for according to HKFRS 4 and the unbundled deposit component is accounted for as financial liabilities. If the insurance component and the deposit component are not distinct and separately measurable, the entire contract will be accounted for as an insurance contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract up to derecognition, even if the insurance risk subsequently reduces significantly. Investment contracts can, however, be reclassified as insurance contracts after initial recognition if insurance risk becomes significant.

(15) Significant insurance risk testing

For insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of a similar nature are grouped together for this purpose. When performing the significant insurance risk testing, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(16) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when financial assets derecognition criteria have been met.

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

2.4 Summary of significant accounting policies (continued)

(17) Insurance contract liabilities

When measuring insurance contract liabilities, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group's insurance contracts are classified into certain measurement units by type of insurance.

The Group's insurance contract liabilities comprise mainly unearned premium reserves and loss and loss adjustment expense reserves.

The unearned premium reserves represent premiums received for risks that have not yet expired. At inception of the contract, it represents premiums received or receivable minus relevant acquisition costs. Acquisition costs in relation to the sale of new insurance contracts such as commission expenses, underwriting personnel expenses, tax and other surcharges, insurance security fund and other acquisition costs are recorded as expenses in profit or loss against an equal and opposite amount of premium being recognised as revenue. Subsequent to the initial recognition, the unearned premium reserves are released over the term of the contract and are primarily earned on a 365-day basis. The liability is discounted to present value using a risk-free rate, plus an appropriate premium to fully reflect the characteristics of the cash flow being discounted, when the impact of time value of money is significant. When any deficiency arises from performing the liability adequacy tests as described below, unearned premium reserves have to be adjusted to reflect the deficiency.

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserves. If current estimates of the present value of the expected future claims and loss adjustment expenses in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty associated with the future net cash flows, exceed the unearned premium reserves, then the unearned premium reserves are deemed to be deficient. The resulting deficiency is recognised immediately through profit or loss. The risk margin for the tests described above is determined using the cost of capital approach and the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark.

Loss and loss adjustment expense reserves include incurred and reported reserves, incurred but not reported ("IBNR") reserves and loss adjustment expense reserves.

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

2.4 Summary of significant accounting policies (continued)

(17) Insurance contract liabilities (continued)

Loss and loss adjustment expense reserves are established for the estimated ultimate cost of all claims incurred but not settled at the end of each reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries, plus a risk margin. Delays can be experienced in notification and settlement of certain types of claims, and therefore the ultimate cost of these claims cannot be known with certainty at the end of each reporting period. The liability is calculated at the reporting date using a range of standard actuarial projection techniques, based on empirical data and current assumptions. Risk margin is determined using the cost of capital approach and the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark. The liability is discounted to present value using a risk-free rate, plus an appropriate premium to fully reflect the characteristics of the cash flow being discounted, when the impact of time value of money is significant. Adjustments to the liabilities at the end of each reporting period are recorded in profit or loss.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they are discharged, cancelled, or have expired.

(18) Reinsurance

The Group cedes insurance risk in the normal course of business for part of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance contract liabilities or settled claims associated with the reinsured policies and are in accordance with the related reinsurance contracts.

Commissions receivable on outward reinsurance contracts are recorded as income in the income statement. The reinsurers' share of unearned premium reserves is reduced by commissions receivable on outward reinsurance contracts at inception and subsequently the reduced balance is released over the term of the contract in the same manner as the related unearned premium reserves. Reinsurers' share of loss and loss adjustment expense reserves also includes its share of risk margin to the gross balance of loss and loss adjustment expense reserves.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the effect has a reliably measurable impact on the amounts that will receive from the reinsurer. The impairment loss is recorded in the income statement.

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

2.4 Summary of significant accounting policies (continued)

(18) Reinsurance (continued)

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts. Receivables and payables arising from reinsurance contracts are measured at amortised costs and not offset for presentation purposes.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the cedant. Investment income or expense on these contracts is accounted for using the effective interest method when accrued.

(19) Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

Gross premiums

Premium income and reinsurance premium income are recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

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

2.4 Summary of significant accounting policies (continued)

(20) Claims

Claims incurred include all claim losses occurring during the year, whether reported or not, including the related loss adjustment expenses, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Loss adjustment expenses include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all general administrative costs directly attributable to the claims function.

Reinsurance claims are recognised when the related gross insurance claims are recognised according to the terms of the relevant contract.

(21) Taxation

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

(21) Taxation (continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

2.4 Summary of significant accounting policies (continued)

(21) Taxation (continued)

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

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

(22) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

2.4 Summary of significant accounting policies (continued)

(23) Provisions

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

– an entity has a present obligation as a result of a past event;

– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

– a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

(24) Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' wages. Employees who leave the scheme prior to vesting fully in the annuity scheme shall return part of the interests (the "forfeited contributions"). The forfeited contributions cannot be used by the Group to reduce the existing level of the annuity scheme contributions. The purpose of the forfeited contributions will be determined in due course.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

Short-term employee benefits refer to employee wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates.

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

2.4 Summary of significant accounting policies (continued)

(24) Employee benefits (continued)

Short-term and other long-term employee benefits (continued)

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusions in the cost of an asset.

Share-based payments

Employees working in the Group are granted share appreciation rights ("SARs"), which can be settled only in cash ("cash-settled transactions"). The cost of cash-settled share-based payment transactions is measured initially at fair value using the Black-Scholes model at the grant date taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at the end of each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement.

(25) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2.4 Summary of significant accounting policies (continued)

(25) Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of HKFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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

2.4 Summary of significant accounting policies (continued)

(25) Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, and others.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

(26) Profit appropriation

In accordance with the PRC Company Law and the Company and each of its subsidiary' articles of association, the Company and each of its subsidiary are required to make appropriations to the statutory surplus reserve based on their respective annual profit (after offsetting any prior years' losses) as determined in accordance with PRC generally accepted accounting principles ("PRC GAAP"). When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company and each of its subsidiary may also make appropriations to the discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the capital. The balance of the statutory surplus reserve fund after transfers to the capital should not be less than 25% of capital.

According to the relevant regulations of the PRC, the Company has to set aside 10% of its net profit determined in accordance with PRC GAAP to the general risk reserve for catastrophic losses. This general risk reserve cannot be used for dividend distribution or conversion into capital.

According to the relevant regulations of the PRC, the Company is required to make appropriations to catastrophic loss reserves when the agriculture and nuclear insurance businesses achieve annual or accumulated excessive underwriting profits determined in accordance with PRC GAAP. These catastrophic loss reserves cannot be used for dividend distribution or conversion into capital.

(27) Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2.4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Significant judgements

The following are the significant judgements, apart from those involving estimations (see below), that 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.

(1) Product classification

The Group makes significant judgements on classification of insurance contracts by assessing whether significant insurance risk exists. Contracts that do not transfer significant insurance risk are classified as investment contracts and accounted for in accordance with HKAS 39.

(2) Significant influence on an investee when less than 20 per cent of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with HKAS 39.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 24 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant judgements (continued)

(3) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain fellow subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers. Details of these structured entities are disclosed in note 49.

(4) Impairment assessment on investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments in associates exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations is undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose a suitable discount rate in order to calculate the present value of those cash flows.

3.2 Estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Valuation of insurance contract liabilities

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:

- For insurance contracts under which the future insurance benefits are not affected by investment income of the underlying asset portfolio, the discount rates are determined based on the 750-day moving average of yield curve of China's treasury bonds published by China Central Depository and Clearing Co., Ltd., with consideration of tax effect and illiquidity premiums. In consideration of the different duration of each line of business, the Group used premiums of 71– 90 basis points at 31 December 2021 (31 December 2020: 83 – 96 basis points). The discount rates of the different duration used at 31 December 2021 were 2.9% – 3.6% (31 December 2020: 3.3% – 3.8%).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

- The Group determines the risk margin assumptions for unearned premium reserves based on currently available information at the end of the reporting period. When carrying out the liability adequacy test on the unearned premium reserves, the Group uses the discounted cash flow method to judge whether there is inadequacy. The main assumptions for measuring discounted cash flow include expected loss ratio, risk margin, etc. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) for the liability adequacy test over unearned premium reserves as follows:

Type	**2021**	2020
Agriculture insurance	**28.5%**	33.8%
Motor vehicle insurance	**3%**	3%
Health insurance	**3%**	3%
Other insurance	**6%**	6%

- The Group determines the risk margin assumptions for loss and loss adjustment expense reserves based on currently available information at the end of the reporting period, details are described below:

Type	**2021**	2020
Agriculture insurance	**28.0%**	33.3%
Motor vehicle insurance	**2.5%**	2.5%
Health insurance	**2.5%**	2.5%
Other insurance	**5.5%**	5.5%

The major assumptions needed in measuring insurance contract liabilities include claim development factors and expected loss ratios, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and the expected loss ratios for various measurement units are based on the Group's past claims development experience and loss ratios, taking into consideration changes in company policies such as the underwriting policy, expenses and claims handling processes, and changing trends in external environment such as economic conditions, regulations and legislation.

Management is of the opinion that as at the end of the reporting period, insurance contract liabilities are sufficient to cover the relevant liabilities to date but cannot guarantee there is no under-provision or over-provision of the reserve, which is an estimate of the ultimate losses. The term and assumptions of insurance contract liabilities and development of claims are set out in note 44(a).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Estimation uncertainty (continued)

(2) Impairment of financial assets

Financial assets measured at amortised cost

When there is an objective evidence that indicates impairment in loans and receivables and held-to-maturity investments, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Other than impairment for individual financial assets measured at amortised cost, the Group also collectively assesses impairment for financial assets measured at amortised cost. Such collective assessment is carried out for a group of financial assets with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Financial assets measured at amortised cost include cash equivalents, insurance receivables, term deposits, held-to-maturity investments, investments classified as loans and receivable and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

Available-for-sale financial assets

The Group considers whether impairment provision is needed for an available-for-sale financial asset investment if fair value of an available-for-sale financial instrument is below its carrying amount. The Group determines whether impairment exists by: for equity instruments, judging whether this decline below cost is “significant” or “prolonged” as explained in note 2.4; for debt instruments, whether the decline in fair value is due to market interest rates or interest rates specific to the issuers of the financial instruments, or presence of other objective evidence of impairment.

(3) Fair values of financial assets determined using valuation techniques

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate such as reference to prices used in the most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same.

For a discounted cash flow analysis, estimated future cash flows and discount rates are the best estimations made based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk. Areas such as discount rates and liquidity discounts require management to make estimates.

Fair values of financial assets, their hierarchy, valuation techniques and key inputs are disclosed in note 41 to these consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

(c) the cargo segment provides insurance products covering transport of goods, crafts or conveyances;

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

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

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

(g) the credit and surety segment provides insurance products covering credit and surety business;

(h) the others segment mainly represents insurance products related to homeowners, special risks, marine hull and construction; and

(i) the corporate and other segment includes the income and expenses from investment activities, share of results of associates and joint ventures, other net income, unallocated income and expense of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on reportable segment result, in which insurance business income and expense (for segments (a) to (h)) is a measure of underwriting profit/loss and corporate business income and expense (for segment (i)), primarily investment related income and expense, is a measure of profit/(loss) for the year excluding underwriting profit/loss. Income tax expense is not further allocated but assigned to corporate and other business segment.

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

Geographical information is not presented as the Group's customers, business, assets and liabilities are mainly located and operations are mainly carried out in the PRC for relevant entities. No inter-segment transactions occurred in 2021 and 2020.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

In 2021 and 2020, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

The segment income statements for the years ended 31 December 2021 are as follows:

	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
Gross written premiums	255,275	15,912	4,814	33,134	80,692	42,769	2,840	14,097	-	449,533
Net earned premiums	243,833	8,158	2,944	22,436	76,526	30,274	5,289	7,537	-	396,997
Net claims incurred	(170,890)	(7,396)	(1,548)	(15,223)	(65,192)	(24,694)	(2,674)	(4,971)	-	(292,588)
Net policy acquisition costs	(37,448)	(2,129)	(731)	(5,901)	(9,911)	(1,197)	(908)	(1,891)	-	(60,116)
Other underwriting expenses	(22,963)	(801)	(254)	(2,186)	(2,251)	(3,634)	492	(967)	-	(32,564)
Administrative expenses	(5,860)	(275)	(151)	(769)	(1,124)	(1,227)	(437)	(365)	-	(10,208)
Underwriting profit/(loss)	6,672	(2,443)	260	(1,643)	(1,952)	(478)	1,762	(657)	-	1,521
Investment income	-	-	-	-	-	-	-	-	17,996	17,996
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	-	3,634	3,634
Investment related expenses	-	-	-	-	-	-	-	-	(456)	(456)
Foreign exchange losses, net	-	-	-	-	-	-	-	-	(282)	(282)
Other income, net	-	-	-	-	-	-	-	-	624	624
Finance costs	-	-	-	-	-	-	-	-	(1,533)	(1,533)
Share of profits or losses of associates and joint ventures	-	-	-	-	-	-	-	-	4,524	4,524
Profit/(Loss) before income tax	6,672	(2,443)	260	(1,643)	(1,952)	(478)	1,762	(657)	24,507	26,028
Income tax expense	-	-	-	-	-	-	-	-	(3,663)	(3,663)
Net profit/(loss) for the year – segment results	6,672	(2,443)	260	(1,643)	(1,952)	(478)	1,762	(657)	20,844	22,365

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment income statements for the years ended 31 December 2020 are as follows:

	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
Gross written premiums	265,651	14,957	3,807	28,467	66,187	36,121	5,283	12,714	–	433,187
Net earned premiums	254,249	8,548	2,566	19,697	63,428	25,966	11,409	7,264	–	393,127
Net claims incurred	(147,573)	(5,784)	(1,118)	(12,236)	(55,900)	(19,405)	(14,225)	(4,079)	–	(260,320)
Net policy acquisition costs	(53,161)	(2,005)	(549)	(4,218)	(5,900)	(1,444)	(729)	(1,069)	–	(69,075)
Other underwriting expenses	(39,096)	(760)	(321)	(2,063)	(1,593)	(3,841)	(1,018)	(1,037)	–	(49,729)
Administrative expenses	(5,610)	(343)	(138)	(637)	(853)	(1,220)	(541)	(484)	–	(9,826)
Underwriting profit/(loss)	8,809	(344)	440	543	(818)	56	(5,104)	595	–	4,177
Investment income	–	–	–	–	–	–	–	–	17,709	17,709
Net realised and unrealised gains on investments	–	–	–	–	–	–	–	–	1,520	1,520
Investment related expenses	–	–	–	–	–	–	–	–	(424)	(424)
Foreign exchange losses, net	–	–	–	–	–	–	–	–	(621)	(621)
Other income/(losses), net	–	–	–	–	–	(555)	–	–	466	(89)
Finance costs	–	–	–	–	–	–	–	–	(1,547)	(1,547)
Share of profits or losses of associates and joint ventures	–	–	–	–	–	–	–	–	3,951	3,951
Profit/(Loss) before income tax	8,809	(344)	440	543	(818)	(499)	(5,104)	595	21,054	24,676
Income tax expense	–	–	–	–	–	–	–	–	(3,808)	(3,808)
Profit/(loss) for the year – segment results	8,809	(344)	440	543	(818)	(499)	(5,104)	595	17,246	20,868

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities of the Group at 31 December 2021 and other segment information for the year ended 31 December 2021 are as follows:

	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
31 December 2021										
Segment assets	8,176	11,456	2,457	15,019	12,908	18,163	6,209	19,893	588,341	682,622
Segment liabilities	221,025	23,169	4,583	40,902	43,748	18,411	10,992	28,970	85,173	476,973
For the year ended 31 December 2021										
Other segment information:										
Capital expenditures	1,372	86	26	178	434	230	15	76	–	2,417
Depreciation and amortisation	1,985	124	37	258	627	332	22	111	–	3,496
Provision for/(Reversal of) impairment losses on insurance receivables, prepayments and other assets	115	(40)	(8)	73	(61)	201	188	(82)	–	386
Interest income	–	–	–	–	–	–	–	–	14,341	14,341

The segment assets and liabilities of the Group at 31 December 2020 and other segment information for the year ended 31 December 2020 are as follows:

	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
31 December 2020										
Segment assets	8,280	9,493	1,636	12,452	9,695	15,713	11,484	17,244	560,804	646,801
Segment liabilities	213,119	19,823	3,632	34,058	35,957	20,991	17,177	23,552	88,461	456,770
For the year ended 31 December 2020										
Other segment information:										
Capital expenditures	5,998	338	86	643	1,494	815	119	287	–	9,780
Depreciation and amortisation	2,170	122	31	233	541	295	43	104	–	3,539
(Reversal of)/provision for impairment losses on insurance receivables, prepayments and other assets	(78)	19	(12)	34	24	(39)	102	60	–	110
Interest income	–	–	–	–	–	–	–	–	14,447	14,447

5. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	2021	2020
Direct written premiums	**448,384**	432,019
Reinsurance premiums assumed	**1,149**	1,168
Gross written premiums	**449,533**	433,187
Reinsurance premiums ceded	**(44,292)**	(41,211)
Net written premiums	**405,241**	391,976
Gross change in unearned premium reserves	**(10,082)**	(580)
Reinsurer's share of change in unearned premium reserves	**1,838**	1,731
Net change in unearned premium reserves	**(8,244)**	1,151
Net earned premiums	**396,997**	393,127

6. NET CLAIMS INCURRED

	2021	2020
Gross claims paid	**305,253**	277,757
Paid losses recoverable from reinsurers	**(25,960)**	(23,475)
Net claims paid	**279,293**	254,282
Gross change in loss and loss adjustment expense reserves	**15,826**	7,153
Reinsurer's share of change in loss and loss adjustment expense reserves	**(2,531)**	(1,115)
Net change in loss and loss adjustment expense reserves	**13,295**	6,038
Net claims incurred	**292,588**	260,320

7. NET POLICY ACQUISITION COSTS

	2021	2020
Commission expenses	**37,674**	49,552
Less: Reinsurance commission income	**(10,805)**	(11,682)
Underwriting personnel expenses	**27,881**	26,706
Contributions to insurance security fund (note 33)	**3,158**	2,376
Taxes and other surcharges	**965**	1,017
Others	**1,243**	1,106
Total	**60,116**	69,075

8. INVESTMENT INCOME

	2021	2020
Operating lease income from investment properties	**277**	259
Interest income from:		
Current and term deposits	**3,551**	3,499
Debt securities		
– Available-for-sale financial assets	**4,794**	4,180
– Held-to-maturity financial assets	**2,121**	2,390
– Financial assets at fair value through profit or loss	**369**	510
Investments classified as loans and receivables	**3,506**	3,868
Subtotal	**14,341**	14,447
Dividend income from equity securities and mutual funds:		
– Available-for-sale financial assets	**3,331**	2,942
– Financial assets at fair value through profit or loss	**47**	61
Subtotal	**3,378**	3,003
Total	**17,996**	17,709

9. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	2021	2020
Realised gains from:		
Debt securities		
– Available-for-sale financial assets	**217**	111
– Financial assets at fair value through profit or loss	**72**	(9)
Equity securities and mutual funds		
– Available-for-sale financial assets	**4,084**	4,210
– Financial assets at fair value through profit or loss	**7**	32
Disposal of an associate	**–**	239
Subtotal	**4,380**	4,583
Unrealised gains/(losses) from:		
Debt securities at fair value through profit or loss	**206**	(136)
Equity securities and mutual funds at fair value through profit or loss	**45**	64
Subtotal	**251**	(72)
Impairment losses on:		
Bond classified as available-for-sale financial assets (note 18)	**–**	(80)
Investments classified as loans and receivables (note 23)	**(488)**	(610)
Equity securities and mutual funds classified as available-for-sale financial assets (note 19)	**(440)**	(2,341)
Subtotal	**(928)**	(3,031)
Fair value gains/(losses) on investment properties (note 26)	**(69)**	40
Total	**3,634**	1,520

10. FINANCE COSTS

	2021	2020
Interest on securities sold under agreements to repurchase	**775**	507
Interest on bonds payable	**536**	890
Interest on lease liabilities	**75**	80
Others	**147**	70
Total	**1,533**	1,547

11. PROFIT BEFORE INCOME TAX

The Group's profit before income tax has been arrived at after charging/(crediting):

	Notes	2021	2020
Employee expenses (including directors', supervisors' and senior management's remunerations)		**46,019**	43,766
– Salaries, allowances and performance related bonuses		**41,845**	40,709
– Pension scheme contributions		**4,174**	3,057
Depreciation of property and equipment	*27*	**1,850**	1,920
Depreciation of right-of-use assets	*28*	**1,097**	1,186
Amortisation of intangible assets		**549**	433
Provision for/(Reversal of) impairment losses on prepayments and other assets		**268**	(3)
Impairment losses on insurance receivables	*20*	**118**	113
Auditors' remuneration		**15**	17
Net gains on disposal of property and equipment		**(111)**	(71)

12. INCOME TAX EXPENSE

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

	2021	2020
Current tax	**6,115**	5,625
Deferred tax	**(2,452)**	(1,817)
Total	**3,663**	3,808

A reconciliation of the tax expense applicable to profit before income tax at the statutory tax rate of the PRC, in which the Group is domiciled, to the income tax at the effective tax rate is as follows:

	2021	2020
Profit before income tax	**26,028**	24,676
Income tax at the statutory tax rate of 25% (2020: 25%)	**6,507**	6,169
Income not subject to tax	**(2,831)**	(2,383)
Expenses not deductible for tax	**190**	119
Impact from preferential tax treatment	**(203)**	(97)
Income tax at the Group's effective tax rate	**3,663**	3,808

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors and supervisors

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

2021	Fees *RMB'000*	Salaries and allowances *RMB'000*	Performance related bonuses *RMB'000*	Retirement benefits *RMB'000*	Housing fund and other benefits *RMB'000*	Total remuneration before tax *RMB'000*
Non-executive directors:						
Mr. Luo Xi (i) (Chairman of the Board) (appointed as non-executive director and Chairman of the Board on 18 March 2021)	-	-	-	-	-	-
Mr. Li Tao (i)	-	-	-	-	-	-
Executive directors:						
Mr. Yu Ze (i) (President) (appointed as president on 28 June 2021, executive director on 30 December 2021)	-	-	-	-	-	-
Mr. Xie Yiqun (i) (resigned as president on 23 March 2021, Vice Chairman on 26 March 2021, executive director on 25 June 2021)	-	-	-	-	-	-
Ms. Xie Xiaoyu (retired on 22 February 2021)	-	50	38	17	19	124
Mr. Jiang Caishi	-	599	457	224	110	1,390
Independent non-executive directors:						
Mr. Lin Hanchuan	234	-	-	-	-	234
Mr. Lo Chung Hing	230	-	-	-	-	230
Mr. Ma Yusheng (resigned on 31 May 2021)	91	-	-	-	-	91
Mr. Chu Bende	234	-	-	-	-	234
Ms. Qu Xiaohui	234	-	-	-	-	234
Supervisors:						
Mr. Zhang Xiaoli (Chairman of the Supervisory Committee)	-	599	457	224	110	1,390
Mr. Wang Yadong (i)	-	-	-	-	-	-
Ms. Gao Hong	-	315	1,135	131	82	1,663
Ms. Wang Xiaoli	-	281	1,015	118	81	1,495
Independent supervisors:						
Mr. Lu Zhengfei	234	-	-	-	-	234
Total	1,257	1,844	3,102	714	402	7,319

(i) These executive directors, non-executive directors and supervisors did not receive any remuneration from the Company.

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors and supervisors (continued)

The executive and non-executive directors' remunerations shown above were mainly for their services in connection with the management of the affairs of the Company.

In accordance with the policies of the relevant authorities in the PRC, the Company did not pay any compensation to Mr. Luo Xi for his service as the Chairman of the Board.

The independent non-executive directors' remunerations shown above were mainly for their services as directors of the Company.

The independent supervisors' remunerations shown above were mainly for their services as supervisors of the Company. Other supervisors are employee supervisors and their remunerations shown above were mainly for their services as employees of the Company.

Pursuant to the PRC relevant regulations, a portion of the performance related bonuses for certain executive directors and supervisors are deferred for a minimum of 3 years.

In respect of the Share Appreciation Rights ("SARs") granted to senior executives, in compliance with the relevant laws and regulations issued by the Ministry of Finance of the PRC and the China Banking and Insurance Regulatory Commission (the "CBIRC"), the Company decided to suspend the scheme in 2008 except for SAR granted to any person who is not a Chinese Mainland resident (please refer to note 43).

The total compensation packages for executive directors and supervisors for the year ended 31 December 2021 including performance related bonuses have not yet been finalised in accordance with regulations of the relevant authorities in the PRC. Management of the Company believes that the difference between the final remunerations and that disclosed above will not have significant impact on the consolidated financial statements.

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors and supervisors (continued)

2020 (Restated)	Fees *RMB'000*	Salaries and allowances *RMB'000*	Performance related bonuses *RMB'000*	Retirement benefits *RMB'000*	Housing fund and other benefits *RMB'000*	Total remuneration before tax *RMB'000*
Non-executive directors:						
Mr. Luo Xi (i) (Chairman of the Board) (appointed as non-executive director and Chairman of the Board on 18 March 2021)	–	–	–	–	–	–
Mr. Tang Zhigang (i) (resigned on 21 January 2020)	–	–	–	–	–	–
Mr. Li Tao (i)	–	–	–	–	–	–
Executive directors:						
Mr. Miao Jianmin (i) (resigned as Chairman of the Board and executive director on 15 July 2020)	–	–	–	–	–	–
Mr. Xie Yiqun (i) (Vice Chairman/President)	–	–	–	–	–	–
Ms. Xie Xiaoyu	–	599	584	190	110	1,483
Mr. Jiang Caishi (resigned as Chairman of the Supervisory Committee on 12 March 2020, appointed as executive director on 23 June 2020)	–	599	614	206	110	1,529
Independent non-executive directors:						
Mr. Lin Hanchuan	258	–	–	–	–	258
Mr. Lo Chung Hing	237	–	–	–	–	237
Mr. Ma Yusheng	258	–	–	–	–	258
Mr. Chu Bende	258	–	–	–	–	258
Ms. Qu Xiaohui	258	–	–	–	–	258
Supervisors:						
Mr. Zhang Xiaoli (Chairman of the Supervisory Committee) (appointed as Supervisor and Chairman of the Supervisory Committee on 31 July 2020)	–	599	602	206	110	1,517
Mr. Wang Yadong (i)	–	–	–	–	–	–
Ms. Gao Hong	–	420	1,476	160	111	2,167
Ms. Wang Xiaoli (appointed on 12 May 2020)	–	375	1,323	142	111	1,951
Independent supervisors:						
Mr. Lu Zhengfei	258	–	–	–	–	258
Mr. Shi Charlie Yucheng (resigned on 14 August 2020)	168	–	–	–	–	168
Total	1,695	2,592	4,599	904	552	10,342

(i) These executive directors, non-executive directors and supervisors did not receive any remuneration from the Company.

The compensation amounts for certain executive directors and supervisors during their appointment were stated above, in which the compensation amounts for the year ended 31 December 2020 were restated after finalisation in year 2021. Additionally, pursuant to the PRC relevant regulations, a portion of the performance related bonuses for the year ended 31 December 2020 amounting to approximately RMB1.80 million for executive directors and supervisors had been deferred.

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Senior management

Remuneration of senior management other than directors and supervisors is as follows:

	2021	2020(Restated)
	RMB'000	*RMB'000*
Salaries, allowances	**3,401**	4,019
Performance related bonuses	**2,499**	4,053
Retirement benefits	**1,286**	1,566
Housing fund and other benefits	**657**	749
Total	**7,843**	10,387

Pursuant to the PRC relevant regulations, a portion of the performance related bonuses for certain members of senior management are deferred for a minimum of 3 years contingent upon the future performance.

The total compensation packages for senior management for the year ended 31 December 2021 including performance related bonuses have not yet been finalised in accordance with regulations of the relevant authorities in the PRC. Management of the Company believes that the difference between the final remunerations and that disclosed above will not have significant impact on the consolidated financial statements.

The number of senior management other than directors and supervisors whose remuneration fell within the following bands is as follows:

	2021	2020(Restated)
HKD1,000,001 to HKD1,500,000	**4**	–
HKD1,500,001 to HKD2,000,000	**2**	6
HKD2,000,001 to HKD2,500,000	**–**	1
Total	**6**	7

The compensation amounts for certain members of senior management during their appointment were stated above, in which the compensation amounts for the year ended 31 December 2020 were restated after finalisation in year 2021. Pursuant to the PRC relevant regulations, a portion of the performance related bonuses for the year ended 31 December 2020 amounting to approximately RMB6 million for senior management had been deferred.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one director and three supervisors (2020: one director), details of whose remunerations are set out in note 13 above. Details of the remuneration for the year of the remaining one (2020: four) highest paid individuals are set out below:

	2021 ***RMB'000***	2020(Restated) *RMB'000*
Salaries, allowances	**549**	2,396
Performance related bonuses	**419**	2,426
Retirement benefits	**205**	1,039
Housing fund and other benefits	**104**	442
Total	**1,277**	6,303

The number of the highest paid individuals who are not directors/supervisors of the Company whose remunerations fell within the following band is as follows:

	2021	2020(Restated)
HKD1,500,001 to HKD2,000,000	**1**	3
HKD2,000,001 to HKD2,500,000	**–**	1
Total	**1**	4

The compensation amounts for highest paid individuals for the year ended 31 December 2020 were restated based on the finalised amounts determined during 2021.

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the following:

	2021	2020
Earnings:		
Net profit attributable to owners of the parent (RMB million)	**22,360**	20,868
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (note 40)	**22,242**	22,242
Basic earnings per share	**RMB1.005**	RMB0.938

Basic earnings per share was calculated as the net profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue for the year ended 31 December 2021 and 2020.

(b) Diluted earnings per share

For the year ended 31 December 2021 and 2020, the Group holds no dilutive potential ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

16. DIVIDENDS

	2021	2020
Dividends recognised as distribution during the year:		
Year 2019 Final – RMB0.461 per ordinary share	**–**	10,254
Year 2020 Final – RMB0.375 per ordinary share	**8,342**	–

No interim dividend was proposed by the Board of Directors in 2021 and 2020.

Pursuant to the shareholders' approval at the general meeting on 18 June 2021, a final dividend of RMB0.375 per ordinary share totaling RMB8,342 million in respect of the year ended 31 December 2020 was declared.

Pursuant to the shareholders' approval at the general meeting on 23 June 2020, a final dividend of RMB0.461 per ordinary share totaling RMB10,254 million in respect of the year ended 31 December 2019 was declared.

17. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Demand deposits and cash on hand	**13,309**	14,173
Securities purchased under resale agreements with original maturity of no more than three months	**4,105**	12,019
Total	**17,414**	26,192
Classification of cash and cash equivalents:		
Loans and receivables	**17,414**	26,192

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the consolidated statement of financial position.The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals at 31 December 2021 and 2020.

18. DEBT SECURITIES

	31 December 2021	31 December 2020
Classification of debt securities:		
At fair value through profit or loss		
– Government bonds	**182**	726
– Financial bonds	**5,639**	1,509
– Corporate bonds	**8,463**	8,964
Subtotal	**14,284**	11,199
Available-for-sale, at fair value		
– Government bonds	**33,809**	24,564
– Financial bonds	**41,590**	22,180
– Corporate bonds	**46,341**	61,177
– Wealth management products and others	**–**	595
Subtotal	**121,740**	108,516
Held-to-maturity, at amortised cost		
– Government bonds	**10,971**	10,431
– Financial bonds	**14,052**	24,699
– Corporate bonds	**11,804**	13,666
Subtotal	**36,827**	48,796
Total	**172,851**	168,511

During the year, no impairment loss was provided by the Group on debt securities (2020: RMB80 million).

19. EQUITY SECURITIES AND MUTUAL FUNDS

	31 December 2021	31 December 2020
Investments, at fair value:		
Mutual funds	**41,950**	26,571
Listed shares	**39,442**	42,062
Perpetual bonds (i)	**25,416**	10,993
Perpetual trust plans and perpetual debt plans (i)	**12,528**	10,090
Equity schemes (ii)	**12,473**	10,476
Preferred shares	**8,853**	7,815
Unlisted shares	**3,142**	2,727
Total	**143,804**	110,734

(i) These perpetual financial instruments have no maturity date, and the issuer does not have a contractual obligation to make distributions or to redeem them by cash or other financial assets.

(ii) Equity schemes are structured entities which are set up for investing in one or more equity investments.The underlying equity investments of these equity schemes are usually determined at inception of these schemes.

The Group did not guarantee or provide any financing support for these equity schemes, and considers that the carrying amount of these equity schemes represents the Group's maximum risk exposure.

	31 December 2021	31 December 2020
Classification of equity securities and mutual funds:		
Available-for-sale, at fair value	**138,269**	107,152
At fair value through profit or loss	**5,535**	3,582
Total	**143,804**	110,734

During the year, an impairment loss of RMB440 million was provided by the Group on equity securities and mutual funds (2020: RMB2,341 million).

20. INSURANCE RECEIVABLES

	31 December 2021	31 December 2020
Premiums receivable and agents' balances	**42,138**	36,618
Receivables from reinsurers	**16,767**	16,897
Total	**58,905**	53,515
Less: Impairment provisions on		
– Premiums receivable and agents' balances	**(3,346)**	(3,251)
– Receivables from reinsurers	**(160)**	(161)
Net value	**55,399**	50,103

(a) Analysis of insurance receivables, based on the payment past due date and net of provision, is as follows:

	31 December 2021	31 December 2020
Not yet due	**34,859**	35,710
Within 3 months	**11,130**	7,987
3 to 6 months	**3,576**	2,077
6 to 12 months	**4,443**	3,525
1 to 2 years	**1,244**	720
Over 2 years	**147**	84
Total	**55,399**	50,103

20. INSURANCE RECEIVABLES (CONTINUED)

(b) The movements of provision for impairment of insurance receivables are as follows:

	2021	2020
At the beginning of the year	**3,412**	3,332
Impairment losses recognised (note 11)	**118**	113
Amount written off as uncollectible	**(24)**	(33)
At the end of the year	**3,506**	3,412

Included in the Group's insurance receivables are amounts due from a fellow subsidiary under PICC Group of RMB180 million (31 December 2020: RMB177 million) and an associate of RMB1,047 million (31 December 2020: RMB1,320 million), respectively. Please refer to note 47(d) for details.

The Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged. One of the major performance indicators is the ability to collect premiums receivable on a timely basis. The Group's premiums receivable relates to a large number of diversified customers and therefore there is no significant concentration of credit risk.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above except for state-owned reinsurance companies. Management of the Company performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and appropriate allowances to be provided for impairment of reinsurance assets.

21. REINSURANCE ASSETS

	31 December 2021	31 December 2020
Reinsurers' share of:		
Loss and loss adjustment expense reserves (note 35)	**22,385**	19,854
Unearned premium reserves (note 35)	**15,150**	13,313
Total	**37,535**	33,167

22. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	31 December 2021	31 December 2020
More than 3 months to 1 year	**1,696**	1,205
More than 1 year to 2 years	**1**	47
More than 2 years to 3 years	**7,381**	6,795
More than 3 years	**64,496**	62,896
Total	**73,574**	70,943

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2021	31 December 2020
Long-term debt investment schemes	**26,110**	34,944
Trust plans	**24,627**	25,381
Asset management products	**8,063**	6,540
Others	**936**	1,689
Total	**59,736**	68,554
Less: impairment provision (note 9)	**(1,098)**	(610)
Net carrying value	**58,638**	67,944

Long-term debt investment schemes ("Debt Schemes") are structured entities and offer either fixed or variable interests to their investors. The Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group's investments in Debt Schemes are entirely lending transactions in nature and the Group's interests in these Debt Schemes range from 2% to 100% at 31 December 2021 (31 December 2020: 2% to 100%). The interest rates of these Debt Schemes range from 4.15% to 6.52% (31 December 2020: 4.25% to 6.75%) per annum at 31 December 2021.

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES (CONTINUED)

The Group assessed it has no control on any of these Debt Schemes. The Group's voting rights as lenders to these Debt Schemes are protective of the Group's interests in the Debt Schemes and mainly comprise early termination or extension of the Debt Schemes' term and, when certain conditions exist, change of the Debt Schemes' managers. All loans originated by the Debt Schemes with the funds received from their investors are guaranteed by third parties and these guarantees are always joint, irrevocable and unconditional. Guarantors of Debt Schemes are banks of high credit rating or state-owned enterprises. The Group did not guarantee or provide any financing support for these Debt Schemes, and considers that the carrying amount of the loans to these Debt Schemes represents the Group's maximum risk exposure.

Trust schemes invest in predominantly debt instruments and offer the Group interest rates ranging from 4.25% to 6.12% (31 December 2020: 4.57% to 6.70%) per annum at December 2021. The actual returns and eventual repayment of initial investments, however, depend on the performance of the underlying investments, which are predominantly debts in nature. The Group's maximum loss is limited to the investments and has no contractual obligations or intention to provide any financial support for these trust schemes.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in an active market. These financial products include securitised assets, asset management products offered by asset management companies. The interest rates of these products range from 4.30% to 6.08% (31 December 2020: 4.20% to 6.30%) per annum at 31 December 2021.

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2021	31 December 2020
Associates		
Cost of investments in associates	**38,860**	38,560
Share of post-acquisition profit and other comprehensive income, net of dividend received	**18,047**	14,664
Subtotal	**56,907**	53,224
Joint venture		
Cost of investment in joint venture	**98**	98
Share of post-acquisition profit and other comprehensive income, net of dividend received	**(60)**	(60)
Subtotal	**38**	38
Total	**56,945**	53,262

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Associates and joint ventures	1 January 2021	Acquisition	Share of profit	Share of other comprehensive income	Dividend received	31 December 2021
Hua Xia Bank Co., Limited ("Hua Xia Bank")	36,968	–	3,504	271	(771)	39,972
Others	16,294	300	1,019	(115)	(525)	16,973
	53,262	300	4,523	156	(1,296)	56,945

Particulars of a material associate

Particulars of a material associate as at 31 December 2021 and 2020 are as follows:

Name	Place of registration and operations	Paid up/ registered	Proportion of ownership interest and voting right as at 31 December 2021	2020	Principal activities
Hua Xia Bank	Beijing, PRC	15,387	16.660%	16.660%	Commercial banking

On 28 December 2015, the Company entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien ("Sal. Oppenheim") and Deutsche Bank Luxembourg S.A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to the Company 877 million shares, 267 million shares and 992 million shares of Hua Xia Bank, respectively, held by them (amounting to a total of 2,136 million shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and the Company conditionally agreed to purchase these shares with total amount of RMB22,444 million. This transaction was completed on 17 November 2016.

On 28 December 2018, Hua Xia Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%. As such, a deemed disposal loss amounting to RMB737 million was recognised in investments in associates and joint ventures and reserves.

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Particulars of a material associate (continued)

Management has assessed the level of influence that the Group has on Hua Xia Bank, and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation and other arrangements made. Consequently, this investment has been classified as an associate. It is accounted for using equity method.

Except for Hua Xia Bank, all the associates and joint ventures are private companies or structured entities, and there are no quoted market prices available for these shares. Hua Xia Bank is listed on the Shanghai Stock Exchange and the fair value of the Group's interests in Hua Xia Bank at 31 December 2021 was RMB14,354 million (31 December 2020: RMB16,020 million).

At 31 December 2021, the carrying amount of Hua Xia Bank exceeded its fair value for more than four years. Management performed impairment test accordingly considering such impairment indicator exists. The recoverable amount of the interest in Hua Xia Bank is determined by value-in-use approach. The calculation used pre-tax cash flow projections for the five years ending 31 December 2026 with subsequent extrapolation to perpetuity. The discount rate used was based on a cost of capital used to evaluate investments in Mainland China. Management judgement is required in estimating the future cash flows of Hua Xia Bank. The key assumptions are determined with reference to external sources of information. Based on management's assessment results, there was no impairment at 31 December 2021. Reasonably possible changes in key assumptions will not lead to impairment loss.

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below.

Hua Xia Bank

	31 December 2021	31 December 2020
Total assets	**3,676,287**	3,399,816
Net assets attributable to equity holders of Hua Xia Bank	**298,292**	280,613

	2021	2020
Revenue	**95,870**	95,309
Profit attributable to equity holders of Hua Xia Bank	**23,535**	21,275
Dividends received from the associate during the year	**771**	638

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised financial information of a material associate (continued)

Hua Xia Bank (continued)

Reconciliation of the carrying amount of the interest in Hua Xia Bank recognised in the consolidated financial statements:

	31 December 2021	31 December 2020
Net assets attributable to equity holders of Hua Xia Bank	**298,292**	280,613
Total preference shares issued by Hua Xia Bank	**(19,978)**	(19,978)
Total perpetual bonds issued by Hua Xia Bank	**(39,993)**	(39,993)
Net assets attributable to ordinary shareholders of Hua Xia Bank	**238,321**	220,642
Proportion of the Group's ownership interest in Hua Xia Bank	**16.660%**	16.660%
The Group's ownership interest in net assets of Hua Xia Bank	**39,704**	36,759
Net fair value adjustment to the investee's identifiable assets and liabilities	**(65)**	(65)
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	**333**	274
Carrying amount of the Group's interest in Hua Xia Bank	**39,972**	36,968
Fair value of shares listed in Mainland China	**14,354**	16,020

Aggregate information of associates and joint ventures that are not individually material

At 31 December 2021 apart from an associate disclosed above, the Group has in aggregate 8 (31 December 2020: 7) immaterial associates and joint ventures and their aggregate information is presented as below:

	2021	2020
The Group's share of profit	**1,019**	803
The Group's share of other comprehensive income/(losses)	**(115)**	410
The Group's share of total comprehensive income	**904**	1,213
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**16,973**	16,294

25. SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital *in million*	Equity interest and voting right held by the Company as at 31 December 2021	2020	Principal activities
PICC Community Sales Service Company Limited ("PICC Community") (i)	Shenzhen, PRC Limited Liability	RMB250	**100%**	100%	Provision of insurance agency services
PICC Motor Insurance Sales Services Company Limited ("PICC Motor") (i)	Shandong, PRC Limited Liability	RMB50	**–**	90.2%	Provision of insurance agency services
Zhongsheng International Insurance Brokers Co., Ltd.("ZSIB") (i)	Beijing, PRC Limited Liability	RMB171	**–**	100%	Provision of insurance agency services
PICC Haikou Training Center Company Limited	Hainan, PRC Limited Liability	RMB0.1	**100%**	100%	Provision of training services
PICC North Information Center Management Co., Ltd. ("PICC North Center") (ii)	Hebei, PRC Limited Liability	RMB981	**70%**	70%	Provision of IT services and business services
PICC Services (Europe) Ltd.	London, UK Limited Liability	GBP0.5	**100%**	100%	Claim handling agency
PICC Real Estate (Shenzhen) Company Limited ("PICC Real Estate") (iii)	Shenzhen, PRC Limited Liability	RMB4,940	**50%**	50%	Property management

(i) In current year, the Company injected RMB200 million into PICC Community with 90.2% of equity of PICC Motor and 100% of equity of ZSIB, both of which were subsidiaries of the Company before the transaction. This transaction has no material financial effect on the Group.

(ii) In current year, the paid-up capital of PICC North Center increased by RMB410 million, of which RMB123 million were contributed by non-controlling equity holder.

25. SUBSIDIARIES (CONTINUED)

(iii) In current year, the paid-up capital of PICC Real Estate increased by RMB232 million, of which RMB116 million were contributed by non-controlling equity holder.

The Group assesses it has control on PICC Real Estate as the Group has the power to appoint or remove a majority of the Board of Directors or a majority of the voting rights on the board meetings of PICC Real Estate. It is therefore accounted for as a subsidiary.

Details of non-wholly owned subsidiary that have material non-controlling interests

Summarised financial information of PICC Real Estate is set out below.

	31 December 2021	31 December 2020
Total assets	**4,978**	4,723
Total liabilities	**8**	–
Total equity	**4,970**	4,723
Equity attributable to owners of the Group	**2,485**	2,362
Non-controlling interests	**2,485**	2,361

	2021	2020
Profit for the year	**15**	0.8
Profit attributable to owners of the Company	**7.5**	0.4
Profit attributable to non-controlling interests	**7.5**	0.4
Total comprehensive income for the year	**15**	0.8
Net cash flows used in operating activities	**(18)**	(2)
Net cash flows used in investing activities	**(213)**	(4,693)
Net cash flows from financing activities	**232**	4,722
Net cash inflow	**1**	27

In the opinion of the directors, there is no other subsidiary with material non-controlling interests within the Group.

26. INVESTMENT PROPERTIES

	2021	2020
At 1 January	**4,603**	4,598
Transferred from property and equipment and right-of-use assets	**945**	196
Fair value gain on revaluation of investment properties transferred from property and equipment and right-of-use assets	**803**	320
(Decrease)/increase in fair value of investment properties (note 9)	**(69)**	40
Transferred to property and equipment and right-of-use assets	**(431)**	(551)
At 31 December	**5,851**	4,603
Hierarchy of fair value:		
Level 3	**5,851**	4,603

The Group is still in the process of applying for the title certificates of certain investment properties with a total carrying value of RMB252 million at 31 December 2021 (31 December 2020: RMB259 million). The directors of the Company do not expect this to have any impacts on the operation of the Group.

At 31 December 2021 and 2020, the Group's investment properties were not pledged as collateral.

At 31 December 2021 and 2020, the fair values were determined based on the valuation carried out by an external independent valuer, Cushman & Wakefield Shenzhen Valuation Co., Ltd. and Jones Lang LaSalle IP, Inc. Valuations were carried out by the following two approaches:

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

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

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

There has been no change in the valuation technique used from the prior years. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

One of the key inputs used in valuing these investment properties was the capitalisation rate used, which ranges from 4% to 7.5% at 31 December 2021 (31 December 2020: 4% to 7.5%). A slight increase in the capitalisation rate used would result in significant decrease in fair value measurement of investment properties, and vice versa.

26. INVESTMENT PROPERTIES (CONTINUED)

There was no transfer in or out of Level 3 during the year.

For investment properties measured at fair value categorised as Level 3, their valuations are performed by the independent valuer at 30 June and 31 December of each year, as well as on the dates of transfers in and out of investment properties. The finance department reviews the overall reasonableness of these valuations and reports the results of valuations to management.

Operating lease income from investment properties amounting to RMB277 million (2020: RMB259 million) was recognised in the consolidated income statement for the year.

27. PROPERTY AND EQUIPMENT

	Lands and buildings	Motor vehicles	Office equipment, furniture and fixtures	Construction in progress	Total
Cost					
At 31 December 2020	21,461	2,073	9,123	8,902	41,559
Additions	82	161	345	818	1,406
Transfers to/(from)	6,009	–	35	(6,044)	–
Transfers from investment properties	259	–	–	–	259
Transfers to investment properties and others	(1,957)	–	–	–	(1,957)
Disposals	(41)	(392)	(486)	–	(919)
At 31 December 2021	25,813	1,842	9,017	3,676	40,348
Accumulated depreciation					
At 31 December 2020	(7,527)	(1,368)	(6,939)	–	(15,834)
Depreciation charge (note 11)	(755)	(230)	(865)	–	(1,850)
Transfers to investment properties and others	221	–	–	–	221
Disposals	24	368	466	–	858
At 31 December 2021	(8,037)	(1,230)	(7,338)	–	(16,605)
Net book value					
At 31 December 2021	17,776	612	1,679	3,676	23,743
At 31 December 2020	13,934	705	2,184	8,902	25,725

At 31 December 2021, certain acquired buildings of the Group with a net book value of RMB435 million (31 December 2020: RMB668 million) were still in the process of title registration. The directors of the Company do not expect this to have any impacts on the operation of the Group.

28. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Others	Total
Cost				
At 31 December 2020	5,241	3,025	48	8,314
Additions	6	1,023	7	1,036
Transfers from investment properties and others	1,018	–	–	1,018
Transfers to investment properties	(121)	–	–	(121)
Disposals/terminations	(5)	(630)	(36)	(671)
At 31 December 2021	6,139	3,418	19	9,576
Accumulated depreciation				
At 31 December 2020	(1,902)	(1,281)	(44)	(3,227)
Provided for the year	(167)	(922)	(8)	(1,097)
Transfers to investment properties	66	–	–	66
Disposals/terminations	5	567	36	608
At 31 December 2021	(1,998)	(1,636)	(16)	(3,650)
Net book value				
At 31 December 2021	4,141	1,782	3	5,926
At 31 December 2020	3,339	1,744	4	5,087

The above items of leasehold lands are depreciated on a straight-line basis over 30-70 years. For the year ended 31 December 2021, expense relating to leases of low-value assets and short-term leases that applied the simplified approach is approximately RMB153 million (2020: RMB181 million).

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB46 million (2020: RMB33 million) in which the Group is in the process of obtaining.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities are as follows:

	Impairment losses on financial assets	Fair value changes of available-for-sale financial assets	Insurance contract liabilities	Salaries and staff welfare payables	Revaluation of investment properties	Others	Total
Deferred tax assets							
At 1 January 2021	1,785	–	9,617	534	–	1,401	13,337
Credited to income statement (note 12)	188	–	1,616	649	–	14	2,467
Gross deferred tax assets at 31 December 2021	1,973	–	11,233	1,183	–	1415	15,804
Deferred tax liabilities							
At 1 January 2021	–	(6,586)	–	–	(1,534)	(162)	(8,282)
Credit to/(Charged to) income statement (note 12)	–	–	–	–	16	(31)	(15)
Charged to other comprehensive income	–	(196)	–	–	(195)	–	(391)
Gross deferred tax liabilities at 31 December 2021	–	(6,782)	–	–	(1,713)	(193)	(8,688)
Net deferred tax assets at 31 December 2021							7,116

29. DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities are as follows *(continued)*:

	Impairment losses on financial assets	Fair value changes of available-for-sale financial assets	Insurance contract liabilities	Salaries and staff welfare payables	Revaluation of investment properties	Others	Total
Deferred tax assets							
At 1 January 2020	1,156	–	8,861	379	–	1,179	11,575
Credited to income statement (note 12)	629	–	756	155	–	222	1,762
Gross deferred tax assets at 31 December 2020	1,785	–	9,617	534	–	1,401	13,337
Deferred tax liabilities							
At 1 January 2020	–	(4,738)	–	–	(1,504)	(212)	(6,454)
Credited to income statement (note 12)	–	–	–	–	5	50	55
Charged to other comprehensive income	–	(1,848)	–	–	(35)	–	(1,883)
Gross deferred tax liabilities at 31 December 2020	–	(6,586)	–	–	(1,534)	(162)	(8,282)
Net deferred tax assets at 31 December 2020							5,055

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities as they relate to the same tax authority

30. PREPAYMENTS AND OTHER ASSETS

	31 December 2021	31 December 2020
Interest receivables	**4,730**	5,168
Restricted statutory deposits (i)	**4,449**	4,449
Deductible input value-added tax	**4,192**	4,410
Intangible assets	**2,676**	2,453
Receivables from co-insurers for amounts paid on their behalf	**2,630**	2,119
Deposits	**1,438**	1,316
Receivable for recovery	**607**	505
Prepaid insurance underwriting commission	**461**	407
Reinsurance deposit	**442**	670
Trade receivables	**377**	458
Prepayments for assets and services	**362**	405
Amounts due from PICC Group (note 47(d))	**109**	50
Securities settlement receivables	**25**	711
Amounts due from fellow subsidiaries under PICC Group (note 47(d))	**22**	320
Amounts due from associates (note 47(d))	**13**	4
Others	**2,254**	2,353
Subtotal	**24,787**	25,798
Less: Impairment provision	**(961)**	(323)
Net value	**23,826**	25,475

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

31. RESTRICTED DEPOSITS

At 31 December 2021, term deposits contained an amount of RMB2,181 million(31 December 2020: RMB1,627 million) that were subject to various restrictions. These deposits are mainly managed in specific bank accounts according to requirements of certain local governments and can only be used to settle for catastrophic losses from agriculture insurance business.

32. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2021	31 December 2020
Reinsurance payables	**22,496**	21,818

The reinsurance payables are non-interest-bearing and are mainly due within three months from the bill dates or are repayable on demand.

Included in the Group's reinsurance payables are amounts due to a fellow subsidiary under PICC Group of RMB244 million (31 December 2020: RMB243 million) and an associate of RMB2,477 million (31 December 2020: RMB2,088 million), respectively. Please refer to note 47(d) for details.

33. ACCRUED INSURANCE SECURITY FUND

	2021	2020
At 1 January	**837**	1,076
Accrued during the year (note 7)	**3,158**	2,376
Paid during the year	**(3,001)**	(2,615)
At 31 December	**994**	837

The Group is required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. No further contribution is required once the accumulated balance has reached 6% (2020: 6%) of the Group's total assets as determined in accordance with the relevant regulations. CISF was established to provide protection for policyholders when an insurance company in China is in financial troubles.

Insurance companies are required to deposit their insurance security fund in bank accounts designated by the CBIRC.

34. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2021	31 December 2020
Transactions by market places:		
Stock exchange	**23,791**	10,535
Inter-bank market	**14,194**	18,493
Total	**37,985**	29,028

34. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (CONTINUED)

For debt repurchase transactions through stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balance of related repurchase transaction. At 31 December 2021, the carrying amount and fair value of securities deposited in the collateral pool were RMB35,283 million and RMB36,051 million(31 December 2020: RMB33,334 million and RMB33,448 million) respectively. The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool provided that the value of the remaining exchange-traded bonds within the collateral pool is no less than the balance of related repurchase transactions.

At 31 December 2021, bonds with carrying amount and fair value of RMB15,060 million and RMB16,484 million(31 December 2020: RMB24,290 million and RMB24,934 million) respectively were pledged as collateral for securities sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transactions.

35. INSURANCE CONTRACT LIABILITIES

	31 December 2021	31 December 2020
Unearned premium reserves	**169,175**	159,093
Loss and loss adjustment expense reserves	**169,606**	153,780
	338,781	312,873

An analysis of insurance contract liabilities and their corresponding reinsurance assets is set out as follows:

	2021		
	Gross amount	**Reinsurers' share** ***(note 21)***	**Net amount**
Unearned premium reserves			
1 January 2021	**159,093**	**(13,313)**	**145,780**
Increase during the year	**379,711**	**(33,000)**	**346,711**
Decrease during the year	**(369,629)**	**31,163**	**(338,466)**
31 December 2021	**169,175**	**(15,150)**	**154,025**
Loss and loss adjustment expense reserves			
1 January 2021	**153,780**	**(19,854)**	**133,926**
Increase during the year	**321,003**	**(28,491)**	**292,512**
Decrease during the year	**(305,177)**	**25,960**	**(279,217)**
31 December 2021	**169,606**	**(22,385)**	**147,221**
Total	**338,781**	**(37,535)**	**301,246**

35. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2020		
	Gross amount	Reinsurers' share *(note 21)*	Net amount
Unearned premium reserves			
1 January 2020	158,513	(11,582)	146,931
Increase during the year	352,771	(53,007)	299,764
Decrease during the year	(352,191)	51,276	(300,915)
31 December 2020	159,093	(13,313)	145,780
Loss and loss adjustment expense reserves			
1 January 2020	146,627	(18,739)	127,888
Increase during the year	284,853	(24,590)	260,263
Decrease during the year	(277,700)	23,475	(254,225)
31 December 2020	153,780	(19,854)	133,926
Total	312,873	(33,167)	279,706

36. POLICYHOLDERS' DEPOSITS

Policyholders' deposits consist of interest-bearing and non-interest-bearing deposits placed by policyholders.

An analysis of interest-bearing and non-interest-bearing deposits is set out below:

	31 December 2021	31 December 2020
Interest-bearing deposits	**7**	13
Non-interest-bearing deposits	**1,741**	1,737
Total	**1,748**	1,750

For the years ended 31 December 2021 and 2020, the Group has underwritten policies in homeowners' and accidental insurance products containing both insurance and investment features. Policyholders deposit a fixed principal amount which is only refundable upon the maturity of the policy, and the policyholders receive a fixed rate of interest or bear no interest. Penalties on early termination are charged according to the terms stated in the policy.

37. BONDS PAYABLE

Bonds payable comprised one capital supplementary bonds.

	31 December 2021	31 December 2020
Carrying amount repayable in		
More than five years	**8,058**	23,297

On 23 November 2016, the Company issued capital supplementary bonds of RMB15,000 million. Terms of the capital supplementary bonds issued in 2016 are ten years. With proper notice to the counterparties, the Company has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 3.65% per annum in the first five years and 4.65% per annum in the following five years. The company has exercised the right of early redemption on November 2021 and redeemed the capital supplementary bonds with total amount of RMB15,000 million.

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

38. LEASE LIABILITIES

	31 December 2021	31 December 2020
Lease liabilities payable:		
Within one year	**614**	661
Within a period of more than one year but not more than two years	**421**	410
Within a period of more than two years but not more than five years	**557**	490
Within a period of more than five years	**194**	107
Total	**1,786**	1,668

The incremental borrowing rates applied to lease liabilities range from 3.40% to 4.48% (2020: 3.56% to 4.48%) for different lease terms.

39. ACCRUALS AND OTHER LIABILITIES

	31 December 2021	31 December 2020
Premiums received in advance (i)	**19,847**	17,756
Salaries and staff welfare payables	**13,665**	11,848
Commission payable	**7,542**	7,236
Other taxes payable	**7,464**	7,893
Premiums payable (ii)	**4,037**	5,275
Claims payable	**3,457**	4,496
Insurance deposit received	**839**	1,239
Accrued capital expenditures	**268**	414
Interest payable	**240**	318
Amounts due to fellow subsidiaries under PICC Group (note 47(d))	**159**	139
Payables to interest holders of consolidated structured entities	**39**	69
Others	**6,712**	8,778
Total	**64,269**	65,461

(i) Premiums received in advance represent amounts collected from policies not yet effective at 31 December 2021 and 2020, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(ii) Premiums payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.

40. ISSUED CAPITAL

	31 December 2021	31 December 2020
Issued and fully paid:		
Domestic shares of RMB1.00 each	**15,343**	15,343
H shares of RMB1.00 each	**6,899**	6,899
Total	**22,242**	22,242

41. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities and mutual funds, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables and payables to reinsurers. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

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

(1) Classification of financial instruments (continued)

	Carrying amount		Fair value	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Financial assets				
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	**5,535**	3,582	**5,535**	3,582
– Debt securities	**14,284**	11,199	**14,284**	11,199
Available-for-sale financial assets				
– Equity securities and mutual funds	**138,269**	107,152	**138,269**	107,152
– Debt securities	**121,740**	108,516	**121,740**	108,516
Held-to-maturity financial assets				
– Debt securities	**36,827**	48,796	**40,280**	50,971
Loans and receivables				
– Cash and cash equivalents	**17,414**	26,192	**17,414**	26,192
– Term deposits	**73,574**	70,943	**73,574**	70,943
– Investments classified as loans and receivables	**58,638**	67,944	**61,443**	72,378
– Insurance receivables	**55,399**	50,103	**55,399**	50,103
– Other financial assets	**15,539**	17,942	**15,539**	17,942
Total financial assets	**537,219**	512,369	**543,477**	518,978
Financial liabilities				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	**22,496**	21,818	**22,496**	21,818
– Securities sold under agreements to repurchase	**37,985**	29,028	**37,985**	29,028
– Policyholders' deposits	**1,748**	1,750	**1,748**	1,750
– Bonds payable	**8,058**	23,297	**8,142**	23,032
– Other financial liabilities	**23,227**	27,952	**23,227**	27,952
Total financial liabilities	**93,514**	103,845	**93,598**	103,580

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

(2) Determination of fair value and the fair value hierarchy 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 26 to these consolidated financial statements.

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

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

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

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

	Fair value			
Items	**31 December 2021**	31 December 2020	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Debt securities at fair value through profit or loss	**1,328**	2,648	Level 1	Quoted bid prices in an active market.
Debt securities at fair value through profit or loss	**12,956**	8,551	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale debt securities	**8,672**	9,920	Level 1	Quoted bid prices in an active market.

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

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

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

	Fair value			
Items	**31 December 2021**	31 December 2020	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Available-for-sale debt securities	**113,068**	98,596	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Equity securities and mutual funds at fair value through profit or loss	**953**	3,582	Level 1	Quoted bid prices in an active market.
Equity securities and mutual funds at fair value through profit or loss	**4,582**	–	Level 2	Quoted bid prices for identical or comparable assets in an inactive market or obtained from third party pricing services or recent quoted market prices.
Available-for-sale equity securities and mutual funds	**55,948**	72,866	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	**53,827**	21,083	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale equity securities and mutual funds	**9,167**	8,664	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	**4,757**	2,776	Level 3	Relative value that are assessed based on average price-to-earnings/ price to sales ratio from comparative companies and earnings per share of target company or latest financing price.
Available-for-sale equity securities and mutual funds	**14,570**	1,763	Level 3	Fair value of the investments is based on the use of respective discounted cash flow valuation models.

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

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

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

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	**953**	**4,582**	**–**	**5,535**
– Debt securities	**1,328**	**12,956**	**–**	**14,284**
Available-for-sale financial assets				
– Equity securities and mutual funds	**55,948**	**53,827**	**28,494**	**138,269**
– Debt securities	**8,672**	**113,068**	**–**	**121,740**
Total	**66,901**	**184,433**	**28,494**	**279,828**

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	3,582	–	–	3,582
– Debt securities	2,648	8,551	–	11,199
Available-for-sale financial assets				
– Equity securities and mutual funds	72,866	21,083	13,203	107,152
– Debt securities	9,920	98,596	–	108,516
	89,016	128,230	13,203	230,449

For the year ended 31 December 2021, debt securities with a carrying amount of RMB3,765 million (2020: RMB1,856 million) were transferred from Level 1 to Level 2 because the quoted prices in the market for such investments were no longer regularly available. Conversely, debt securities with a carrying amount of RMB4,882 million (2020: RMB3,746 million) were transferred from Level 2 to Level 1 because the quoted prices in active markets were available at 31 December 2021.

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

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

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

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate their fair values at 31 December 2021 except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

	Fair value hierarchy			
31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
– Held-to-maturity financial assets	**1,645**	**38,635**	**–**	**40,280**
– Investments classified as loans and receivables	**–**	**–**	**61,443**	**61,443**
Financial liabilities				
– Bonds payable	**–**	**8,142**	**–**	**8,142**

The fair values of the financial assets and financial liabilities classified under Level 3 were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the risk of counterparties and the Group.

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

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

(c) Reconciliation of Level 3 fair value measurements

	2021	2020
At 1 January	**13,203**	12,425
Addition	**13,862**	1,925
Losses recognised in profit or loss	**(100)**	(2,300)
Unrealised gains recognised in other comprehensive income	**1,684**	1,153
Disposals	**(155)**	–
At 31 December	**28,494**	13,203

42. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that the Company meets all obligations arising from the insurance contracts and the applicable laws and regulations in the PRC so as to support the growth of business and maximise the shareholders' value.

The comprehensive and core solvency margin ratios of the Company are listed below:

	31 December 2021	31 December 2020
Actual capital	**207,421**	207,246
Core capital	**194,361**	179,290
Minimum capital	**73,082**	71,757
Comprehensive solvency margin ratio (%)	**284%**	289%
Core solvency margin ratio (%)	**266%**	250%

Insurance companies carrying out business in China are required to comply with capital requirements imposed by the CBIRC. These capital requirements are generally known as solvency requirements in the insurance industry.

Insurance companies comply with requirements on both the core capital and actual capital (sum of core and supplementary capital). Under China Risk Oriented Solvency System, the minimum capital is calculated by formula prescribed by the CBIRC. The minimum capital requirement is a result of quantifications of underwriting risks, market risks, credit risks and results of an internal control assessment. For the Company, core capital is principally net assets, while supplementary capital is mainly capital supplementary bonds issued by the Company.

42. CAPITAL MANAGEMENT (CONTINUED)

Comprehensive and core solvency margin ratios are defined as actual capital and core capital divided by the minimum capital requirements, respectively. Comprehensive and core solvency margin ratio have to be higher than 100% and 50% respectively for compliance with the solvency requirements.

The CBIRC can take a number of regulatory measures against any insurance company non-compliant with the solvency requirements. These regulatory measures include restriction on business scope, dividend distributions, investment strategy; order to transfer business or place reinsurance; removal of senior executives of the insurance companies.

43. SHARE APPRECIATION RIGHTS ("SARs")

The shareholders of the Company approved the adoption of a scheme of SARs for senior management on 30 July 2003. The Board of Directors of the Company is responsible for making decisions under the scheme and administering the scheme. No shares will be issued under the scheme. Therefore, the shareholdings of shareholders will not be diluted as a result of the issuance of SARs.

Under the SARs scheme, the Board of Directors (excluding independent non-executive directors) and the Supervisory Committee (excluding independent supervisors), president, vice presidents, chief financial officer, department managers of the Company, general managers of the provincial/municipal level branch offices, employees with special contribution to the Company as determined by the Company's Nomination, Remuneration and Review Committee, and other senior management at equivalent levels are eligible to receive SARs.

In compliance with the relevant laws and regulations issued by the Ministry of Finance of the PRC and the CBIRC, the Company decided to suspend the scheme in 2008 except for SARs that had been granted to anyone who is not a Mainland Chinese resident.

44. 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.

(a) Insurance risk

(1) Insurance contract liabilities

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contract is that the actual claim payments and the costs of claim settlements exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected

Severity risk – the possibility that the costs of the events will differ from those expected

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period

The Group has the objective to control and minimise insurance risk so as to reduce the volatility of the operating profits. The Group manages insurance risk through the following mechanism:

– The launch of any new product has to be approved by appropriate authorities;

– Underwriting and claims-handling authorities at different levels are properly established;

– Treaty reinsurance and most facultative reinsurance arrangements are centrally managed at the head office level; and

– Catastrophe reinsurance is used to limit the Group's exposure to flooding, earthquakes and typhoons.

Claims in certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC.

44. RISK MANAGEMENT (CONTINUED)

(a) Insurance risk (continued)

(1) Insurance contract liabilities (continued)

The Group's concentration of insurance risk before and after reinsurance, measured by geographical gross written premiums and net written premiums, is as follows:

	2021		2020	
	Gross written premiums	**Net written premiums**	Gross written premiums	Net written premiums
Coastal and developed provinces/cities	**202,653**	**181,374**	191,737	171,012
Western China	**92,217**	**83,754**	90,245	81,677
Northern China	**52,873**	**46,477**	54,283	50,533
Central China	**75,373**	**70,120**	70,627	65,912
North-eastern China	**26,417**	**23,516**	26,295	22,842
Total	**449,533**	**405,241**	433,187	391,976

Terms

Loss and loss adjustment expense reserves are refined on a monthly basis as part of a regular ongoing process as claims develop, certain claims are settled and further claims are reported. The reserves are discounted for the time value of money if the impact is material.

The measurement process primarily includes projection of future claim costs through a combination of actuarial and statistical projection techniques.

Estimates of gross loss and loss adjustment expense reserves of all lines of business are based on the following selected methods:

- Paid and incurred loss development method
- Paid and incurred Bornhuetter-Ferguson method
- Expected loss ratio method

The loss and loss adjustment expense reserves were projected with the actuarial methods mentioned above and the loss triangle data on gross and net of reinsurance basis. The reinsurers' share of loss and loss adjustment expense reserves equal to gross minus net claim reserves, which is the amount expected to be reimbursed from reinsurers.

44. RISK MANAGEMENT (CONTINUED)

(a) Insurance risk (continued)

(1) Insurance contract liabilities (continued)

Assumptions and sensitivities

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affecting the estimates. The rates used for discounting long-tailed liabilities were in the range of 3.2%-3.6% and 3.3%-3.8% for 2021 and 2020, respectively.

The range of reasonable estimates of loss and loss adjustment expense reserves, projected by different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

It is not possible to quantify the sensitivity of certain variables like legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve is not quantifiable with certainty at the end of 2021 and 2020.

Reproduced below is an analysis that shows the development of claims over a period of time on a gross basis:

	Accident year-Gross					
	2017	2018	2019	2020	**2021**	Total
Estimated cumulative claims paid as of:						
End of current year	210,232	234,325	268,651	279,884	**315,563**	
One year later	210,281	235,121	269,007	278,261		
Two years later	206,701	234,952	269,206			
Three years later	205,679	234,578				
Four years later	204,403					
Estimated cumulative claims	204,403	234,578	269,206	278,261	**315,563**	1,302,011
Less: cumulative claims paid	(198,641)	(228,832)	(259,773)	(252,681)	**(209,204)**	(1,149,131)
Sub-total						152,880
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						16,726
Loss and loss adjustment expense reserves						169,606

44. RISK MANAGEMENT (CONTINUED)

(a) Insurance risk (continued)

(1) Insurance contract liabilities (continued)

Assumptions and sensitivities (continued)

Reproduced below is an analysis that shows the development of claims over a period of time on a net basis:

	Accident year-net					
	2017	2018	2019	2020	**2021**	Total
Estimated cumulative claims paid as of:						
End of current year	192,690	215,471	245,536	255,114	**287,366**	
One year later	191,225	215,830	245,671	253,738		
Two years later	187,941	215,577	245,782			
Three years later	187,024	215,287				
Four years later	185,845					
Estimated cumulative claims	185,845	215,287	245,782	253,738	**287,366**	1,188,018
Less: cumulative claims paid	(180,660)	(210,639)	(238,454)	(232,039)	**(193,220)**	(1,055,012)
Sub-total						133,006
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						14,215
Loss and loss adjustment expense reserves						147,221

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years' financial statements.

44. RISK MANAGEMENT (CONTINUED)

(a) Insurance risk (continued)

(2) Reinsurance assets – terms, assumptions and methods

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the businesses ceded are placed on a quota share basis or surplus line basis with retention limits varying by product line. There are profit commission, sliding scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophe reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's premiums ceded to the top three reinsurance companies amounted to RMB19,184 million in total (2020: RMB14,708 million) and thus a credit exposure exists with respect to the businesses ceded, to the extent that these reinsurers are unable to meet their obligations assumed under such reinsurance agreements.

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes the other party to incur a financial loss.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, investments in debt securities, insurance receivables and reinsurance arrangements with reinsurers. Majority of the Group's financial assets are bond investments which include government bonds, financial bonds, and corporate bonds with high credit ratings and term deposits with state-owned commercial banks. Therefore, the Group is exposed to relatively low credit risks for these financial assets.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

The Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged. One of the major performance indicators is the ability to collect premiums receivable on a timely basis. The Group's premium receivables relate to a large number of diversified customers and therefore there is no significant concentration in credit risk.

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(1) Credit risk (continued)

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above except for state-owned reinsurance companies. Management of the Group performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets. At 31 December 2021, receivables from the top three reinsurance companies amounted to RMB5,547 million in total (31 December 2020: RMB5,313 million).

The carrying amounts of financial assets included in the consolidated statement of financial position best represent the maximum credit risk exposure at the reporting date without taking into account any collaterals held or other credit enhancements.

An aging analysis of the financial assets past due but not impaired and impaired financial assets is shown as follows:

		Past due but not impaired					
31 December 2021	Not past due	Less than 30 days	31 to 90 days	More than 90 days	Sub-total	Past due and impaired	Total
Cash and cash equivalents	17,414	-	-	-	-	-	17,414
Term deposits	73,574	-	-	-	-	-	73,574
Debt securities	172,854	-	-	-	-	-	172,854
Insurance receivables	34,263	7,044	4,022	8,612	19,678	4,964	58,905
Reinsurance assets	37,535	-	-	-	-	-	37,535
Investments classified as loans and receivables	59,059	-	-	-	-	677	59,736
Other financial assets	11,852	1,986	598	1,049	3,633	891	16,376
Gross Amount	406,551	9,030	4,620	9,661	23,311	6,532	436,394
Less: Impairment provision	(643)	-	-	-	-	(4,801)	(5,444)
Net Amount	405,908	9,030	4,620	9,661	23,311	1,731	430,950

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(1) Credit risk (continued)

31 December 2020	Not past due	Past due but not impaired: Less than 30 days	31 to 90 days	More than 90 days	Sub-total	Past due and impaired	Total
Cash and cash equivalents	26,192	–	–	–	–	–	26,192
Term deposits	70,943	–	–	–	–	–	70,943
Debt securities	168,591	–	–	–	–	–	168,591
Insurance receivables	35,872	3,506	2,153	2,873	8,532	9,111	53,515
Reinsurance assets	33,167	–	–	–	–	–	33,167
Investments classified as loans and receivables	67,666	–	–	–	–	888	68,554
Other financial assets	15,583	724	401	1,235	2,360	323	18,266
Gross Amount	418,014	4,230	2,554	4,108	10,892	10,322	439,228
Less: Impairment provision	(329)	–	–	–	–	(4,096)	(4,425)
Net Amount	417,685	4,230	2,554	4,108	10,892	6,226	434,803

Credit quality

The Group's debt securities investment mainly includes government bonds, financial bonds and corporate bonds. The government bonds and financial bonds are issued by either the Chinese government or Chinese government controlled financial institutions. At 31 December 2021, 98.62% (31 December 2020: 100.00%) of the corporate bonds held by the Group had credit rating of AA/A-2 or above. The bond's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance and updated at each reporting date.

At 31 December 2021, 99.23% (31 December 2020: 98.69%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited ("CSDCC") in the PRC. The Group believes these commercial banks and CSDCC have a high credit quality.

The credit risk associated with securities purchased under resale agreements included in cash equivalent will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and maturity term of no more than one year at 31 December 2021 and 2020.

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(1) Credit risk (continued)

Credit quality (continued)

At 31 December 2021 and 2020, investments classified as loans and receivables are issued by asset management companies, trust companies or large financial institutions with high credit quality, and mostly are guaranteed by the lenders' related parties. The Group believes investments classified as loans and receivables have a high credit quality.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collaterals and the valuation parameters.

Securities purchased under resale agreements are pledged by counterparts' debt securities of which the Group could take the ownership should the owner of the collateral defaults.

The Group's long-term debt investment schemes, asset management products and asset-backed securities, included in investments classified as loans and receivables, are supported by third party guarantee or with pledge.

Management monitors the market value of the collateral, requests additional collaterals when needed and performs impairment testing when applicable.

(2) Liquidity or funding risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The major liquidity risk the Group confronts is the daily calls on its available cash resources in respect of claims arising from insurance contracts and maturities of policyholders' deposits.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

At 31 December 2021, the Group maintained demand deposits at 2% of total assets (31 December 2020: 2%) to ensure sufficient liquid assets are available to meet its payment obligations. Management closely monitors the increase of non-current assets.

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(2) Liquidity or funding risk (continued)

Maturity profiles of financial assets and financial liabilities

The table below summarises maturity profiles of financial assets and financial liabilities of the Group. Maturity profiles of financial assets and financial liabilities are prepared, using the contractual collection or repayment dates.

All amounts are based on undiscounted contractual cash flows.

31 December 2021	On demand/ past due	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	13,309	4,107	–	–	–	–	17,416
Debt securities							
– Available-for-sale	–	4,331	7,563	49,947	107,020	–	168,861
– At fair value through profit or loss	–	1,346	2,839	7,345	4,432	–	15,962
– Held-to-maturity	–	542	1,137	13,605	46,421	–	61,705
Equity securities and mutual funds	–	–	–	–	–	143,804	143,804
Insurance receivables	20,737	17,225	12,580	4,706	151	–	55,399
Term deposits	–	15,845	3,037	61,203	27	–	80,112
Investments classified as loans and receivables	34	1,569	4,406	47,772	18,427	–	72,208
Other financial assets	3,659	2,393	4,382	5,106	345	–	15,885
Total financial assets	37,739	47,358	35,944	189,684	176,823	143,804	631,352
Financial liabilities:							
Payables to reinsurers	5,326	11,370	5,076	703	21	–	22,496
Securities sold under agreements to repurchase	–	38,013	–	–	–	–	38,013
Policyholders' deposits	1,748	–	–	–	–	–	1,748
Bonds payable	–	72	215	1,209	9,193	–	10,689
Other financial liabilities	6,832	11,071	3,198	2,094	32	–	23,227
Total financial liabilities	13,906	60,526	8,489	4,006	9,246	–	96,173
Net liquidity gap	23,833	(13,168)	27,455	185,678	167,577	143,804	535,179

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(2) Liquidity or funding risk (continued)

Maturity profiles of financial assets and financial liabilities (continued)

31 December 2020	On demand/ past due	Within 3 months	3 to 12months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	14,173	12,024	–	–	–	–	26,197
Debt securities							
– Available-for-sale	–	1,187	12,656	51,734	89,803	–	155,380
– At fair value through profit or loss	–	328	2,731	7,121	2,512	–	12,692
– Held-to-maturity	–	281	2,457	17,167	58,901	–	78,806
Equity securities and mutual funds	–	–	–	–	–	110,734	110,734
Insurance receivables	14,393	14,142	13,970	7,255	343	–	50,103
Term deposits	–	670	2,896	63,618	10,401	–	77,585
Investments classified as loans and receivables	888	1,438	6,139	43,754	33,902	–	86,121
Other financial assets	4,874	4,452	5,795	3,286	112	–	18,519
Total financial assets	34,328	34,522	46,644	193,935	195,974	110,734	616,137
Financial liabilities:							
Payables to reinsurers	5,156	11,162	4,806	647	47	–	21,818
Accrued insurance security fund	–	837	–	–	–	–	837
Securities sold under agreements to repurchase	–	29,045	–	–	–	–	29,045
Policyholders' deposits	1,750	–	–	–	–	–	1,750
Bonds payable	–	–	549	3,939	25,535	–	30,023
Other financial liabilities	6,063	17,417	2,161	2,168	143	–	27,952
Total financial liabilities	12,969	58,461	7,516	6,754	25,725	–	111,425
Net liquidity gap	21,359	(23,939)	39,128	187,181	170,249	110,734	504,712

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(2) Liquidity or funding risk (continued)

Maturity profiles of reinsurance assets and insurance contract liabilities

For reinsurance assets and insurance contract liabilities, the liquidity analysis presented below is prepared on the basis of expected timing of settlements of claims. These expected timing is made on various assumptions, including settlement speed of claims. Therefore, actual timing may deviate from the analysis presented below.

The table below summarises maturity profiles of reinsurance assets and insurance contract liabilities of the Group.

All amounts are based on undiscounted estimated cash flows.

31 December 2021	**On demand/ past due**	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**No maturity date**	**Total**
Reinsurance assets	**–**	**6,214**	**17,610**	**11,095**	**2,789**	**–**	**37,708**
Insurance contract liabilities	**–**	**58,504**	**202,770**	**54,404**	**23,767**	**–**	**339,445**

31 December 2020	On demand/ past due	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Reinsurance assets	–	6,336	15,675	8,801	3,004	–	33,816
Insurance contract liabilities	–	56,124	184,742	52,571	22,552	–	315,989

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) or market prices (price risk).

The Group uses multiple methods to manage market risk, including using sensitivity analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

The Group mitigates its market risk through proper diversification of its investment portfolio. Investment mandate is also approved by an investment committee to direct investment decisions.

(i) Currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in RMB. Certain insurance policies issued by the Group, however, in particular in respect of cargo, commercial properties and aviation insurance, were denominated in United States Dollars ("USD"). Therefore, premiums received, reinsurance premiums ceded, claims paid and paid losses recovered from reinsurers in respect of these policies are transacted in USD.

The table below summarises the Group's assets and liabilities by major currency, expressed in the RMB equivalent:

31 December 2021	RMB	USD *in RMB* equivalent	HKD *in RMB* equivalent	Others *in RMB* equivalent	Total *in RMB* equivalent
Cash and cash equivalents	14,833	2,227	156	198	17,414
Debt securities	172,102	749	–	–	172,851
Equity securities and mutual funds	139,284	3,910	610	–	143,804
Insurance receivables	49,498	5,684	33	184	55,399
Reinsurance assets	34,203	1,633	6	1,693	37,535
Term deposits	72,427	1,142	–	5	73,574
Investments classified as loans and receivables	58,638	–	–	–	58,638
Other financial assets	15,430	108	1	–	15,539
Total assets	556,415	15,453	806	2,080	574,754

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2021	RMB	USD *in RMB* equivalent	HKD *in RMB* equivalent	Others *in RMB* equivalent	Total *in RMB* equivalent
Payables to reinsurers	19,731	2,706	23	36	22,496
Accrued insurance security fund	994	–	–	–	994
Securities sold under agreements to repurchase	37,985	–	–	–	37,985
Insurance contract liabilities	332,097	3,136	37	3,511	338,781
Policyholders' deposits	1,748	–	–	–	1,748
Bonds payable	8,058	–	–	–	8,058
Other financial liabilities	21,555	1,560	74	38	23,227
Total liabilities	422,168	7,402	134	3,585	433,289
Net exposure	134,247	8,051	672	(1,505)	141,465

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2020	RMB	USD *in RMB* equivalent	HKD *in RMB* equivalent	Others *in RMB* equivalent	Total *in RMB* equivalent
Cash and cash equivalents	23,147	2,616	300	129	26,192
Debt securities	168,127	1	383	–	168,511
Equity securities and mutual funds	108,920	1,073	741	–	110,734
Insurance receivables	44,927	4,854	27	295	50,103
Reinsurance assets	31,716	1,418	10	23	33,167
Term deposits	69,783	1,160	–	–	70,943
Investments classified as loans and receivables	67,944	–	–	–	67,944
Other financial assets	17,843	98	–	1	17,942
Total assets	532,407	11,220	1,461	448	545,536
Payables to reinsurers	19,466	2,241	18	93	21,818
Accrued insurance security fund	837	–	–	–	837
Securities sold under agreements to repurchase	29,028	–	–	–	29,028
Insurance contract liabilities	310,221	2,438	49	165	312,873
Policyholders' deposits	1,750	–	–	–	1,750
Bonds payable	23,297	–	–	–	23,297
Other financial liabilities	26,438	1,449	23	42	27,952
Total liabilities	411,037	6,128	90	300	417,555
Net exposure	121,370	5,092	1,371	148	127,981

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The analysis below is performed for reasonably possible movements in exchange rate with all other variables held constant, showing the pre-tax impact on profit (due to changes in fair value of currency-sensitive monetary assets and liabilities) and equity. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in foreign currency exchange rate, the correlations of these variables are ignored.

Appreciation/ (depreciation) against RMB	**31 December 2021**		31 December 2020	
	Pre-tax impact on profit	**Pre-tax impact on equity**	Pre-tax impact on profit	Pre-tax impact on equity
5%	**135**	**361**	222	332
(5%)	**(135)**	**(361)**	(222)	(332)

The impact on equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both profit before income tax and fair value change. The pre-tax impact on equity of RMB226 million arising from the available-for-sale equity securities was included in the table above.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, reprice interest on floating rate instruments at intervals of less than one year, and manage variable interest rate risk through interest rate swap instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of 10 trading days (2020: 10 trading days) at a confidence level of 99% (2020: 99%) for bond investments measured at fair value. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price behavior, which could differ substantially from the past behavior. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumption may not be correct in reality, especially in a market which lacks liquidity.

44. RISK MANAGEMENT (CONTINUED)

(b) Financial risks (continued)

(3) Market risk (continued)

(ii) Interest rate risk (continued)

	31 December 2021	31 December 2020
Interest rate VaR	**1,918**	1,113

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to listed equity securities and mutual funds whose values will fluctuate as a result of changes in market prices.

The Group holds a diversified portfolio of equity instruments and therefore does not have significant concentration risk in any particular individual instrument. However, the Group principally invests in the stock markets in Hong Kong and Mainland China and is subject to price risk arising from volatilities of these two markets.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and carefully plan the use of derivative financial instruments.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and mutual fund investments measured at fair value (other than those measured at level 3 fair value) over a holding period of 10 trading days (2020: 10 trading days) at a confidence level of 99% (2020: 99%). Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price behaviour, which could differ substantially from past behaviour. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 days. The said assumption may not be correct in reality, especially in a market which lacks liquidity.

	31 December 2021	31 December 2020
Equity price VaR	**4,767**	5,065

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Securities sold under agreements to repurchase *(note 34)*	**Interest payable** *(note 39)*	**Bonds payable** *(note 37)*	**Lease liabilities** *(note 38)*	**Total**
At 31 December 2020	**29,028**	**318**	**23,297**	**1,668**	**54,311**
Financing cash flows	**8,957**	**(1,775)**	**(15,000)**	**(924)**	**(8,742)**
Finance costs	**–**	**1,697**	**(239)**	**75**	**1,533**
New leases entered/lease modified	**–**	**–**	**–**	**967**	**967**
At 31 December 2021	**37,985**	**240**	**8,058**	**1,786**	**48,069**

	Securities sold under agreements to repurchase *(note 34)*	Interest payable *(note 39)*	Bonds payable *(note 37)*	Lease liabilities *(note 38)*	Total
At 31 December 2019	16,759	73	15,198	2,198	34,228
Financing cash flows	12,269	(1,123)	8,000	(1,000)	18,146
Finance costs	–	1,368	99	80	1,547
New leases entered/lease modified	–	–	–	390	390
At 31 December 2020	29,028	318	23,297	1,668	54,311

46. CONTINGENCIES AND COMMITMENTS

(1) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies, and some losses arising therefrom will be partly indemnified by reinsurers or other recoveries including salvages and subrogation. During the current year, the Group was involved in similar legal proceedings on certain insurance businesses. The legal claim amounts for certain cases are significant and the legal proceedings are still in progress. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities, if any, will not have a material adverse effect on the financial position at 31 December 2021 and 31 December 2020 or operating results of the Group for the years ended 31 December 2021 and 2020.

(2) Capital commitments

	31 December 2021	31 December 2020
Property and equipment commitments:		
Contracted, but not provided for	**2,554**	1,196
Authorised, but not contracted	**441**	803
Investment commitments contracted, but not provided for	**2,167**	3,488
Total	**5,162**	5,487

47. RELATED PARTY TRANSACTIONS

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(a) Related parties with control relationship

The Company is a state-owned enterprise and its controlling shareholder is PICC Group.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties without controlling relationship with the Company:

Related parties' name	Relationship
PICC Asset Management Company Limited ("PICC AMC")	Fellow subsidiary
The People's Insurance Company of China (Hong Kong) Limited ("PICC HK")	Fellow subsidiary
PICC Capital Insurance Asset Management Company Limited (Former PICC Capital Investment Management Company Limted, "PICC Capital")	Fellow subsidiary
PICC Investment Holding Company Limited ("PICC Investment")	Fellow subsidiary
PICC Capital Equity Investment Company Limited ("PICC Equity")	A subsidiary of a fellow subsidiary
PICC Life Insurance Company Limited ("PICC Life")	An associate of the Company and fellow subsidiary
PICC Health Insurance Company Limited ("PICC Health")	An associate of the Company and fellow subsidiary
PICC Reinsurance Company Limited ("PICC Re")	An associate of the Company and fellow subsidiary
PICC Financial Services Company Limited ("PICC Financial Services")	An associate of the Company and fellow subsidiary
Prime Insurance Brokers Company Limited ("PIB")	A subsidiary of a fellow subsidiary
Hua Xia Bank	An associate of the Company
Industrial Bank Co., Ltd. ("IBC")	An associate of the controlling shareholder
China Merchants Securities Co. Ltd. ("China Merchant Securities")	An associate of the controlling shareholder
Bangbang Auto Sales Service (Beijing) Co., Ltd. ("Bangbang")	A joint venture of the Company
Aibao Technology Co., Ltd. ("Aibao Technology")	An associate of a fellow subsidiary

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material transactions with related parties

	Notes	**2021**	2020
Transactions with PICC Group:			
2020 final dividend distribution	*(i)*	**5,754**	–
2019 final dividend distribution	*(i)*	**–**	7,073
Addition to right-of-use assets	*(ii)*	**–**	160
Addition to lease liabilities	*(ii)*	**–**	160
Payment of lease liabilities	*(ii)*	**83**	83
Interest on lease liabilities	*(ii)*	**3**	4
WAN service fees	*(ii)*	**7**	21
Transactions with fellow subsidiaries under PICC Group:			
Management fee	*(iii)*	**313**	303
Subscription amount of financial products set up and managed by fellow subsidiaries under PICC Group	*(iii)*	**224**	5,765
Premiums ceded	*(iv)*	**705**	615
Reinsurance commission income	*(iv)*	**216**	234
Paid losses recoverable from reinsurers	*(iv)*	**363**	285
Reinsurance premiums assumed	*(iv)*	**13**	10
Commission expenses – reinsurance	*(iv)*	**3**	2
Gross claims paid – reinsurance	*(iv)*	**7**	20
Brokerage commission expense	*(v)*	**216**	91
Rental income		**11**	–
Service fee		**102**	58
Rental expense		**133**	–
Addition to right-of-use assets		**21**	4
Addition to lease liabilities		**21**	4
Payment of lease liabilities		**32**	100
Interest on lease liabilities		**1**	2
Transactions with associates of the Company:			
Agency services commission income	*(vi), (vii)*	**113**	11
Agency services commission expense	*(vi), (vii)*	**553**	142
Premiums paid	*(viii)*	**14**	34
Interest income	*(x)*	**–**	1
Gross written premiums	*(x)*	**12**	3
Gross claim paid	*(x)*	**5**	533
Dividend received	*(x)*	**771**	638
Premiums ceded	*(xi)*	**4,457**	3,772
Reinsurance commission income	*(xi)*	**1,421**	1,644
Paid losses recoverable from reinsurers	*(xi)*	**2,544**	2,398
Rental income		**15**	–
Addition to right-of-use assets		**13**	1
Addition to lease liabilities		**13**	1
Payment of lease liabilities		**6**	12
Interest on lease liabilities		**1**	1

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material transactions with related parties (continued)

	Notes	**2021**	2020
Transactions with associates of PICC Group:			
Interest income	*(ix)*	**884**	970
Dividend income	*(ix)*	**1,020**	974
Gross written premiums	*(ix)*	**107**	17
Gross claim paid	*(ix)*	**75**	78
Commission expense	*(ix)*	**–**	1
Transactions with joint ventures of the Company:			
Purchase of spare parts	*(xii)*	**496**	470
Service fee		**57**	22
Transactions with associates of fellow subsidiaries:			
Service fee	*(xiii)*	**335**	–

Notes:

(i) As PICC Group held 68.98% of the share capital of the Company, the Company distributed 2020 dividend amounting to RMB5,754 million to PICC Group during the year of 2021.

The Company distributed 2019 dividend amounting to RMB7,073 million to PICC Group during the year of 2020.

(ii) On 1 January 2018, the Company and PICC Group renewed the South Information Center Package Service Agreement for a term of two years effective from 1 January 2018. Pursuant to the agreement, the services include renting out, check-up and maintenance services on the office space, WAN equipment as well as the WAN technical support services agreed by the two parties.

On 18 March 2020, the Company entered into the South Information Center Package Service Agreement with PICC Group for two years effective from 1 January 2020. Pursuant to the agreement, PICC Group shall provide the Company with, among others, the service of leasing workplaces, meeting rooms and server installation positions in the server building.

The Company paid the rent and service fees to PICC Group. The rental transaction was accounted for as right-of-use assets and lease liabilities.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material transactions with related parties (continued)

Notes: (continued)

(iii) On 23 June 2016, the Company and PICC AMC renewed the asset management agreement for 3 years, effective from 1 July 2016. On 28 August 2019, the Company and PICC AMC further renewed the asset management agreement and supplemental agreements for another 3 years, effective from 1 July 2019. Pursuant to the asset management agreement, PICC AMC provided investment and management services in respect of certain financial assets of the Company. The Company paid management fee to PICC AMC, which was calculated based on the daily net asset value of the entrusted assets and the applicable rates. Other than management fees, performance bonuses were also paid to PICC AMC when the investment performance has satisfied certain conditions.

On 7 August 2019, the Company and PICC AMC entered into a Marketisation Entrusted Portfolio Asset Management Agreement for 3 years, effective from 7 August 2019. Pursuant to the Marketisation Agreement, the Company agrees to entrust PICC AMC to manage some of its assets, and PICC AMC shall manage the entrusted assets in accordance with the Marketisation Agreement, relevant laws and regulations and regulatory rules in consideration of the entrusted asset management fees to be paid by the Company to PICC AMC.

On 28 August 2019, the Company entered into asset management agreements and supplemental agreements with PICC Investment and PICC Capital respectively for 3 years, effective from 28 August 2019. Pursuant to the asset management agreements and supplemental agreements, the Company entrusts some investment assets to PICC Investment and PICC Capital for their management, and PICC Investment and PICC Capital manage the entrusted assets in accordance with the asset management agreements and supplemental agreements, relevant laws and regulations and regulatory provisions and the investment guidelines formulated by the Company, and use the assets entrusted by the Company to subscribe for the debt financial products and equity financial products sponsored and managed by them. Meanwhile, the Company pays product management fees to PICC Investment and PICC Capital.

On 24 November 2016, the Company and PICC AMC entered into a memorandum of understanding, effective from 24 November 2016 to 30 June 2019, regarding the above asset management agreement. On 28 August 2019, the Company and PICC AMC entered into a memorandum on connected transaction (the “memorandum”) for a term of three years effective from 28 August 2019. Pursuant to the memorandum, in respect of the Company’s subscription of the debt financial products and the equity financial products set up and managed, either solely or jointly, by PICC AMC, PICC Capital, PICC Investment and PICC Equity, and when there are connected person(s) of the Company also subscribing for the same financial products, the aggregated annual subscription amount for the debt financial products and the equity products should not exceed RMB8,000 million, respectively, and also not exceed 5% of the total market capitalisation or the total revenue of the Company (whichever the lower).

(iv) On 21 January 2020, the Company and PICC HK renewed the Framework Agreement for one year, effective from 1 January 2020. On 20 January 2021, the Company and PICC HK further renewed the Framework Agreement for one year, effective from 1 January 2021. Pursuant to the Framework Agreement, the Company agreed to cede insurance premiums to and receive commissions from PICC HK, and PICC HK agreed to cede insurance premiums to and receive commissions from the Company.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material transactions with related parties (continued)

Notes: (continued)

(v) On 21 June 2019, the Company entered into business cooperation agreements with PIB with a term of 3 years, effective from 17 June 2019. Pursuant to the agreement, PIB provided insurance brokerage services for the insurance contracts entered into between the insurance purchasers and the Company, and the Company paid brokerage commissions to PIB.

(vi) On 30 August 2016, the Company and PICC Health renewed a mutual insurance agency agreement for a term of three years, effective from 31 August 2016. On 30 August 2019, the Company and PICC Health further renewed the mutual insurance agency agreement for a term of three years, effective from 31 August 2019. Pursuant to the mutual insurance agency agreement, the Company and PICC Health mutually acted as the agent for selling the insurance products and receiving agency premiums on behalf of each other. The Company would pay an agency fee to PICC Health in consideration of the agency services provided by PICC Health on the Company's insurance products. The Company would receive an agency fee from PICC Health in consideration of the agency services provided by the Company on PICC Health's insurance products. The agency fees were calculated by the actual agency premiums received multiplied by the agreed commission rates. The commission rates were negotiated between the Company and PICC Health on normal commercial terms.

PICC Health is both an associate of the Company and a fellow subsidiary of the Company. In the above note, PICC Health is included in "associates" and excluded from "fellow subsidiaries".

(vii) On 30 August 2016, the Company and PICC Life renewed a mutual insurance agency agreement for a term of three years, effective from 31 August 2016. On 30 August 2019, the Company and PICC Life further renewed the mutual insurance agency agreement for a term of three years, effective from 31 August 2019. Pursuant to the mutual insurance agency agreement, the Company and PICC Life mutually acted as the agent for selling the insurance products and receiving agency premiums on behalf of each other. The Company would pay an agency fee to PICC Life in consideration of the agency services provided by PICC Life on the Company's insurance products. The Company would receive an agency fee from PICC Life in consideration of the agency services provided by the Company on PICC Life's insurance products. The agency fees were calculated by the actual agency premiums received multiplied by the agreed commission rates. The commission rates were negotiated between the Company and PICC Life on normal commercial terms.

PICC Life is both an associate of the Company and a fellow subsidiary of the Company. In the above note, PICC Life is included in "associates" and excluded from "fellow subsidiaries".

(viii) The Company purchased life or health insurance products from PICC Life and PICC Health for the employees of the Company.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material transactions with related parties (continued)

Notes: (continued)

(ix) The transactions with IBC are related party transactions as IBC is an associate of PICC Group since 2013. The transactions with China Merchant Securities are related party transactions as China Merchant Securities is an associate of PICC Group since 2017.

(x) The transactions with Hua Xia Bank are related party transactions as Hua Xia Bank is an associate of the Company since 2016.

(xi) On 21 January 2020, the Company and PICC Re renewed the Framework Agreement on Reinsurance Business Cooperation for a term of one year, effective from 1 January 2020. On 20 January 2021, the Company and PICC Re further renewed the Framework Agreement on Reinsurance Business Cooperation for a term of one year, effective from 1 January 2021. Pursuant to the agreement, the Company agreed to cede insurance premiums to PICC Re and PICC Re agreed to pay commissions to the Company.

PICC Re is both an associate of the Company and a fellow subsidiary of the Company. In the above note, PICC Re is included in "associates" and excluded from "fellow subsidiaries".

(xii) On 29 May 2019, the Company and Bangbang signed a Goods Procurement Contract for a term of two years, effective from 1 April 2019. Pursuant to the contract, the Company shall purchase spare parts for the maintenance of insured accident-damaged vehicles from BangBang, and BangBang shall supply spare parts for accident-damaged vehicles and provide services on development, operation and maintenance of relevant systems to the Company. The Company shall pay the cost of the auto spare parts to BangBang.

On 29 April 2021, the Company entered into an Auto Parts Procurement Contract with Bangbang, pursuant to which, the Company shall purchase auto spare parts from Bangbang for the maintenance of insured vehicles damaged in accidents, and Bangbang shall supply the goods ordered under the Contract, undertake the responsibility of delivery, installment, adjustment of goods, and provide the Company with services including warranty, maintenance, consultation and training. The Company shall pay the cost of the auto spare parts to Bangbang.

(xiii) On 28 October 2021, the Company entered into a Customer Services Cooperation Framework Agreement with Aibao Technology, pursuant to which, Aibao Technology and its subsidiaries shall provide value-added services for customers' motor vehicle insurance, value-added services related to online activities, and online advertising services etc. to the Company, and the Company shall pay service fees to Aibao Technology and its subsidiaries.

Under the Listing Rules, the items (iii), (iv), (v), (vi), (vii), (xi), (xii) and (xiii) above constitute continuing connected transactions.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties

	31 December 2021	31 December 2020
Cash and cash equivalents:		
An associate	9	7
An associate of PICC Group	2,112	1,818
Term deposits:		
An associate	10	10
An associate of PICC Group	19,600	20,050
Debt securities:		
An associate of PICC Group	760	2,447
Equity securities:		
An associate of PICC Group	24,220	26,390
Receivables from reinsurers:		
A fellow subsidiary under PICC Group (note 20)	180	177
An associate (note 20)	1,047	1,320
Due from related parties:		
PICC Group (note 30)	109	50
Fellow subsidiaries under PICC Group (note 30)	22	320
Associates (note 30)	13	4
An associate of PICC Group	–	333
Payables to reinsurers:		
A fellow subsidiary under PICC Group (note 32)	244	243
An associate (note 32)	2,477	2,088
Due to related parties:		
Fellow subsidiaries under PICC Group (note 39)	159	139
An associate of PICC Group	2	–
Lease liabilities:		
PICC Group	83	81
A fellow subsidiary under PICC Group	46	79
An associate	20	20

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties (continued)

PICC Life, PICC Health and PICC Re are both associates of the Company and fellow subsidiaries of the Company. In the above note, PICC Life, PICC Health and PICC Re are included in "associates" and excluded from "fellow subsidiaries".

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

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

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

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

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

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

(f) Compensation of key management personnel

	2021 ***RMB'000***	2020 (Restated) *RMB'000*
Fees, salaries and allowances	**5,245**	6,611
Performance related bonuses	**5,602**	8,652
Retirement benefits	**2,000**	2,467
Housing fund and other benefits	**1,059**	1,302
	13,906	19,032

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

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Compensation of key management personnel (continued)

The total compensation packages for key management personnel for the year ended 31 December 2021 including performance related bonuses have not yet been finalised in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final remunerations and that disclosed above will not have significant impact on the consolidated financial statements.

The compensation amounts for certain key management personnel for the year ended 31 December 2020 were restated based on the finalised amounts determined in 2021. Additionally, pursuant to the PRC relevant regulations, a portion of the performance related bonuses for the year ended 31 December 2020 amounting to RMB6 million for key management personnel had been deferred.

48. OPERATING LEASING ARRANGEMENTS

As lessor

The Group leases its investment properties (note 26) under lease arrangements, with lease terms ranging from one to twenty three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2021 and 2020, the undiscounted lease payments to be received under leases are as follows:

	31 December 2021	31 December 2020
Within one year, inclusive 1 year	**224**	149
One to two years, inclusive 2 years	**144**	106
Two to three years, inclusive 3 years	**95**	75
Three to four years, inclusive 4 years	**58**	43
Four to five years, inclusive 5 years	**38**	25
After five years	**111**	45
Total	**670**	443

49. STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

To determine whether control exists in a structured entity, the Group uses the judgements as described in note 3.

The Group had consolidated certain structured entities during the year which are debt schemes. At 31 December 2021, interests in these consolidated structured entities held by the Group represented by their investment cost amounted to RMB904 million (31 December 2020: RMB1,669 million).

The financial impact of these debt schemes on the Group's financial position at 31 December 2021, and results and cash flows for the year then ended, though consolidated, are not significant individually and therefore not disclosed separately.

Interests held by other interest holders in consolidated structured entities are presented as finance costs in the consolidated income statement and as accruals and other liabilities in the consolidated statement of financial position respectively. The payables to interest holders of consolidated structured entities amounted to RMB39 million at 31 December 2021 (31 December 2020: RMB69 million). The finance costs amounted to RMB2 million for the year ended 31 December 2021(2020: RMB5 million).

(b) Interests in unconsolidated structured entities

The Group invested in a variety of structured entities including asset management products sponsored by asset management companies, securities companies or insurance asset management companies, mutual funds sponsored by mutual fund management companies, trusts sponsored by trust companies and wealth management products sponsored by banks. Investments in these unconsolidated structured entities are disclosed in respective notes of "Equity securities and mutual funds" and "Investments classified as loans and receivables". The corresponding investment income is recorded in profit or loss as changes in fair values, realised gains/(losses), dividend or interest income, net of any impairment loss.

The Group is not the investment manager, and has no power over changing any investment decisions and investment managers, as such, the Group does not control any of these structured entities and does not consolidate these structured entities.

The following table shows the Groups' interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur. The Group does not provide any financial support to these unconsolidated structured entities.

49. STRUCTURED ENTITIES (CONTINUED)

(b) Interests in unconsolidated structured entities (continued)

	31 December 2021		
	Funding provided by the Group and carrying amount of the investment	**The Group's maximum exposure**	**Interest held by the Group**
Products managed by related parties	**40,549**	**40,549**	**Investment income**
Products managed by third parties	**84,748**	**84,748**	**Investment income**
Total	**125,297**	**125,297**	

	31 December 2020		
	Funding provided by the Group and carrying amount of the investment	The Group's maximum exposure	Interest held by the Group
Products managed by related parties	41,361	41,361	Investment income
Products managed by third parties	72,987	72,987	Investment income
Total	114,348	114,348	

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9

According to Amendments to HKFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from HKFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As permitted by Amendments to HKFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for associates and joint ventures.

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

The additional disclosures about the temporary exemption from HKFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under HKFRS 9 at 31 December 2021 and 2020 and fair value changes for the years ended 31 December 2021 and 2020:

	Fair value at 31 December 2021	**Fair value changes for the year ended 31 December 2021**	Fair value at 31 December 2020	Fair value changes for the year ended 31 December 2020
Held for trading financial assets (A)	**19,820**	**251**	14,782	(30)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**–**	**–**	–	–
Financial assets other than A and B				
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding(“SPPI”) (C)	**197,730**	**2,340**	200,931	(743)
– Financial assets with contractual terms that do not meet SPPI terms (D)	**164,002**	**(2,078)**	138,085	10,405
Total	**381,552**	**513**	353,798	9,632

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair values. Accordingly, they have not been included in the table above.

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount (Note 1)	
	31 December 2021	31 December 2020
AAA	**151,847**	145,716
AA+	**78**	1,179
AA	**–**	1,328
A-1	**103**	100
Not rated*	**40,155**	46,486
Total	**192,183**	194,809

* Included in the not rated category, there is an aggregate carrying amount of RMB38,989 million (31 December 2020: RMB45,492 million) of government bonds and certain financial bonds issued by policy banks with low credit risks, and the remaining financial assets with carrying amount of RMB1,166 million (31 December 2020: RMB994 million) without any credit rating do not have low credit risk.

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

(ii) Credit risk exposure (continued)

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount (Note 1)	
	31 December 2021	31 December 2020
Aaa	**63**	152
Aa1	**213**	14
Aa2	**4**	7
Aa3	**11**	28
A1	**197**	10
A2	**8**	23
A3	**46**	58
Baa1	**60**	43
Baa2	**26**	22
Baa3	**10**	9
P-1	**–**	–
Not rated	**109**	–
Total	**747**	366

	Carrying amount		Fair value	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) (Note 2)	**1,456**	3,601	**813**	3,973

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

51. EVENTS AFTER THE REPORTING PERIOD

On 25 March 2022, a final dividend of RMB0.407 per ordinary share totalling RMB9,053 million in respect of the year ended 31 December 2021 was proposed by the Board of Directors.

The dividend distribution plan is subject to the approval of the general meeting.

52 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

	31 December 2021	31 December 2020
ASSETS		
Cash and cash equivalents	**16,824**	25,602
Debt securities	**172,848**	168,424
Equity securities and mutual funds	**143,804**	110,734
Insurance receivables	**55,399**	50,103
Reinsurance assets	**37,535**	33,167
Term deposits	**73,427**	70,896
Investments classified as loans and receivables	**59,243**	68,285
Investments in associates and joint ventures	**38,958**	38,658
Investments in subsidiaries	**3,353**	2,950
Investment properties	**5,477**	4,774
Property and equipment	**19,342**	21,272
Right-of-use assets	**5,730**	4,887
Deferred income tax assets	**6,926**	4,935
Prepayments and other assets	**23,338**	24,841
TOTAL ASSETS	**662,204**	629,528
LIABILITIES		
Payables to reinsurers	**22,496**	21,818
Accrued insurance security fund	**994**	837
Securities sold under agreements to repurchase	**37,985**	29,028
Income tax payable	**856**	50
Insurance contract liabilities	**338,734**	312,826
Policyholders' deposits	**1,748**	1,750
Bonds payable	**8,058**	23,297
Lease liabilities	**1,786**	1,668
Accruals and other liabilities	**64,036**	65,011
TOTAL LIABILITIES	**476,693**	456,285
EQUITY		
Issued capital	**22,242**	22,242
Reserves	**163,269**	151,001
TOTAL EQUITY	**185,511**	173,243
TOTAL EQUITY AND LIABILITIES	**662,204**	629,528

52 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(b) Movement in the Company's reserves

Movements in the Company's reserves are as follows:

	For the year ended 31 December 2021							
	Share premium	Asset revaluation reserve	Available-for-sale financial assets revaluation reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Retained profits	Total
1 January 2021	11,432	3,725	20,764	61,814	17,537	1,149	34,580	151,001
The comprehensive income	–	607	591	–	–	–	19,412	20,610
Appropriations to statutory surplus resrve and general risk reserve	–	–	–	2,286	2,286	–	(4,572)	–
Appropriations to catastrophic loss reserve	–	–	–	–	–	296	(296)	–
Utilisation of catastrophic loss reserve	–	–	–	–	–	(1,138)	1,138	–
2020 final dividend	–	–	–	–	–	–	(8,342)	(8,342)
31 December 2021	11,432	4,332	21,355	64,100	19,823	307	41,920	163,269

	For the year ended 31 December 2020							
	Share premium	Asset revaluation reserve	Available-for-sale financial assets revaluation reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Retained profits	Total
1 January 2020	11,432	3,440	14,211	59,703	15,426	1,789	30,355	136,356
The comprehensive income	–	285	6,553	–	–	–	18,061	24,899
Appropriations to statutory surplus reserve and general risk reserve	–	–	–	2,111	2,111	–	(4,222)	–
Appropriations to catastrophic loss reserve	–	–	–	–	–	312	(312)	–
Utilisation of catastrophic loss reserve	–	–	–	–	–	(952)	952	–
2019 final dividend	–	–	–	–	–	–	(10,254)	(10,254)
31 December 2020	11,432	3,725	20,764	61,814	17,537	1,149	34,580	151,001

Definitions

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

"Aibao Technology"	Aibao Technology Co., Ltd.
"Articles of Association"	the articles of association of the Company
"Bangbang Auto Sales & Services"	Bangbang Auto Sales & Service (Beijing) Co., Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"Company" "We" or "PICC Property and Casualty"	PICC Property and Casualty Company Limited
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
"C-ROSS"	China Risk-oriented Solvency System
"Director(s)"	the director(s) of the Company
"Guidelines"	the Guidelines on Regulating Corporate Governance Structure of Insurance Companies (Trial)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hua Xia Bank"	Hua Xia Bank Co., Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"PIB"	Prime Insurance Brokers Company Limited

"PICC AMC"	PICC Asset Management Company Limited
"PICC Capital"	PICC Capital Insurance Asset Management Co., Ltd.
"PICC Equity"	PICC Capital Equity Investment Company Limited
"PICC Financial Services"	PICC Financial Services Company Limited
"PICC Group"	The People's Insurance Company (Group) of China Limited
"PICC Health"	PICC Health Insurance Company Limited
"PICC HK"	The People's Insurance Company of China (Hong Kong), Limited
"PICC Investment"	PICC Investment Holding Company Limited
"PICC Life"	PICC Life Insurance Company Limited
"PICC Pension"	PICC Pension Company Limited
"PICC Re"	PICC Reinsurance Company Limited
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Year"	the year ended 31 December 2021
"%"	per cent

Corporate Information

REGISTERED NAME

Chinese name:	中國人民財產保險股份有限公司 (Abbreviation of Chinese name: 人保財險)
English name:	PICC Property and Casualty Company Limited (Abbreviation of English name: PICC P&C)

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC P&C

STOCK CODE

2328

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

WEBSITE

property.picc.com

SECRETARY OF THE BOARD OF DIRECTORS

Zou Zhihong

COMPANY SECRETARY

Zhang Xiao

INVESTOR RELATIONS CONTACT

Tel: (8610) 85176084
E-mail: ir@picc.com.cn

REGISTERED OFFICE

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

AUDITORS

International Auditor
PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

Domestic Auditor
PricewaterhouseCoopers Zhong Tian LLP