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

PUBLICATION OF THE OFFERING CIRCULAR



中国平安保险(集团)股份有限公司

Ping An Insurance (Group) Company of China, Ltd.

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

Stock Code: 2318 (HKD counter) and 82318 (RMB counter)

**U.S.\$3,500,000,000 0.875% Convertible Bonds due 2029 (the “Bonds”)
(Stock Code: 5131)**

This announcement is issued by Ping An Insurance (Group) Company of China, Ltd. (the “**Issuer**” or “**Company**”) pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Reference is made to the notice of listing of the Bonds on the Hong Kong Stock Exchange dated July 22, 2024 published by the Issuer.

Please refer to the offering circular dated July 15, 2024 (the “**Offering Circular**”) appended hereto in relation to the U.S.\$3,500,000,000 0.875% Convertible Bonds due 2029 (the “**Bonds**”). As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

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

By order of the Board
Sheng Ruisheng
Company Secretary

Shenzhen, the PRC, July 23, 2024

As at the date of this announcement, the executive directors of the Company are Ma Mingzhe, Xie Yonglin and Cai Fangfang; the non-executive directors of the Company are Soopakij Chearavanont, Yang Xiaoping, He Jianfeng and Cai Xun; the independent non-executive directors of the Company are Ng Sing Yip, Chu Yiyun, Liu Hong, Ng Kong Ping Albert, Jin Li and Wang Guangqian.

IMPORTANT NOTICE

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

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

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

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

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

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

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

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

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

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

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中国平安保险(集团)股份有限公司

Ping An Insurance (Group) Company of China, Ltd.

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

Stock Code: 2318 (HKD counter) and 82318 (RMB counter)

US\$3,500,000,000 0.875 PER CENT. CONVERTIBLE BONDS DUE 2029

Issue Price: 100.0 per cent.

The 0.875% convertible bonds due 2029 in the aggregate principal amount of US\$3,500,000,000 (the "Bonds," which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "Terms and Conditions of the Bonds" (the "Conditions" or the "Terms and Conditions"), and each of the Conditions, a "Condition"), will be issued by Ping An Insurance (Group) Company of China, Ltd. 中国平安保险(集团)股份有限公司 (the "Issuer" or the "Company"). The issue price of the Bonds shall be 100.0 per cent. of the aggregate principal amount of the Bonds. The specified denomination of each Bond shall be US\$200,000 each and integral multiples of US\$100,000 in excess thereof.

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

Each Bond will, subject to the Terms and Conditions, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and canceled) at any time on or after the 41st day after 22 July 2024 (the "Issue Date") up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling seven working days prior to the Maturity Date (as defined herein) (both days inclusive) into fully paid ordinary H Shares (as defined in the Terms and Conditions) with a par value of RMB1.00 each of the Company at an initial conversion price of HK\$43.71 per Share (as defined in the Terms and Conditions) with a fixed exchange rate of HK\$7.8079 to US\$1.00 (the "Fixed Exchange Rate"). The conversion price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds – Conversion".

The Bonds bear interest from and including 22 July 2024 at the rate of 0.875 per cent. per annum payable semi-annually in arrear.

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount on 22 July 2029 (the "Maturity Date"). On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem the Bonds in whole, but not in part at their principal amount together with accrued and unpaid interest thereon to but excluding the date fixed for redemption, (i) at any time after 5 August 2027 but prior to the Maturity Date, subject to certain conditions as specified in the Terms and Conditions, or (ii) if at any time the aggregate principal amount of the Bonds outstanding, is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 (Further Issues) of the Terms and Conditions).

The Bonds may also be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, at the principal amount, together with interest accrued and unpaid thereon to but excluding the date fixed for redemption, in the event of certain changes or amendments relating to the People's Republic of China (the "PRC") or Hong Kong taxation, as further described in the Terms and Conditions.

The holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date (as defined in the Terms and Conditions) at their principal amount together with interest accrued and unpaid to but excluding the Relevant Event Put Date, following the occurrence of a Relevant Event (as defined in the Terms and Conditions). See "Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation". The holder of each Bond will also have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on 22 July 2027 (the "Put Option Date") at their principal amount together with interest accrued and unpaid to but excluding the Put Option Date.

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

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

With reference to the Administrative Measures for the Review and Registration of Medium-and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第五十六號)) (the "Order 56") issued by the PRC National Development and Reform Commission (the "NDRC") and effective from 10 February 2023 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 10 July 2024 evidencing such registration which remains valid and in full force and effect. The Issuer undertakes that it will within the relevant prescribed timeframes after the Issue Date file or cause to be filed the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with Order 56 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "NDRC Post-Issuance Filing"), which term for the avoidance of doubt, includes the Initial NDRC Post-Issuance Filing (as defined below).

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

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

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

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

Investors should be aware that there are risks relating to the exercise of Conversion Rights of the Bonds, and there are various other risks relating to the Bonds, the Issuer and its subsidiaries, its business and its jurisdiction of operations which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 22.

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

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

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

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

J.P. Morgan

Joint Lead Manager

China PA Securities (Hong Kong) Company Limited

The Offering Circular is dated 15 July 2024

NOTICE TO INVESTORS

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

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

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

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

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

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

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Group or the issue and offering of the Bonds or the Shares. Each of the Managers, the Trustee and the Agents and their respective affiliates, officers, employees, agents, representatives, directors and advisers or any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

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

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

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

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

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

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

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

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

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

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMI). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMI in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

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

Industry and Market Data

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All references to the “**Issuer**” or the “**Company**” are to Ping An Insurance (Group) Company of China, Ltd. 中國平安保險(集團)股份有限公司.

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

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

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

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

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

This Offering Circular contains translations of certain U.S. dollars to Renminbi at specified rates solely for the convenience of the reader. Such translation should not be construed as representations that the U.S. dollars amounts actually represent such Renminbi amounts or could have been or could be converted into Renminbi at any particular rate, or at all. Unless otherwise specified, all conversions were made at an exchange rate of USD1.00 = RMB7.0827 (being the exchange rate published by the People’s Bank of China on 29 December 2023).

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PRESENTATION AND INCORPORATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Issuer as at and for the years ended 2021, 2022 and 2023, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the years ended 2022 and 2023. Such audited consolidated financial statements of the Issuer were prepared and presented in accordance with International Financial Reporting Standards (“IFRS”) and have been audited by Ernst & Young, the Issuer’s independent auditors.

The Issuer has implemented IFRS 17 Insurance Contracts and its amendments (together, the “**New Insurance Contract Standard**”) on 1 January 2023 and made retrospective adjustments to the financial statements figures for comparative periods in accordance with the transition requirements. The Issuer has reassessed the business model for managing its relevant financial assets, reclassified and remeasured certain financial assets and restated the financial statement line items for comparative periods in accordance with the requirements. As a result, certain comparative financial information as at and for the year ended 31 December 2022 included in the consolidated financial statements of the Issuer for the year ended 31 December 2023 has been restated. Please refer to “*Note 2 – Material Accounting Policies*” in the consolidated financial statements of the Issuer for the year ended 31 December 2023 for details. However, as the financial information as at and for the years ended 31 December 2021 and 2022 included in the consolidated financial statements of the Issuer for the year ended 31 December 2022 has not been restated to reflect the adoption of the New Insurance Contract Standard, such financial information is not directly comparable with the financial information as at and for the years ended 31 December 2022 and 2023 included in the consolidated financial statements of the Issuer for the year ended 31 December 2023.

This Offering Circular also contains consolidated financial information for the three months ended 31 March 2023 and as at and for the three months ended 31 March 2024, which has been extracted from the unaudited consolidated financial statements of the Issuer as at and for the three months ended 31 March 2024. Such unaudited consolidated financial statements of the Issuer were prepared and presented in accordance with IFRS. On 23 April 2024, the Issuer announced its unaudited and unreviewed consolidated financial results as at and for the three months ended 31 March 2024 (the “**2024 First Quarterly Results**”). The 2024 First Quarterly Results are not audited or reviewed by an independent auditor, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Managers or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation or warranty, express or implied, regarding the sufficiency of the 2024 First Quarterly Results for an assessment of, and potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Issuer. In addition, the 2024 First Quarterly Results should not be taken as an indication of the expected financial condition or results of operations of the Issuer for the full financial year ending 31 December 2024.

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

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

FORWARD-LOOKING STATEMENTS

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

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

- general economic, political and business conditions and competitive environment, including those related to the PRC and globally;
- ability to successfully implement business plans and strategies;
- capital expenditure plans and ability to carry out those plans;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, terrorist attacks and other events beyond the Group’s control;
- other risks associated with industries in which the Group operates; and
- other factors, including those discussed in “Risk Factors” below.

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

SUMMARY

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

Overview

We are a leading integrated financial services group in the PRC and have grown significantly since our inception in 1988 as a regional property and casualty insurance business. Through our single brand and multi-channel distribution networks, we provide a wide range of financial and other products. Our business includes insurance, banking, asset management, and technology business. We are dually listed on The Shanghai Stock Exchange and the Hong Kong Stock Exchange with total issued share capital of RMB18,210,234,607 (as of the date of this Offering Circular).

We serve our range of products and services to our extensive customer base, which consists of approximately 232 million retail customers in PRC. Our Group offers insurance products to our clients across various offices in PRC and our banking services are offered to retail and corporate across over 100 branches across PRC.

Competitive Strengths

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- we are well positioned in a growing market with massive opportunities to fill the demand for financial services, healthcare and elderlycare;
- we are an integrated financial services group with a full suite of financial business licenses, including insurance, banking, and asset management;
- we have a unique business model of integrated finance, healthcare and elderlycare services, securing our market leadership position;
- we have a trustworthy brand name in PRC, coupled with an extensive customer base which generates value continuously;
- we operate a well-established distribution channel enforced by a strong "online + offline" network covering the whole of China;
- we provide unparalleled customer experience through world-leading technological capability across financial technology, digital healthcare and artificial intelligence; and
- we have a visionary and experienced management team with a wealth of industry knowledge.

Strategies

Our key strategies to further grow our business are:

- to advance our integrated finance, healthcare and elderlycare strategy; and
- to integrate ESG philosophy into company values and business operations.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated statement of income and cash flows data for the years ended 31 December 2021 and 2022 (original) and the summary consolidated statement of financial position data as at 31 December 2021 and 2022 (original) set forth below are extracted or derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2022 (the "**FY2022 Financial Statements**") included elsewhere in this Offering Circular. The summary consolidated statement of income and cash flows data for the years ended 31 December 2022 (restated) and 2023 and the summary consolidated statement of financial position data as at 31 December 2022 (restated) and 2023 set forth below are extracted or derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2023 (the "**FY2023 Financial Statements**") included elsewhere in this Offering Circular.

The Group has implemented New Insurance Contract Standard on 1 January 2023 and made retrospective adjustments to the financial statements figures for comparative periods in accordance with the transition requirements. To facilitate smooth transition to the New Insurance Contract Standard, the Group has reassessed the business model for managing its relevant financial assets, reclassified and remeasured certain financial assets and restated the financial statement line items for comparative periods in accordance with the requirements. As a result, certain comparative financial information as at and for the year ended 31 December 2022 included in the Group's 2023 Financial Statements has been restated. Please refer to "*Note 2 – Material Accounting Policies*" in the Group's FY2023 Financial Statements for more details. However, as the financial information as at and for the years ended 31 December 2021 and 2022 included in the Group's FY2022 Financial Statements has not been restated to reflect the adoption of the New Insurance Contract Standard, such financial information is not directly comparable with the financial information as at and for the years ended 31 December 2022 and 2023 included in the Group's FY2023 Financial Statements.

The audited consolidated FY2022 Financial Statements and FY2023 Financial Statements were audited by Ernst & Young, the independent auditors of the Issuer, and have been prepared and presented in accordance with IFRS.

Summary Consolidated Statement of Income

Summary of consolidated statement of income for the financial year ended 31 December 2022 (restated) and the financial year ended 31 December 2023

	For the year ended 31 December	
	2022 (Restated) ⁽¹⁾	2023
	(RMB million)	(RMB million)
REVENUE		
Insurance revenue.....	525,981	536,440
Interest revenue from banking operations.....	228,784	227,552
Interest revenue from non-banking operations.....	115,933	118,503
Fees and commission revenue from non-insurance operations	45,982	45,806
Investment income.....	(2,311)	33,324
Share of profits and losses of associates and joint ventures.....	10,165	1,434
Other revenues and other gains	60,652	68,804
Total revenue.....	985,186	1,031,863
EXPENSES		
Insurance service expenses.....	(422,221)	(440,178)
Allocation of reinsurance premiums paid.....	(14,919)	(14,179)
Less: Amount recovered from reinsurer	10,605	10,448
Net insurance finance expenses for insurance contracts issued	(99,933)	(123,959)
Less: Net reinsurance finance income for reinsurance contracts held.....	564	542
Interest expenses on banking operations	(97,688)	(108,605)
Fees and commission expenses on non-insurance operations	(9,928)	(8,773)
Net impairment losses on financial assets	(80,553)	(77,744)
Net impairment losses on other assets.....	(1,367)	(1,327)
Foreign exchange gains/(losses)	3,144	120
General and administrative expenses.....	(79,815)	(83,877)
Changes in insurance premium reserves.....	(78)	(230)
Interest expenses on non-banking operations	(22,698)	(24,346)
Other expenses	(27,964)	(39,638)
Total expenses	(842,851)	(911,746)
PROFIT BEFORE TAX	142,335	120,117
Income tax.....	(7,518)	(10,843)
PROFIT FOR THE YEAR.....	134,817	109,274
Attributable to:		
Owners of the parent.....	111,008	85,665
Non-controlling interests	23,809	23,609
Earnings per share attributable to ordinary equity holders of the parent:		
– Basic (in RMB).....	6.36	4.84
– Diluted (in RMB).....	6.27	4.74
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss.....	(17,768)	(25,356)
Items that will not be reclassified to profit or loss	1,900	6,497
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX.....	(15,868)	(18,859)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.....	118,949	90,415
Attributable to:		
– Owners of the parent.....	94,484	66,819
– Non-controlling interests	24,465	23,596

Note:

- (1) The Issuer has implemented the New Insurance Contract Standard on 1 January 2023 and made retrospective adjustments to the financial statements figures for comparative periods in accordance with the transition requirements. The Issuer has reassessed the business model for managing its relevant financial assets, reclassified and remeasured certain financial assets and restated the financial statement line items for comparative periods in accordance with the requirements. As a result, certain comparative financial information as at and for the year ended 31 December 2022 included in the consolidated financial statements of the Issuer for the year ended 31 December 2023 has been restated. Please refer to “Note 2 – Material Accounting Policies” in the FY2023 Financial Statements for details. However, as the financial information as at and for the years ended 31 December 2021 and 2022 included in the consolidated financial statements of the Issuer for the year ended 31 December 2022 has not been restated to reflect the adoption of the New Insurance Contract Standard, such financial information is not directly comparable with the financial information as at and for the years ended 31 December 2022 and 2023 included in FY2023 Financial Statements.

Summary of consolidated statement of income for the financial year ended 31 December 2021 and the financial year ended 31 December 2022 (before restatement)

	For the year ended 31 December	
	2021	2022 (Original)
	(RMB million)	(RMB million)
REVENUE		
Gross written premiums	760,843	769,633
Less: Premiums ceded to reinsurers	(30,208)	(21,967)
Change in unearned premium reserves	9,298	(5,248)
Net earned premiums	739,933	742,418
Reinsurance commission revenue	5,908	6,150
Interest revenue from banking operations.....	213,439	228,784
Interest revenue from non-banking operations.....	125,474	124,276
Fees and commission revenue from non-insurance operations	51,524	45,982
Investment income.....	78,039	2,781
Share of profits and losses of associates and joint ventures.....	7,346	10,165
Other revenues and other gains	66,012	60,795
Total revenue.....	1,287,675	1,221,351
EXPENSES		
Gross claims and policyholders' benefits	(638,866)	(645,263)
Less: Reinsurers' share of claims and policyholders' benefits.....	20,204	14,125
Claims and policyholders' benefits.....	(618,662)	(631,138)
Commission expenses on insurance operations.....	(80,711)	(70,380)
Interest expenses on banking operations	(92,071)	(97,688)
Fees and commission expenses on non-insurance operations	(9,940)	(9,928)
Net impairment losses on financial assets	(90,494)	(80,553)
Net impairment losses on other assets.....	(14,548)	(3,096)
Foreign exchange gains/(losses)	1,267	3,342
General and administrative expenses.....	(177,061)	(169,840)
Interest expenses on non-banking operations	(28,082)	(22,888)
Other expenses	(37,793)	(33,367)
Total expenses	(1,148,095)	(1,115,536)
PROFIT BEFORE TAX	139,580	105,815
Income tax.....	(17,778)	1,617
PROFIT FOR THE YEAR.....	121,802	107,432
Attributable to:		
Owners of the parent.....	101,618	83,774
Non-controlling interests	20,184	23,658
Earnings per share attributable to ordinary equity holders of the parent:		
– Basic (in RMB).....	5.77	4.80
– Diluted (in RMB).....	5.72	4.73
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss.....	1,068	3,651
Items that will not be reclassified to profit or loss	(3,144)	1,428
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX.....	(2,076)	5,079
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.....	119,726	112,511
Attributable to:		
– Owners of the parent.....	99,281	88,097
– Non-controlling interests	20,445	24,414

Summary Consolidated Statement of Financial Position

	As at 1 January 2022 (Restated) ⁽¹⁾	As at 31 December 2022 (Restated) ⁽¹⁾	As at 31 December 2023
	(RMB million)	(RMB million)	(RMB million)
ASSETS			
Cash and amounts due from banks and other			
financial institutions.....	592,151	774,841	804,077
Balances with the Central Bank	308,348	281,115	270,976
Financial assets purchased under reverse			
repurchase agreements	61,583	91,514	167,660
Accounts receivable.....	26,628	36,118	35,636
Derivative financial assets.....	30,957	29,278	44,978
Insurance contract assets	–	–	3
Reinsurance contract assets	19,926	20,615	22,215
Finance lease receivable.....	200,701	186,858	180,674
Loans and advances to customers.....	2,980,975	3,238,054	3,318,122
Financial assets at fair value through profit or loss	1,445,641	1,640,519	1,803,047
Financial assets at amortized cost	1,064,246	1,124,035	1,243,353
Debt financial assets at fair value through other			
comprehensive income	2,265,326	2,500,790	2,637,008
Equity financial assets at fair value through other			
comprehensive income	277,883	264,771	264,877
Investments in associates and joint ventures	284,061	280,793	258,877
Statutory deposits for insurance operations	12,606	14,444	14,903
Investment properties	86,041	114,763	121,406
Property and equipment.....	49,758	53,657	50,401
Intangible assets	68,462	99,411	99,078
Right-of-use assets	14,185	12,580	9,794
Deferred tax assets	64,289	89,321	101,337
Other assets	140,312	156,463	134,995
TOTAL ASSETS	9,994,079	11,009,940	11,583,417
EQUITY			
Share capital.....	18,280	18,280	18,210
Reserves	267,475	268,724	263,752
Treasury shares.....	(9,895)	(10,996)	(5,001)
Retained profits	540,629	593,183	622,050
Equity attributable to owners of the parent	816,489	869,191	899,011
Non-controlling interests	265,449	316,805	329,953
TOTAL EQUITY	1,081,938	1,185,996	1,228,964
LIABILITIES			
Due to banks and other financial institutions	797,646	923,088	963,718
Financial liabilities at fair value through profit or loss.....	57,376	84,659	48,619
Derivative financial liabilities	35,049	39,738	44,531
Assets sold under agreements to repurchase.....	127,718	271,737	241,803
Accounts payable.....	6,663	10,349	8,858
Income tax payable.....	16,247	16,076	7,117
Insurance contract liabilities.....	3,340,870	3,671,177	4,159,801
Reinsurance contract liabilities.....	–	105	53
Customer deposits and payables to brokerage customers ..	3,002,049	3,431,999	3,534,539
Bonds payable	1,097,523	931,098	964,007
Lease liabilities	14,208	13,013	10,234
Deferred tax liabilities.....	13,605	14,217	14,148
Other liabilities.....	403,187	416,688	357,025
TOTAL LIABILITIES	8,912,141	9,823,944	10,354,453
TOTAL EQUITY AND LIABILITIES	9,994,079	11,009,940	11,583,417

Summary Consolidated Statement of Cash Flows

	For the year ended 31 December			
	2021	2022	2022	2023
	(RMB million)	(Original)	(Restated) ⁽¹⁾	(RMB million)
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	117,077	514,552	505,423	387,061
Less: Current income tax charged for the year ...	(26,816)	(27,643)	(27,643)	(17,699)
Changes in income tax payable	(145)	(1,004)	(1,004)	(8,959)
Net cash flows from operating activities	90,116	485,905	476,776	360,403
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of property and equipment, intangibles and other long-term assets	(12,186)	(8,871)	(8,871)	(7,810)
Proceeds from disposal of property and equipment, intangibles and other long-term assets, net	679	568	568	1,068
Proceeds from disposal of investments	2,016,480	1,967,313	2,012,393	1,756,672
Purchases of investments	(2,198,579)	(2,367,474)	(2,406,664)	(2,066,919)
Acquisition of subsidiaries, net	(366)	(37,620)	(37,620)	–
Disposal of subsidiaries, net	5,234	507	507	65
Interest received	168,173	148,496	146,953	139,390
Dividends received	60,234	76,974	76,974	73,533
Rentals received	4,620	6,178	–	–
Increase in policy loans, net	(16,356)	(10,120)	–	–
Net cash flows from/(used in) investing activities	27,933	(224,049)	(215,760)	(104,001)
CASH FLOW FROM FINANCING ACTIVITIES				
Capital injected into subsidiaries by non-controlling interests	14,383	3,104	3,104	2,999
Proceeds from bonds issued	1,252,176	773,258	773,258	1,064,814
(Decrease)/increase in assets sold under agreements to repurchase of insurance operations, net	(169,860)	118,446	118,241	(81,822)
Proceeds from borrowings	197,965	186,022	186,022	107,295
Repayment of borrowings	(1,335,187)	(1,206,226)	(1,206,226)	(1,202,227)
Interest paid	(45,887)	(28,209)	(28,218)	(22,380)
Dividends paid	(46,942)	(49,582)	(49,582)	(50,707)
Increase/(decrease) in insurance placements from banks and other financial institutions, net	4,300	2,266	2,266	(5,166)
Payment of acquisition of shares	(3,900)	(1,101)	(1,101)	–
Payment of shares purchased for Long-term Service Plan	(4,184)	(4,439)	(4,439)	(4,451)
Repayment of lease liabilities	(7,634)	(6,533)	(6,533)	(5,522)
Payment of redemption for other equity instruments by subsidiaries	(3,051)	(10,100)	(10,100)	(5,650)
Others	11,409	(7,565)	(7,565)	(19,239)
Net cash flows used in financing activities	(136,412)	(230,659)	(230,873)	(222,056)
Net (decrease)/increase in cash and cash equivalents	(18,363)	31,197	30,143	34,346
Net foreign exchange differences	(3,260)	8,569	8,580	1,924
Cash and cash equivalents at the beginning of the year	424,748	403,125	405,479	444,202
Cash and cash equivalents at the end of the year	403,125	442,891	444,202	480,472

Note:

- (1) The Issuer has implemented the New Insurance Contract Standard on 1 January 2023 and made retrospective adjustments to the financial statements figures for comparative periods in accordance with the transition requirements. The Issuer has reassessed the business model for managing its relevant financial assets, reclassified and remeasured certain financial assets and restated the financial statement line items for comparative periods in accordance with the requirements. As a result, certain comparative financial information as at and for the year ended 31 December 2022 included in the consolidated financial statements of the Issuer for the year ended 31 December 2023 has been restated. Please refer to “*Note 2 – Material Accounting Policies*” in the FY2023 Financial Statements for details. However, as the financial information as at and for the years ended 31 December 2021 and 2022 included in the consolidated financial statements of the Issuer for the year ended 31 December 2022 has not been restated to reflect the adoption of the New Insurance Contract Standard, such financial information is not directly comparable with the financial information as at and for the years ended 31 December 2022 and 2023 included in FY2023 Financial Statements.

THE OFFERING

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

Issuer	Ping An Insurance (Group) Company of China, Ltd. 中國平安保險(集團)股份有限公司.
Bonds	U.S. dollar-denominated 0.875% convertible bonds due 2029 in an aggregate principal amount of US\$3,500,000,000, convertible into fully-paid ordinary H shares of the Company with a par value RMB1.00 each at the initial conversion price of HK\$43.71 per Share (the “Shares”).
A Share(s)	Ordinary domestic share(s) with a par value of RMB1.00 each in the share capital of the Issuer, which are listed for trading on The Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601318).
H Share(s)	Ordinary foreign share(s) with a par value of RMB1.00 each issued by the Issuer which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2318 (HKD counter) and 82318 (RMB counter)).
Interest	The Bonds bear interest from and including 22 July 2024 at the rate of 0.875 per cent. per annum payable semi-annually in arrear in equal instalments of US\$437.5 per Calculation Amount (as defined in the Terms and Conditions) on 22 January and 22 July in each year. See “Terms and Conditions of the Bonds – Interest.”
Issue Price	100.0 per cent. of the principal amount of the Bonds.
Issue Date	22 July 2024
Maturity Date	22 July 2029
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of US\$200,000 each and integral multiples of US\$100,000 in excess thereof.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 3.1 (<i>Negative Pledge</i>) of the Terms and Conditions) unsecured obligations of the Issuer and shall rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to Condition 3.1 (<i>Negative Pledge</i>) of the Terms and Conditions, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations. See “Terms and Conditions of the Bonds – Status”.

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

Taxation All payments made by or on behalf of the Issuer in respect of the Bonds will be made free from any restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Hong Kong or, in each case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the aggregate rate applicable on 15 July 2024, or any Hong Kong deduction or withholding is required, in such event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except in circumstances specified in Condition 8 (*Taxation*) of the Terms and Conditions. See “*Terms and Conditions of the Bonds – Taxation*”.

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

Conversion Price The price at which H Shares will be issued upon conversion will initially be HK\$43.71 per H Share but will be subject to adjustments for, among other things, consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price and certain other dilutive events. See “*Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*”.

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

Redemption for Taxation

Reasons.....

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Agent and the Bondholders (which notice shall be irrevocable) at their principal amount as at the relevant redemption date, together with interest accrued and unpaid thereon to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 15 July 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

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

Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), the Bonds may be redeemed by the Issuer in whole, but not in part, on the date specified in the Optional Redemption Notice, together with accrued and unpaid interest thereon to but excluding the date fixed for redemption, (i) at any time after 5 August 2027 but prior to the Maturity Date, subject to certain conditions as specified in the Terms and Conditions, or (ii) at any time if, the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 15 (*Further Issues*) of the Terms and Conditions and consolidated and forming a single series therewith). See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Issuer*".

**Redemption at the Option
of the Bondholders**

The Issuer will, at the option of the holder of any Bond, redeem all or some only of that holder's Bonds on 22 July 2027 (the "**Put Option Date**") at their principal amount together with interest accrued and unpaid to but excluding the Put Option Date. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders*".

Redemption for Relevant Events..

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at their principal amount together with interest accrued and unpaid to but excluding the Relevant Event Put Date.

A "Relevant Event" means the occurrence of either (a) a Change of Control (as defined in the Terms and Conditions) in the Issuer; (b) a Delisting (as defined in the Terms and Conditions) or (c) an H Share Suspension in Trading (as defined in the Terms and Conditions). See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Relevant Events*".

**Company and
Shareholder's Lock-up**

The Issuer has agreed in the Subscription Agreement that neither the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date hereof and the date which is 90 days after the Issue Date (both dates inclusive); except for (i) the Bonds and the New Shares issued on conversion of the Bonds, or (ii) any Shares or other securities (including rights or options) which are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of employees (including directors) of the Issuer or any of its subsidiaries pursuant to any employee share scheme or plan.

Events of Default	The Trustee may give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount together with any accrued and unpaid interest up to but excluding the date of payment without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 5 of the Terms and Conditions if any of the events listed under Condition 9 of the Terms and Conditions has occurred. See “ <i>Terms and Conditions of the Bonds – Events of Default</i> ”.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in the Terms and Conditions in relation to the Initial NDRC Post-Issuance Filing, the CSRC Post-Issuance Filings and the Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the Bonds. See “ <i>Terms and Conditions of the Bonds – Further Issues</i> ”.
Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law	The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Trustee	The Bank of New York Mellon, London Branch
Principal Paying Agent and Principal Conversion Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch
Listing and Trading of the Bonds	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 23 July 2024.
Listing of Shares	The Shares are listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of the Shares issuable upon conversion of the Bonds (the “ New Shares ”).

Concurrent Delta Placement	Concurrent with the offering of the Bonds, the Managers may facilitate sales of existing H shares notionally underlying the Bonds by buyers of the Bonds who wish to sell such H shares in short sales to purchasers procured by the Managers in order to hedge the market risk to which buyers of the Bonds are exposed with respect to the Bonds that they may acquire in the offering of the Bonds.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “ <i>Risk Factors</i> ”.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, the United Kingdom, EEA, the PRC, Hong Kong, Singapore and Japan. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see “ <i>Subscription and Sale</i> ”.
Legal Entity Identifier	529900M9MC28JLN35U89
ISIN	XS2859746237
Common Code	285974623

RECENT DEVELOPMENT

Announcement of the Group's unaudited and unreviewed consolidated financial results as at and for the three months ended 31 March 2024

On 23 April 2024, the Group announced its 2024 First Quarterly Results. The unaudited and unreviewed consolidated financial results as at and for the three months ended 31 March 2024 and comparative financial results for the three months ended 31 March 2023 are not audited or reviewed by an independent auditor. Consequently, such financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate our financial condition, results of operations and results. Such financial information should not be taken as an indication of the Group's expected financial condition, results of operations and results for the full financial year ending 31 December 2024. See also "Risk Factors – Risks Relating to our Overall Business – Potential investors should not place undue reliance on financial information which is not audited or reviewed."

The following table sets forth, for the periods indicated, the Group's unaudited consolidated statement of income prepared in accordance with IFRSs for the three months ended 31 March 2024.

	For the three months ended 31 March	
	2024	2023
	(Unaudited) (RMB million)	(Unaudited) (RMB million)
Insurance revenue.....	136,852	133,106
Interest revenue from banking operations.....	53,299	58,670
Interest revenue from non-banking operations.....	29,196	29,781
Fees and commission revenue from non-insurance operations	11,197	11,919
Investment income.....	29,862	29,715
Share of profits and losses of associates and joint ventures.....	(531)	748
Other revenues and other gains	16,018	17,661
Total revenue	275,893	281,600
Insurance service expenses.....	(109,996)	(105,955)
Allocation of reinsurance premiums paid.....	(3,788)	(3,458)
Less: Amount recovered from reinsurer	2,775	2,395
Net insurance finance expenses for insurance contracts issued	(39,244)	(40,271)
Less: Net reinsurance finance income for reinsurance contracts held.....	265	99
Interest expenses on banking operations	(27,994)	(26,347)
Fees and commission expenses on non-insurance operations	(1,839)	(1,894)
Net impairment losses on financial assets	(10,351)	(15,526)
Net impairment losses on other assets.....	(6)	(14)
Foreign exchange gains/(losses)	(302)	494
General and administrative expenses.....	(18,833)	(19,886)
Changes in insurance premium reserves.....	(62)	(46)
Interest expenses on non-banking operations	(4,911)	(5,838)
Other expenses	(8,990)	(10,091)
Total expenses	(223,276)	(226,338)
Profit before tax	52,617	55,262
Income tax.....	(7,567)	(9,097)
Profit for the period	45,050	46,165
Attributable to:		
– Owners of the parent.....	36,709	38,352
– Non-controlling interests	8,341	7,813
	45,050	46,165

	<u>RMB</u>	<u>RMB</u>
Earnings per share attributable to ordinary equity holders of the parent:		
– Basic	2.07	2.17
– Diluted	<u>2.03</u>	<u>2.13</u>

The following table sets forth, for the periods indicated, the Group's unaudited consolidated statement of comprehensive income for the three months ended 31 March 2024.

	<u>For the three months ended 31 March</u>	
	<u>2024</u>	<u>2023</u>
	(Unaudited) (RMB million)	(Unaudited) (RMB million)
Profit for the period	<u>45,050</u>	<u>46,165</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of debt instruments at fair value through other comprehensive income.....	68,412	7,809
Credit risks provision of debt instruments at fair value through other comprehensive income.....	136	21
Insurance finance expenses for insurance contracts issued	(100,248)	(7,796)
Reinsurance finance income for reinsurance contracts held.....	277	1
Reserve from cash flow hedging instruments	327	118
Exchange differences on translation of foreign operations	(70)	(965)
Share of other comprehensive income of associates and joint ventures	94	109
Items that will not be reclassified to profit or loss:		
Changes in the fair value of equity instruments at fair value through other comprehensive income.....	(67)	5,960
Insurance finance income/(expenses) for insurance contracts issued.....	131	(3,826)
Share of other comprehensive income of associates and joint ventures	156	400
Other comprehensive income for the period, net of tax	<u>(30,852)</u>	<u>1,831</u>
Total comprehensive income for the period	<u>14,198</u>	<u>47,996</u>
Attributable to:		
– Owners of the parent.....	5,713	40,443
– Non-controlling interests	8,485	7,553
	<u>14,198</u>	<u>47,996</u>

The following table sets forth, for the periods indicated, the Group's unaudited consolidated statement of financial position as at 31 March 2024.

	As at 31 March 2024	As at 31 December 2023
	(Unaudited) (RMB million)	(Audited) (RMB million)
ASSETS		
Cash and amounts due from banks and other financial institutions.	786,452	804,077
Balances with the Central Bank	318,059	270,976
Financial assets purchased under reverse repurchase agreements....	132,914	167,660
Accounts receivable.....	37,514	35,636
Derivative financial assets.....	47,800	44,978
Insurance contract assets	–	3
Reinsurance contract assets	22,340	22,215
Finance lease receivable.....	193,392	180,674
Loans and advances to customers.....	3,384,720	3,318,122
Financial assets at fair value through profit or loss	1,962,415	1,803,047
Financial assets at amortized cost	1,252,468	1,243,353
Debt financial assets at fair value through other comprehensive income	2,750,608	2,637,008
Equity financial assets at fair value through other comprehensive income	263,139	264,877
Investments in associates and joint ventures	253,714	258,877
Statutory deposits for insurance operations	14,853	14,903
Investment properties	125,978	121,406
Property and equipment.....	48,759	50,401
Intangible assets	98,100	99,078
Right-of-use assets	9,002	9,794
Deferred tax assets	108,188	101,337
Other assets	171,881	134,995
Total assets	11,982,296	11,583,417
EQUITY AND LIABILITIES		
Equity		
Share capital.....	18,210	18,210
Reserves	233,095	263,752
Treasury shares.....	(5,001)	(5,001)
Retained profits	658,666	622,050
Equity attributable to owners of the parent	904,970	899,011
Non-controlling interests	337,170	329,953
Total equity	1,242,140	1,228,964
Liabilities		
Due to banks and other financial institutions	967,279	963,718
Financial liabilities at fair value through profit or loss.....	72,247	48,619
Derivative financial liabilities	47,597	44,531
Assets sold under agreements to repurchase.....	243,373	241,803
Accounts payable	7,658	8,858
Income tax payable	9,293	7,117
Insurance contract liabilities.....	4,429,595	4,159,801
Reinsurance contract liabilities.....	73	53
Customer deposits and payables to brokerage customers	3,589,254	3,534,539
Bonds payable	998,246	964,007
Lease liabilities	9,531	10,234
Deferred tax liabilities.....	14,323	14,148
Other liabilities.....	351,687	357,025
Total liabilities	10,740,156	10,354,453
Total equity and liabilities	11,982,296	11,583,417

The following table sets forth, for the periods indicated, the Group's unaudited consolidated statement of cash flows for the three months ended 31 March 2024.

	For the three months ended 31 March	
	2024	2023
	(Unaudited) (RMB million)	(Unaudited) (RMB million)
Net cash flows from operating activities	74,958	209,986
Cash flows from investing activities		
Purchases of property and equipment, intangibles and other long-term assets	(1,063)	(1,414)
Proceeds from disposal of property and equipment, intangibles and other long-term assets, net	32	140
Proceeds from disposal of investments	484,516	505,461
Purchases of investments	(528,533)	(576,028)
Acquisition of subsidiaries, net	–	(16)
Disposal of subsidiaries, net	(50)	5
Interest received	39,689	37,261
Dividends received	5,232	7,016
Net cash flows used in investing activities	(177)	(27,575)
Cash flows from financing activities		
Capital injected into subsidiaries by non-controlling interests	183	16
Proceeds from bonds issued	324,625	189,144
Decrease in as sets sold under agreements to repurchase of insurance operations, net	(19,708)	(19,983)
Proceeds from borrowings	31,277	36,799
Repayment of borrowings	(338,315)	(272,266)
Interest paid	(3,958)	(6,173)
Dividends paid	(1,863)	(2,010)
Decrease in insurance placements from banks and other financial institutions, net	–	(6,984)
Payment of shares purchased for Long-term Service Plan	–	(4,451)
Repayment of lease liabilities	(1,130)	(1,399)
Payment of redemption for other equity instruments by subsidiaries	–	(3,650)
Others	(3,133)	(8,133)
Net cash flows used in financing activities	(12,022)	(99,090)
Net increase in cash and cash equivalents	62,759	83,321
Net foreign exchange differences	871	(940)
Cash and cash equivalents at the beginning of the period	480,472	444,202
Cash and cash equivalents at the end of the period	544,102	526,583

Key trends in the Group's financial performance for the three months ended 31 March 2024

The key trends in the Group's financial performance for the three months ended 31 March 2024 are set out below:

- ***Operating profit***

The Group's operating profit attributable to shareholders of the parent company declined 3.0% year on year to RMB38,709 million and net profit attributable to shareholders of the parent company declined 4.3% year on year to RMB36,709 million in the first three months of 2024. Three core businesses, namely life and health insurance, property and casualty insurance, and banking business, resumed growth and delivered RMB39,816 million in operating profit attributable to shareholders of the parent company, up 0.3% year on year.

- ***Liabilities***

The total liabilities of the Group as at 31 March 2024 is approximately RMB10,740,156 million which represents a 3.7% increase from 31 December 2023.

- ***Equity***

The total equity of the Group as at 31 March 2024 is approximately RMB1,242,140 million, which is a 1.1% increase from 31 December 2023.

- ***Assets***

The total assets of the Group as at 31 March 2024 is approximately RMB11,982,296 million, which is a 3.4% increase from 31 December 2023.

- ***Cash balance***

The cash and cash equivalents of the Group as at 31 March 2024 is approximately RMB544,102 million, which is a 13.2% increase from 31 December 2023.

The Group's business performance for the three months ended 31 March 2024

The key trends in the Group's business performance for the three months ended 31 March 2024 are set out below:

- ***Life and health insurance***

The Group's life and health insurance business achieved steady business development and enhanced comprehensive strength in channels. New business value ("NBV") amounted to RMB12,890 million in the first three months of 2024, up 20.7% year on year on a like-for-like basis. NBV per agent increased 56.4% year on year. NBV margin was 22.8%, up 6.5 pps year on year on a like-for-like basis.

- ***Property and casualty insurance***

The Group's property and casualty insurance business maintained a steady business growth, as the property and casualty insurance revenue rose by 5.7% year on year to RMB80,627 million in the first three months of 2024. Overall combined ratio ("COR") excluding guarantee insurance was 98.4%, up year on year mainly due to snowstorms on early days of the Chinese New Year and increased customer travels.

- ***Banking business***

The Group's banking business maintained steady business performance and stable asset quality. Net profit grew 2.3% year on year to RMB14,932 million in the first three months of 2024. Core tier 1 capital adequacy ratio rose to 9.59% and provision coverage ratio was 261.66% as of 31 March 2024.

- ***Asset management***

The Group continuously enhances its capabilities of making asset allocation, achieving stable long-term returns, and managing multi-asset portfolios to provide retail and institutional customers with comprehensive investment management services. The Group's asset under management ("AUM"), which is an aggregate of the AUM of Ping An Securities Co., Ltd. ("**Ping An Securities**"), Ping An Trust Co., Ltd. ("**Ping An Trust**"), Ping An of China Asset Management Co., Ltd. ("**Ping An Asset Management**"), Ping An International Financial Leasing Co., Ltd. ("**Ping An Financial Leasing**") and other relevant subsidiaries, exceeded RMB7 trillion as of 31 March 2024.

- ***Technology***

The Group continuously invests in research and development to build leading technological capabilities, which have been widely utilised to empower its core financial businesses and accelerate the development of its ecosystems. Ping An promotes technological empowerment in diverse business scenarios. Moreover, Ping An improves the industry ecosystem and technology by sharing leading innovative products and services with external entities. Ping An remains focused on developing core technologies and securing proprietary intellectual property rights. The Group's patent applications led most international financial institutions, totaling 51,700 as of 31 March 2024.

Strategic Initiatives

- ***Integrated finance***

The Group has continued to develop its integrated finance model and expand retail customers under a customer-centric philosophy to strengthen cross-selling among customer segments. Retail customers increased 1.0% year to date to nearly 234 million and contracts per customer reached 2.94 as of 31 March 2024.

- ***Healthcare and elderlycare***

Elderlycare has become a new driver of value growth, by empowering the Group's financial businesses through differentiated "Product + Service" offerings. As of 31 March 2024, over 63% of Ping An's nearly 234 million retail customers used services from the health and elderlycare ecosystem.

By integrating providers, expanding partner network and investing in service capacities, the Group has created a health and elderlycare ecosystem, offering customers with excellent and efficient service experience. The Group had about 50,000 in-house doctors and contracted external doctors in China as of 31 March 2024. The Group partnered with approximately 231,000 pharmacies as of 31 March 2024, up by nearly 1,000 within the three months ended 31 March 2024.

None of the Managers or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation or warranty, express or implied, regarding the sufficiency of the Group's 2024 First Quarterly Results for an assessment of, and potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Group. In addition, the Group's 2024 First Quarterly Results should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2024.

Accumulated gross premium incomes for the period from 1 January 2024 to 30 June 2024

Pursuant to the “No. 2 Interpretation of Accounting Standards for Business Enterprises” and the “Regulations regarding the Accounting Treatment of Insurance Contracts” of the Ministry of Finance of the PRC, the accumulated gross premium incomes of the subsidiaries of the Company for the period from 1 January 2024 to 30 June 2024 are set out as follows:

Subsidiaries	The accumulated gross premium income (RMB million)	January-June 2024
		Year-on-year change (%)
Ping An Property & Casualty Insurance Company of China, Ltd.	160,396.6	4.1
Ping An Life Insurance Company of China, Ltd.	300,783.8	5.1
Ping An Annuity Insurance Company of China, Ltd.	10,653.5	-4.2
Ping An Health Insurance Company of China, Ltd.	9,434.3	13.0

Resignation of Ms. Tan Sin Yin and Mr. Yao Jason Bo

With effect from 1 January 2024, Ms. Tan Sin Yin resigned as a Co-Chief Executive Officer and Executive Vice President of the Company due to her personal and family reasons. Ms. Tan Sin Yin was then re-designated from an Executive Director to a Non-executive Director of the Company with effect from 1 January 2024 until the expiry of the term of the 12th session of the board of the Company, which occurred on 30 May 2024.

On 30 May 2024, Mr. Yao Jason Bo has ceased to be a Non-executive Director of the Company, as the 12th session of the board of the Company expired on the same day.

RISK FACTORS

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

RISKS RELATING TO OUR OVERALL BUSINESS

Our business is highly dependent on the macroeconomic environment.

Our business is highly dependent on the macroeconomic environment. In particular, factors such as a slowdown in economic growth, rising inflation, geopolitical issues, high unemployment rate, declining consumer confidence and asset value, capital market volatility and liquidity issues may result in unfavourable operating condition. A slowdown in economic growth, an economic downturn or other adverse events may lead to an increase in unemployment rate and a reduction in household income, business profits, business investments and consumer consumption, which may significantly reduce the demand for the Group's products and services and increase policy surrender, credit losses and investment losses, which may materially and adversely affect the Group's business and results of operations.

Under adverse economic conditions, capital market volatility and credit defaults may reduce the Group's investment return, which may materially and adversely affect the Group's business and results of operations. Please refer to “– Risks Related to our Financial Business, including Life and Health Insurance, Property and Casualty Insurance, Banking and Asset Management – Our financial business is subject to interest rate risks,” “– Risks Related to our Financial Business, including Insurance, Banking and Asset Management – We are subject to risks related to changes in monetary policy”, and “– Risks Related to our Financial Business, including Life and Health Insurance, Property and Casualty Insurance, Banking and Asset Management – Our businesses are exposed to liquidity risks” for more details.

Our business and prospects would be materially and adversely affected if we are not able to manage our growth successfully.

The management of our growth has required significant management and operational resources and is likely to continue to do so. The management of our growth will require, among other things:

- development of capabilities, skills and infrastructure required in respect of each core business;
- stringent cost controls;
- sufficient capital base;
- continued strengthening of financial and management controls and information technology systems;
- increased marketing and sales activities in respect of each core business;
- hiring and training of new personnel;
- effective management of risks and challenges posed by business expansion (including expansion of overseas operation); and
- successful implementation of business plans and strategies.

There is no assurance that we will be successful in managing our growth. If we are not able to manage our growth successfully, our business and prospects would be materially and adversely affected.

We may need additional capital in the future, and we cannot assure you that we would be able to obtain such capital on acceptable terms, or at all.

In order for us to grow, remain competitive, enter new businesses, expand our base of operations or meet regulatory capital adequacy or solvency margin requirements, we may require new capital in the future. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the ability to obtain the necessary regulatory approvals on a timely basis;
- general market conditions for capital raising activities by insurance companies and other financial institutions; and
- economic, political and other conditions globally.

We cannot assure you that we will be able to obtain additional capital in a timely manner or on acceptable terms or at all. Furthermore, the terms and amount of any additional capital raised through issuances of equity securities may result in significant dilution of shareholders' interests.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective in all respects, and may expose us to unidentified or unanticipated risks, which could materially and adversely affect our business or result in losses.

Our risk management policies and procedures and internal controls may not be fully adequate or effective in mitigating our risk exposures in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behaviour. As a result, those methods may not predict future risk exposures, which could be significantly greater than those indicated by the historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions or other matters. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, as well as appropriate internal control systems. These policies and procedures and internal controls may not be fully effective in all circumstances, and our business, financial condition and results of operations may be materially and adversely affected by the corresponding increase in our risk exposure. Insurance companies typically utilize various financial instruments and investments to manage risks associated with their businesses. However, current PRC rules and regulations restrict some types of financial instruments and investments we may hold. As a result, the risk management tools available to us are limited.

Any significant failure in our information technology systems, including our management information systems, could have a material adverse effect on our business and profitability.

Our businesses are highly dependent on the ability of our information technology systems to timely process a large number of transactions across numerous and diverse markets and products at a time when transaction processes have become increasingly complex and the volume of such transactions is growing at a significant rate. The proper functioning of our financial control, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claim processing, together with the communication systems between our various branch offices and our main information technology centers, is critical to our business and to our ability to compete effectively.

If our systems fail to perform, we could experience disruptions in operations, slower response times or decreased customer satisfaction. We must process, record and monitor a large number of transactions, and our operations are highly dependent on the integrity of our systems and our ability to make timely enhancements and additions to our systems. System interruptions, errors or downtime can result from a variety of causes, including unexpected interruptions to the internet infrastructure, technological failures, changes to our systems, changes in customer usage patterns, linkages with third-party systems and power failures. Our systems are also vulnerable to disruptions from human error, execution errors, errors in models such as those used for risk management and compliance, employee misconduct, unauthorised trading, external fraud, computer viruses, denial of service attacks, computer viruses or cyber attacks, terrorist attacks, natural disaster, power outage, capacity constraints, software flaws, events impacting our key business partners and vendors, and other similar events.

We have built a continuity system based on multiple data centers since 2003, which features a remote backup for disaster recovery and an intra-city active data centre, which we could utilise in the event of a catastrophe or a failure of our primary system. However, we cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these primary information technology or communications systems, which could be caused by, among others, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our future prospects and profitability.

There is also no assurance that the internet infrastructure we depend on will remain sufficiently reliable for our needs. Any failure to maintain the performance, reliability, security or availability of our network infrastructure may cause significant damage to our ability to attract and retain customers. Major risks involving our network infrastructure include:

- breakdowns or system failures resulting in a prolonged shutdown of our servers;
- disruption or failure in the national backbone networks in the PRC and the other markets where we operate, which would make it impossible for customers to access our products and services;
- damage from natural disasters or other catastrophic events such as typhoons, volcanic eruptions, earthquakes, floods, telecommunications failures, or other similar events; and
- any infection by or spread of computer viruses or other system failures.

Any network interruption or inadequacy that causes interruptions in the availability of our platform or deterioration in the quality of access to our solutions could reduce customer satisfaction and result in a reduction in the activity level of our customers. Furthermore, increases in the volume of traffic on our platform could strain the capacity of our existing computer systems and bandwidth, which could lead to slower response times or system failures. This could cause a disruption or suspension in our service delivery, which could hurt our brand and reputation. We may need to incur additional costs to upgrade our technology infrastructure and computer systems in order to accommodate increased demand if we anticipate that our systems cannot handle higher volumes of traffic and transaction in the future. In addition, it could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to deliver our solutions. There can be no assurance that we will not suffer unexpected losses, reputational damage or regulatory actions due to technology or other operational failures or errors, including those of our vendors or other third parties.

Penalties and negative publicity may result in the delayed or halted processing of personal data that we need to undertake to carry on our business, as well as the forced transfer or confiscation of certain personal data.

Our business generates and processes a large amount of data, and any improper use or disclosure of such data could subject us to significant reputational, financial, legal, and operational consequences, and deter current and potential customers from using our services.

Our business generates and processes a large quantity of personal and transaction data. We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face a number of challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on its system by outside parties or fraudulent behaviour by our employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and
- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that result in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. Any failure, or perceived failure, by us to comply with our privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against it by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs, and severely disrupt our business.

We are subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to our customers and employees. In many cases, these laws do not only apply to third-party transactions, but may also restrict transfers of personally identifiable information among us and our international subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. In this regard, the PRC government has in recent years tightened the regulation of the storage, sharing, use, disclosure and protection of personal data and user data, particularly personal data obtained through individuals' use of websites and online services. Relevant PRC laws and regulations require, among other things, to clearly state the authorised purpose, methods and scope of the collection and usage of personal data and obtain the consent of users for the processing of this personal data, as well as to establish user information protection systems with remedial measures.

The application of these data protection laws to our business would impose on us stringent compliance requirements, and our compliance with such requirements could require significant resources and result in substantial costs, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

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

Misconduct by our employees and agents is difficult to be detected and deterred and could harm our business, financial condition and results of operations.

Employee and sales agent misconduct could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm to us. Such misconduct could occur in each of our businesses and could include:

- binding us to transactions that exceed authorised limits;
- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- (in relation to the insurance business) recommending products, services or transactions that are not suitable to our insurance clients;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling insurance policies, other financial, healthcare and technology products and services to our customers;
- engaging in unauthorised or excessive transactions to the detriment of customers; and/or
- otherwise not complying with applicable laws or our internal control procedures.

Although we have taken steps and precautions to ensure robust employee and agent supervision and management, there is no assurance that these steps and precautions are effective or that we can detect these activities in all cases. We cannot assure you that employee misconduct, if any, will not materially and adversely affect our business, financial condition and results of operations. There can be no assurance that the measures we have implemented to detect and reduce the occurrence of fraudulent activities would be effective in combating fraudulent transactions or improving overall customer satisfaction.

Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

We depend on select management and actuarial personnel as well as dedicated sales agents and other sales channels, and could be materially and adversely affected by the loss of services of these personnels and sales channels.

We depend on the continued service of our senior management members and skilled personnel for all our businesses. Our businesses could suffer if we lose the services of any of these personnel and cannot adequately replace them. In particular, we may be required to increase substantially the number of these employees in connection with our future growth plans, and there is intense competition for their services in the various industries. We cannot assure you that we will be able to retain our present personnel or attract additional qualified personnel as and when needed. In addition, we may need to increase employee compensation levels in order to retain our existing officers and employees and attract the additional personnel we may require. Furthermore, in relation to our insurance business, we also depend to a significant extent on sales agents to distribute our insurance products.

In particular, we compete to attract and retain dedicated sales agents that distribute our insurance products. Intense competition exists for dedicated sales agents with demonstrated ability. We compete for these agents with other insurance companies primarily on the basis of our reputation, brand name, products, compensation and retirement benefits, training, support services and financial position. While we have undertaken, and expect to continue to undertake, various initiatives and measures to retain and attract our agents, we cannot assure you that these initiatives will succeed in attracting new agents or retaining existing agents. There is no assurance that we will remain continuously successful in attracting and retaining these sales agents. Sales and persistency in our businesses, as well as our financial condition and results of operations, could be materially and adversely affected if we are unsuccessful in attracting and retaining these sales agents.

In addition to sale agent, we currently promote and sell insurance products through other sales channels, including bancassurance channel, telemarketing internet and others. In the event we are unable to maintain these sales channels or experience significant disruptions with respect to these channels and/or develop new channels for sales, our competitiveness may be adversely affected, and we may not be able to replace lost premium volumes with premiums derived from other sources, which may have a material adverse effect on our revenues and profits.

Recent developments in the global political conditions may materially and adversely affect our business and results of operations.

In recent years, there has been a general escalation in risks related to the geopolitical environment, including political and trade tensions among a number of the world's major economies, for example, the conflicts in Ukraine and trade tensions between certain states. Such political tensions around the world could reduce levels of trades, investments, technological exchanges, and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

The 2024 First Quarterly Results disclosed elsewhere in this Offering Circular is derived from the Group's management accounts. See "*Recent Development*". Our management accounts have not been audited or reviewed by independent auditors. As such, any such financial information including the 2024 First Quarterly Results should not be referred to or relied on by potential investors to provide the same quality of information associated with any audited or reviewed information and the 2024 First Quarterly Results may not be indicative of our actual financial condition or results of operations for any period (including the financial year ending 31 December 2024). Potential investors should exercise caution when using such data to evaluate our financial condition and results of operations, and must not place undue reliance on such financial information. Such financial information may be adjusted or restated to address subsequent changes in accordance with accounting standards, our Group's accounting policies and/or applicable laws and regulations affecting our financial reporting or to reflect subsequent comments given by the independent auditors during the course of their audit or review. Such adjustments or restatements may cause discrepancies between the information with respect to a particular period or date contained in our Group management accounts and its audited or reviewed financial statements. There can be no assurance that, had an audit or a review been conducted in respect of such financial information, the information presented therein would not have been materially different.

We are subject to reputational risks related to our business operations.

With the rapid development of the financial, healthcare and technology and changes in media communication, the public is paying increasing attention to these industries, resulting in easier and more frequent access to rumours related to service quality, operations and management and compliance issues of these businesses. Such coverage may lead to negative feedback from customers, investors and other shareholders, which may adversely affect our normal operations and management, and could adversely affect our liquidity if such negative coverage leads to customers terminating their relationship with the Group, including terminating insurance policies, terminating service agreements, and depositors and other banks withdrawing their funds or refusing to lend to us. In turn, this may materially and adversely affect our financial condition and results of operations.

Legal and other proceedings could result in financial losses or harm our businesses.

We may be involved in legal and other proceedings in our ordinary course of business. Legal and other proceedings may cause us to incur substantial costs or fines, utilise a significant portion of our resources and divert management's attention from our day-to-day operations, or materially modify or suspend our business operations, any of which could materially and adversely affect our financial condition, results of operations and business prospects. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

If our security measures or those of our third-party cloud computing platform provider, or other third-party service providers, are breached, our data, IT systems, and services may be perceived as not being secure.

Our services involve the storage and transmission of our customers and their end-customers' proprietary and other sensitive data, including financial information and other personally identifiable information. Our security measures may be breached as a result of efforts by individuals or groups of hackers and sophisticated organisations, including by fraudulently obtaining system information from our employees or customers. Our security measures could also be compromised by employee error or malfeasance, which could result in someone obtaining unauthorised access to, or denying authorised access to, our IT systems, our customers' data or our data, including our intellectual property and other confidential business information.

Because the techniques used to breach, obtain unauthorised access to, and sabotage IT systems change frequently, grow more complex over time, and are generally not recognised until launched against a target, we may be unable to anticipate or implement adequate measures to prevent such techniques. In addition, our internal IT systems continue to evolve, and we are often early adopters of new technologies and new ways of sharing data and communicating internally and with partners and customers, which increases the complexity of our IT systems. In addition, our customers may authorize third-party technology providers to access their customer data, and some of our customers may not have adequate security measures to protect their data that is stored on our servers. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third parties may also conduct attacks designed to temporarily deny customers access to our services.

A security breach could expose us to a risk of loss or inappropriate use of proprietary and sensitive data, or the denial of access to this data. A security breach could also result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability. Finally, the detection, prevention and remediation of known or potential security vulnerabilities, including those arising from third-party hardware or software, may result in additional direct and indirect costs. For example, we may be required to purchase additional infrastructure or our remediation efforts may degrade the performance of our solutions.

In the event of a system outage and physical data loss, the performance of our platform, services and solutions would be materially and adversely affected. The satisfactory performance, reliability and availability of our platform, services and solutions and the technology infrastructure that underlies them are critical to our operations and reputation and our ability to retain and attract customers. Our operation depends on its ability to protect our system against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or other attempts to harm our systems, including criminal acts and similar events. There is no assurance that we would not experience interruptions and delays in our service or would not incur additional expenses in arranging new facilities.

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

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

The PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which became effective in June 2017, created China’s first national-level data protection framework for “network operators”, which may potentially include all organizations in China that provide services over the internet or through other types of information network. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law. Any actual or perceived non-compliance with the relevant cybersecurity laws and regulations, may result in administrative penalties, including fines, a shut-down of our business, suspension of our offerings and revocation of requisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effects on our business, financial condition or results of operations.

On 10 June 2021, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) promulgated the PRC Data Security Law (《中華人民共和國數據安全法》). For more details, please see “PRC Laws and Regulations – Regulations on Cybersecurity and Data Protection”.

On 20 August 2021, the Standing Committee of the National People’s Congress promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “PIPL”) which came into effect in November 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual’s rights and interests. We may store and process sensitive personal information, such as ID number and bank account information. As the PIPL may be further interpreted along with the regulatory development, we cannot assure you that we can comply with the PIPL in all respects and regulatory authorities may order us to rectify or terminate our current practice of collecting and processing sensitive personal information. We may also become subject to fines and/or other penalties which may have material adverse effect on our business, operations and financial condition.

On 28 December 2021, the Cyberspace Administration of China (the “CAC”), the NDRC, the Ministry of Industry and Information Technology of the PRC (the “MIIT”), and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Review Measures, which became effective on 15 February 2022. The Review Measures has replaced its previous version promulgated on 13 April 2020. For more details, please see “PRC Laws and Regulations – Regulations on Cybersecurity and Data Protection”.

On 7 July 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the “**Data Export Measures**”) which became effective on 1 September 2022. The Data Export Measures require that any data processor which exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China or transfer of personal information by an operator of critical information infrastructure or a data processor processing the personal information of more than one million individuals. On 22 March 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The provisions provide several exemptions and revise the above thresholds for undergoing security assessments. As there may be further interpretations of such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

We may incur substantial costs to comply with such laws and regulations, to communicate with our users and address their concerns in cybersecurity and data privacy and protection, and to improve our information technology system. We may from time to time be required to rectify or further improve our internal measures regarding cybersecurity and data privacy and protection. However, such compliance measures we implement may turn out to be ineffective. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity and data privacy and protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with relevant laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation among our existing and potential customers and subject us to fines and damages, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We or our customers may be subject to OFAC or other penalties if we are determined to have violated any OFAC regulations or similar sanctions.

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. In addition, our Group may from time to time engage in business activities in countries or with entities or involving specific sectors of certain countries that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, our Group may face secondary sanctions if it is determined to be providing material support to countries or entities that are the subject of sanctions. If our Group engages in any prohibited transactions by any means, or if it is otherwise determined that any of our transactions violated OFAC-administered or other sanctions regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO FINANCIAL BUSINESS, INCLUDING LIFE AND HEALTH INSURANCE, PROPERTY AND CASUALTY INSURANCE, BANKING AND ASSET MANAGEMENT

Our financial business is subject to interest rate risks.

Our businesses, particularly the insurance and banking businesses, are subject to interest rates risks. In respect of the insurance business, the profitability of some of the Group's products and the Group's investment returns are highly sensitive to interest rate levels and fluctuations, and changes in interest rates could adversely affect the Group's investment returns and results of operations. In periods of rising interest rates, increased investment yields will increase the returns on newly added assets in the Group's investment portfolios. However, surrenders and withdrawals of existing insurance policies may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in the net income. In addition, the demand for the Group's life insurance products, in particular the long-term savings type policies, may decrease as investors seek more profitable alternatives. Moreover, a rise in interest rates would adversely affect the Group's shareholders' equity in the immediate financial year due to a decrease in the fair value of the Group's fixed income investments. Such adverse effects would directly and adversely impact the solvency margin ratio of the Group's insurance operations.

Conversely, if interest rates decrease or remain at low levels, we may need to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the Group's investment margin and adversely affecting the Group's profitability. In addition, borrowers may prepay or redeem fixed income securities and commercial or other loans in the Group's investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates such risk. During periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in-force from year to year, during a period when the Group's new investments carry lower returns.

Like other insurance companies, we seek to manage interest rate risk through managing the average duration of our investment assets and the insurance policy liabilities supported by these assets. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of the changes will largely be offset against each other. However, restrictions under the insurance laws of PRC on the assets classes in which we may invest, as well as the limited availability of long-duration investment assets in the markets in which we invest, have resulted in the duration of our assets being shorter than that of our liabilities. Moreover, the PRC financial markets may not provide an effective means for us to hedge our interest rate risk through financial derivative products. We believe that, with the gradual easing of the investment restrictions imposed on insurance companies in the PRC, our ability to match the duration of our assets to that of our liabilities will improve. We also seek to manage the risk of duration mismatch by focusing on product offerings whose maturity profiles are in line with the duration of investments available to us in the prevailing investment environment. However, if we are unable to match more closely the duration of our assets and liabilities, we will continue to be exposed to risks related to interest changes, which may materially and adversely affect our financial condition and results of operations.

With respect to the Group's banking business, our net interest revenue is sensitive to adjustments in the benchmark interest rates set by the PBOC. The PBOC publishes and adjusts benchmark interest rates on loans and deposits from time to time. We cannot assure you that we will be able to diversify our businesses and adjust the composition of our asset and liability portfolios and our pricing mechanism to enable us to effectively respond to the changes in interest rates in the future. In addition, adjustments made by the PBOC to the benchmark interest rates on loans or deposits, or any changes in market interest rates, may negatively impact our financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets and the average cost on our interest-bearing liabilities to different extents and may narrow our net interest margin, leading to a reduction in our net interest revenue. In addition, an increase in interest rates for loans could result in increases in the financing costs of Ping An Bank's customers, reduce overall demand for loans and increase the risk of customer default, while a reduction in interest rates for deposits could cause our depositors to withdraw their funds from us. We are also engaged in trading and investment activities involving some financial instruments in the domestic market. As the derivatives market has yet to develop in the PRC, risk management tools available to us for hedging market risks are limited. Income from these activities may fluctuate due to, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates will cause the value of our fixed-rate securities to decrease, which may materially and adversely affect our results of operations and financial condition.

In general, interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond the Group's control. Any government measures in response to changes in the macroeconomic environment may have a material adverse effect on the Group's business, financial condition and results of operations.

We are also subject to currency risk, the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. Although the Group sets limitation to its position of foreign currency, monitors the size of foreign currency position, and limits the foreign currency position within the threshold set by utilizing hedging strategy, the value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other factors, changes in the PRC's and international political and economic conditions. Conversely, any devaluation of Renminbi may adversely affect the value of our assets in Renminbi terms, which may materially and adversely affect our financial condition and results of operations.

Differences between actual benefits and claims experience and underwriting and reserving assumptions may require us to increase our reserves.

We establish and carry, as balance sheet liabilities, reserves of how much we will need to pay for future benefits and claims. Consequently, our earnings depend significantly upon the extent to which our actual claims experience is consistent with the assumptions and estimate used in setting the prices for our products and establishing the reserves for our obligations for future policy benefits and claims. To the extent that actual benefits or claims experience is less favourable than our underlying assumptions and estimates used in establishing our reserves, we may be required to increase our reserves. Any such increase in reserves will result in additional charges and may reduce our net income. The process of estimating reserve liabilities is a difficult and complex exercise involving many variables and subjective judgments. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid policy benefits and claims, we cannot determine precisely the amount which we will ultimately pay to settle these liabilities. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. In addition, variations in benefits or claims experience and fluctuation on benefits or claims could cause actual underwriting experience, such as discontinuance, mortality, expense and morbidity rates, to be different from actuarial assumptions used in the pricing of our insurance products. We charge or credit changes in our reserves to expenses in the period the reserves are established or re-estimated. If the reserves originally established for future policy benefits prove inadequate, we must increase our reserves, which may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to administrative sanctions, fines and other penalties for using our funds in a manner that is inconsistent with, or impermissible under, the applicable limitations set forth in the PRC Insurance Law and the National Financial Regulatory Administration (the “NFRA”) regulations.

The PRC Insurance Law and NFRA regulations have strict limitations on the use of funds by PRC insurance companies. In particular, the PRC Insurance Law and NFRA regulations strictly restrict PRC insurance companies from, among other things, using their funds to engage in securities or other activities that are outside of the scope of normal insurance operations. If we use funds in a manner that is inconsistent with, or impermissible under, the applicable limitations set forth under the PRC Insurance Law and NFRA regulations, we may be subject to material administrative sanctions, fines or other penalties for such use of our funds; any such administrative sanctions, fines or other penalties may have a material adverse effect on our business, financial condition and results of operations.

Our business and corporate governance are subject to extensive regulations and exposed to compliance risks. Changes in laws, regulations and regulatory policies from time to time could have a material adverse effect on our shareholding, capital, business, financial condition, results of operations and prospects.

Our businesses and corporate governance are directly affected by the changes in the PRC’s banking and insurance policies, laws and regulations. Compliance with applicable laws, rules and regulations may restrict our business activities. Furthermore, these laws, rules and regulations may change from time to time and we cannot assure you that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on our business, financial condition and results of operations. We cannot predict at this time the effect of potential regulatory changes on our business and profitability. In addition, some of the laws, rules and regulations that we are subject to are relatively new and therefore their interpretation and application remains evolving. Moreover, failure to comply with any of the numerous laws, rules and regulations to which we are subject could result in fines, suspension or, in extreme cases, business license revocation, which could materially and adversely affect us. In particular, future laws, rules and regulations, or the interpretation of existing or future laws, rules and regulations, may have a material adverse effect on our shareholding, capital, business, financial condition and results of operations.

In particular, according to the Administrative Measures for the Equity of Insurance Companies (《保險公司股權管理辦法》), we are required to obtain prior approval from the NFRA for capital increase after receiving the contribution of capital and afterwards complete the reporting procedure for the corresponding amendments to the articles of associations. Separately, there are certain restrictions in respect of the ownership of shares in an insurance company. For instance, the change of a shareholder holding 5% or more of the equity of an insurance company shall be approved by the NFRA. In addition, where an investor holds shares of a listed insurance company, with the shareholding percentage thereof reaching the threshold of 5%, 15% and one-third respectively of the total share capital of the insurance company, such investor shall notify the insurance company in writing within 5 business days from the trading day, and the insurance company shall apply to the NFRA for approval thereof within 10 business days of receiving the notice. In such cases, there is no assurance that we are able to obtain the approvals from the NFRA in a timely manner or at all. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us. Any such failure or delay may subject us to regulatory measures from the NFRA which may have a material adverse effect on our shareholding, capital, business and financial condition, and results of operations.

Catastrophic losses could materially reduce our profitability or cash flow.

Our insurance businesses are exposed to risks of unpredictable liabilities for insurance claim payments arising out of catastrophic events, which can be unpredictable by nature. Catastrophes can be caused by various natural hazards, including heavy rains, hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks, wars and industrial or engineering accidents. In addition, a health epidemic or pandemic such as the COVID-19, the severe acute respiratory syndrome (SARS), the H5N1 strain of bird flu, or the avian influenza such as H7N9 or H1N1 can adversely affect the Group's insurance business.

Catastrophes could also result in losses in our investment portfolios, due to, among other things, the failure of the Group's counterparties to perform and significant volatility or disruption in financial markets or declines in equity stock prices, and could in turn adversely affect our profitability. Over the last several years, changing climate conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world, including Asia, and have created additional uncertainties as to future trends and exposures. It is possible that both the frequency and severity of natural disasters may increase in the future. Such natural disasters may result in losses for our insurance business. Although we carry some reinsurance to reduce the Group's catastrophic loss exposures, due to limitations in the underwriting capacity and terms and conditions of the reinsurance market as well as difficulties in assessing our exposures to catastrophes, the reinsurance may not be sufficient to protect the Group adequately against losses. As a result, one or more catastrophic events could materially affect the Group's profits and cash flows and weaken our financial condition.

If we are not able to obtain reinsurance on a timely basis or at all, we may be required to bear increased risks or reduce the level of our underwriting commitments.

Our ability to obtain reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, including prevailing market conditions, that are beyond our control. The availability and cost of reinsurance may affect the volume of our business as well as our profitability. In particular, we may be unable to maintain our current reinsurance coverage or to obtain other reinsurance coverage in adequate amounts and at favourable rates. If we are unable to renew our expiring coverage or to obtain new reinsurance coverage, either our net risk exposure would increase or, if we are unwilling to bear an increase in net risk exposures, our overall underwriting capacity and the amount of risk we are able to underwrite would decrease. To the extent we are not able to obtain reinsurance on a timely basis and at a reasonable cost, or at all, our business, financial condition and results of operations would be materially and adversely affected.

A default by one or more of our reinsurers could materially and adversely affect our financial condition and results of operations.

Like other major insurance companies in the world, we transfer some of the risks we assume under the insurance policies we underwrite to reinsurance companies in exchange for a portion of the premiums we receive in connection with the underwriting of these policies. Although reinsurance makes the reinsurer liable to us for the risk transferred, it does not discharge our liability to our policyholders. As a result, we are exposed to credit risk with respect to reinsurers in all lines of our insurance business. The Group's reinsurers may default on their obligations to the Group due to various reasons such as bankruptcy, lack of liquidity, downturns in the economy, operational failure, or fraud. The Group is also subject to the risk that its rights against the reinsurers may not be enforceable in all circumstances. In particular, a default by one or more of our reinsurers under our existing reinsurance arrangements would increase our financial losses arising out of a risk we have insured, which would reduce our profitability and may adversely affect our liquidity position. In the event of a catastrophic loss that affects a significant number of PRC insurers, reinsurance companies may not be able to pay us on a timely basis, or at all.

If our reinsurers fail to pay us or fail to pay us on a timely basis, our financial condition and results of operations could be materially and adversely affected.

Our ability to comply with minimum solvency requirements and capital adequacy requirements in respect of our insurance and banking business, respectively, are affected by a number of factors, and our compliance may force us to raise additional capital, which could increase our financing costs or be dilutive to our existing investors, or reduce our growth rate.

Our insurance business is generally required by applicable law to maintain solvency at a level in excess of statutory minimum standards. The solvency of the Company and our PRC subsidiaries is affected primarily by the solvency margins each subsidiary is required to maintain, which are in turn affected by the volume and type of new insurance policies the Group sells, the composition of our in-force insurance policies and by regulations on the determination of statutory reserves. Our subsidiaries conducting insurance business are required to maintain minimum solvency levels. The solvency ratios of the Company and our subsidiaries are also affected by a number of other factors, including the profit margin of our products, returns on our investments, underwriting and acquisition costs and policyholder and shareholder dividends. If the solvency margin of the Company or any of our PRC subsidiaries does not satisfy the relevant requirements, the relevant authorities may impose a range of regulatory sanctions depending on the degree of deficiency in such subsidiary's solvency margin. In addition, the solvency ratios of the Company and our PRC subsidiaries may impact the Group's operating investment activities in the PRC. For example, under the PRC regulations, insurance companies are required to have sufficient capital commensurate with their risk exposures and scale of business to ensure a comprehensive solvency ratio of no less than 100% and the core solvency ratio of no less than 50%. If (i) our capital and profit cannot continue to support the growth of our business in the future, (ii) the required statutory solvency ratios become more stringent, (iii) our financial condition or results of operations deteriorate, or (iv) for other reasons we fail to meet the relevant minimum solvency ratio requirements, the NFRA may adopt regulatory measures against us depending on the different circumstances, such as ordering us to increase capital, restricting the distribution of dividends to shareholders, prohibiting setting up new branches, restricting our current business scope, restricting development of new business and restricting the remuneration level of senior management.

In addition, our banking business is subject to capital adequacy regulations. According to the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) issued by the NFRA on 26 October 2023 and officially implemented on 1 January 2024, the NFRA will classify commercial banks based on their capital adequacy and take corresponding regulatory measures in aspects such as business entry, scale expansion, and establishment of institutions. The above measures stipulate that the capital adequacy ratio of commercial banks shall not be lower than 8%, the tier-one capital adequacy ratio shall not be lower than 6%, and the core tier-one capital adequacy ratio shall not be lower than 5%.

With the rapid development of business and the expansion of asset scale, the capital consumption of commercial banks will continue to increase, which may affect the level of capital adequacy. Regulatory authorities may implement stricter capital supervision requirements in the future. If the capital adequacy level of our bank subsidiary further decreases, it may fail to meet the minimum capital adequacy requirements of regulatory authorities, and our bank subsidiary may be required to make corrections. These measures may have a significant adverse impact on our reputation, financial condition, and operating performance.

We aim to maintain a stable and reasonable capital adequacy level in order to support the implementation of our business development and strategic planning. However, certain adverse changes may lead to fluctuations in our Capital Adequacy Ratio. Such adverse changes include, but are not limited to, an increase of risk weighted assets due to rapid business expansion, an increase of capital-deducting equity acquisitions and investments, potential deterioration in our asset quality, a decline in the value of our investments and an increase in the minimum Capital Adequacy Ratio requirement by the NFRA, as well as changes in the computational method for Capital Adequacy Ratio applied by the NFRA. We may be required to raise additional core or supplementary capital in the future in order to meet the minimum NFRA capital adequacy requirements.

To raise additional capital in order to meet the minimum NFRA capital adequacy requirements or the solvency requirements imposed on our insurance business, we may need to issue additional equity securities that qualify as core capital or other qualifying instruments. However, our ability to obtain additional capital may be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows, necessary government regulatory approvals, our credit rating, general market conditions for capital-raising activities by commercial banks and other financial institutions, and economic, political and other conditions both within and outside the PRC. There is no assurance that we will be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. As such, there can be no assurance that we will continue to be able to comply with our capital adequacy requirements or solvency requirements. If our Capital Adequacy Ratio does not meet the regulatory requirements or the solvency requirements, the regulatory authorities may adopt certain corrective measures including, but not limited to, restricting the growth of our risk-bearing assets, suspending all of our operation activities other than low-risk business, as well as restricting our dividend payment, which may materially and adversely affect our business, financial condition and results of operations.

We are subject to credit risk from our counterparties.

We are subject to credit risk from our debtors and counterparties. We are exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, reinsurance arrangement with reinsurers, policy loans, margin financing, financial guarantee contracts and loan commitments, etc. We may suffer losses due to the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. Any such losses may have a material adverse effect on our financial condition and results of operations, as well as its liquidity and profitability.

In addition, our investment portfolio in respect of our asset management business includes investments in the financial services sector and other market sectors that have recently experienced significant price fluctuations and defaults. There is no assurance that the Group's asset management business will not suffer losses due to defaults from certain counterparties related to our investment activities, such as trading counterparties, counterparties under swaps and other derivative contracts and other financial intermediaries and guarantors. Any such losses may have a material adverse effect on the Group's financial condition and results of operations, as well as its liquidity and profitability.

Our businesses are exposed to liquidity risks.

Our businesses are exposed to liquidity risk. The Group's insurance business is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. Although the Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies, there is no guarantee that we are able to meet our payment obligations and fund our lending and investment operations on a timely basis. Our banking business is exposed to potential liquidity risk and we may not be able to maintain sufficient liquidity level to satisfy various funds requirement and to face adverse market status. If we are required to dispose of assets on short notice, we could be forced to sell such assets at prices significantly lower than the prices as recorded in our consolidated financial statements, which may have a material adverse effect on our business, financial condition and results of operation.

We may incur significant losses on our investments, which may cause our investment income to decrease, and could have a material adverse effect on our financial condition and results of operations.

Our investment returns, and thus our profitability, may be adversely affected from time to time by conditions affecting our specific investments and, more generally, by market fluctuations as well as general economic, market and political conditions. In particular, our ability to make a profit on our insurance products depends in part on the returns on investments supporting our obligations under these products, and the value of specific investments may fluctuate substantially. Our investment income had been affected in the past by decreases in the fair value of equity investments, as well as fluctuations in realised gains and losses on the sale of investments, resulting from movements in market interest rates, unfavourable conditions in the PRC securities markets and other factors. Future movements in market interest rates, unfavourable conditions in the PRC securities markets or other factors may cause our investment income to decrease significantly, and could have a material adverse effect on our financial condition and results of operations.

We are subject to risks related to changes in monetary policy.

PRC monetary policy is set by the PBOC in accordance with the macroeconomic environment. In addition, the PBOC controls monetary supply through open market operations and adjustments to the deposit reserve ratio and rediscount rate in order to achieve targeted control over the economy. As commercial banks are a major means to implement monetary policy, changes in monetary policy will affect their operations and profitability. If we cannot timely adjust our operating strategy in response to the changes in monetary policy, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO TECHNOLOGY BUSINESS

Our technology business is subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects.

Due to the complex nature of our technology business, we are subject to legal and regulatory requirements of multiple industries in the PRC. These industries primarily include the Internet, finance, internet finance, healthcare, internet health and automotive industries. Many of these regulatory requirements are evolving, and their interpretation and enforcement involve significant uncertainty.

In addition, the PRC regulatory framework governing financial technology services is evolving. New laws or regulations may be promulgated, which could impose new requirements or prohibitions that render our operations or our technologies non-compliant. Due to uncertainties and complexities of the regulatory environment, we cannot assure you that regulators will interpret laws and regulations the same way we do, or that we will always be in full compliance with applicable laws and regulations. In the event that we must remedy any non-compliance, we may be required to modify our business models as well as product and service offerings in a manner that undermines our offerings' attractiveness to our users. We may also

become subject to fines or other penalties or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, the introduction of new services and products may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our technology business, financial condition and results of operations.

Any lack of requisite approvals, licenses or permits applicable to our technology business may have a material and adverse effect on our business, financial condition and results of operations.

Our technology business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the Ministry of Commerce of the PRC, the MIIT, the National Health Commission of the PRC, the National Medical Products Administration, the Ministry of Culture and Tourism of the PRC, the National Radio and Television Administration, the State Administration of Market Regulation (the “SAMR”), the CAC and the corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses and permits for, the relevant business activities. Due to uncertainties in the regulatory environment of the industries in which we operate, there can be no assurance that we would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected. We may also be liable for fines or a penalty of confiscating illegal gains, which may materially and adversely affect our business, financial condition and results of operations.

The technologies we use may contain undetected errors, which could result in customer dissatisfaction, damage to our reputation and loss of customers and business partners.

The technology solutions we offer may be built on huge stacks of data, so we adopt sophisticated and innovative technologies to address our operating needs, predict operating patterns and help make decisions in terms of business strategies and implementation plans. We aim to make our operations and our solutions more streamlined, automated and cost-effective by using advanced technologies including AI, blockchain, cloud and big data, and the application of these technologies in our solutions is still under development. We may encounter technical obstacles, and we may discover problems that prevent our technologies from operating properly, which could adversely affect our information infrastructure and other aspects of our business where our technologies are applied. If our solutions do not function reliably or fail to achieve our customers’ or their end-customers’ expectations in terms of performance, we may lose existing customers and business partners or fail to attract new ones, which may damage our reputation and adversely affect our business.

Material performance problems, defects or errors in our existing or new software, applications and solutions may arise and may result from the interface between our solutions and systems and data that we did not develop, the function of which is beyond our control, or defects and errors that were undetected in our testing. These types of defects and errors, and any failure by us to identify and address them, could result in a loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilizing our solutions. Correcting these types of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and competitive position.

We regard our patents, copyrights, trademarks, trade secrets, and other intellectual property as critical to our technology business. Unauthorised use of our intellectual property by third parties may adversely affect our technology business and reputation. We rely on a combination of intellectual property laws and contractual arrangements to protect our proprietary rights. It is often difficult to register, maintain, and enforce intellectual property rights in countries or regions with less developed regulatory regimes or inconsistent and unreliable enforcement mechanisms. Sometimes laws and regulations are subject to interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. In addition, our contractual agreements may be breached by our counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC and other jurisdictions in which our technology business operates. Detecting and preventing any unauthorised use of our intellectual property is difficult and costly, and the steps we have taken may be inadequate to prevent infringement or misappropriation of our intellectual property. If we resort to litigation to enforce or protect our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors, and we would have no right to prevent others' use of them.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our technology business do not or would not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We in the future may be subject to penalties, legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our solutions, services, products or other aspects of our technology business. There could also be intellectual properties that we are not aware of that our solutions, services or products may inadvertently infringe. There can be no assurance that our patent applications will be approved, that any issued patents would adequately protect our intellectual property, or that such patents would not be challenged by third parties or found by competent authority to be invalid or unenforceable.

There can be no assurance that holders of patents purportedly relating to some aspects of our technology platform or business, if any such holders exist, would not seek to enforce these patents against us in the PRC or any other jurisdictions. Furthermore, the application and interpretation of PRC patent laws and the procedures and standards for granting patents in the PRC are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, which may materially and adversely affect our technology business, financial condition and results of operations.

Registering, managing and enforcing intellectual property rights in the PRC is often difficult. Statutory laws and regulations may not be applied consistently due to the lack of clear interpretation guidance. We have filed registration applications for certain trademarks that we use in our operations, including the logo for our website and mobile apps. However, third parties may file applications to register the same or similar trademarks that we are applying for. In addition, third parties may object our registration applications, and the relevant trademark authority may not rule in our favor in such disputes. If our applications are rejected by the relevant trademark authority, we may be prohibited from using those trademarks, including the logo for our website and mobile apps in our business operations, and we may need to change the logo of our website and mobile apps, which may have an adverse effect on our business and operations.

We rely on third parties for various aspects of our technology business and the solutions that we offer.

Our business, results of operation, financial condition and reputation may be materially and adversely affected if these third parties do not continue to maintain or expand their relationship with us, or if they fail to perform in accordance with the terms of our contracts.

We rely on third parties for various aspects of our technology business and the technological solutions we offer. For example, we rely on computer hardware, software, and cloud services, internet and telecommunication services, and third-party-supplied data.

We expect to continue to rely on these third parties to supplement our capabilities for a significant period of time if not indefinitely. Therefore, in order to conduct our business, we need all of these parties to function in a flawless and timely manner. However, we cannot assure you that these third parties will provide their support properly or in a cost-effective manner or the third party-supplied data we rely on will be complete, accurate or reliable. In the event of problems with any of these third-party providers, transitioning to a new provider may disrupt our business and increase our cost. In addition, we cannot assure you that we would be able to find suitable replacement suppliers on commercially reasonable terms or timely basis.

If any of our third-party service providers fails to perform properly, we cannot assure you that we will be able to find a suitable alternative in a timely and cost-effective manner or at all. Our third-party service providers may carry out their business in an inappropriate manner or in violation of regulations or laws. Any of such occurrences could diminish our ability to operate or damage our business reputation, or cause us regulatory or financial harm, any of which could negatively affect our technology business, financial condition and results of operations.

Our inability to use software licensed from third parties, including open-source software, could negatively affect our ability to sell our solutions and subject us to possible litigation.

Our technology platform incorporates software licensed from third parties, including open-source software, which we use without charge. Although we monitor our use of open-source software, the terms of many open-source licenses that we are subject to have not been interpreted by courts, and there is a risk that these licenses could be construed to impose unanticipated conditions or restrictions on our ability to provide our solutions. In addition, the terms of open-source software licenses may require us to provide software that we develop to others on unfavourable license terms. For example, certain open-source licenses may require us to offer the components of our platform that incorporate open-source software for free, to make source code for modifications or derivative works available to others, and to license such modifications or derivative works under the terms of the particular open-source license. In addition, we could be required to seek licenses from third parties in order to continue offering our solutions, and these types of licenses may not be available on terms that are acceptable to us, or at all. Alternatively, we may need to re-engineer our solutions or discontinue using certain functionalities of our solutions. Our inability to use third-party software could result in disruptions to our business, or delays in developing future offerings or enhancements of our existing solutions, which could materially and adversely affect our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Any change in PRC's economic condition, as a result of the recent developments in the global economic conditions may adversely affect us.

A substantial part of our revenue is derived from the PRC. We rely, to a significant degree, on our domestic operations to achieve revenue growth. Domestic demand for financial and technology services is materially affected by the growth of private consumption and overall economic growth in the PRC, which in turn is affected by the global economic situation, governmental policies and changes in market dynamics globally and regionally. There are uncertainties relating to the overall prospects for the global economies this year and beyond, which may affect the PRC economic growth and have a material adverse impact to our business, prospects, financial conditions and results of operations.

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

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

Changes and developments in the PRC's economic and social conditions, as well as government policies, could have a material effect on our businesses.

A substantial majority of our businesses, assets and operations is located in the PRC. Accordingly, our business prospects, financial condition and results of operations are, to a significant degree, subject to the economic and legal changes and developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. In recent years, the PRC government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structures and has been playing an important role in regulating industry development by imposing industry policies. For example, our financial condition and results of operations may be affected by government policies on the insurance service industry or tax regulations applicable to us. Furthermore, the overall economic growth of China is affected by various factors, such as international, national, regional and local economic conditions, consumer demand, governmental regulations and policies, among others. While the Chinese economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. Economic development in the PRC in recent years faced and may continue to face uncertainties and potential risks arising from factors including the weakening traditional growth drivers, diminishing demographic advantages, and the threat of a real estate market downturn, while the banking industry faces continuous increases in non-performing loans, increasing complexity of business structures and the acceleration of interest rate liberalisation. If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for our customers could negatively impact their ability or willingness to repay our loans and reduce their demand for our banking and other services. Our overall business, financial condition and results of operations may be materially and adversely affected.

Failure to respond to developments in the PRC legal system and the interpretation and enforcement of PRC laws, regulations and rules may subject your investment and us to risks.

We are organised under the laws of the PRC. The PRC legal system is based on written statutes. However, the PRC legal system evolves rapidly, and some of the current laws and regulations are relatively new and may be amended in the future and interpreted or enforced depending on the specific facts and circumstances, which may affect our judgment on the relevance of legal requirements and the value of your investment. In response to the developments of laws and regulations, we may be required to implement additional internal control mechanisms and policies to ensure our compliance with these applicable PRC laws and regulations, including but not limited to adjusting our relevant business operations or transactions, engaging compliance experts and recruiting compliance talents, which may incur additional costs and adverse impact on our business. Any failure to respond to changes in the regulatory environment in the PRC could materially and adversely affect our results of operations and financial conditions, and impede our ability to continue our operations.

The civil law system is evolving and may have an adverse effect on our business, results of operations, financial conditions and business prospects, and limit the legal protections available to Bondholders.

We are organised under the laws of the PRC. The PRC legal system is a civil law system based on written statutes, and prior court decisions may only be cited for reference. The PRC laws and regulations have continued to evolve rapidly over the past decades and interpretation and enforcement of such laws and regulations may be subject to changes and adjustments. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to Bondholders and can adversely affect the value of their investment. As the interpretation and enforcement of relevant laws and regulations applicable to our business are also evolving, we may be required to implement additional internal control mechanisms and policies to ensure our compliance with these applicable PRC laws and regulations, including but not limited to adjusting our relevant business operations or transactions, engaging compliance experts and recruiting compliance talents, which may incur additional costs and adverse impact on our business. Any failure to respond to changes in the regulatory environment in the PRC could materially and adversely affect our results of operations and financial conditions, and impede our ability to continue our operations.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, SARS, COVID-19, Ebola virus disease (“**Ebola**”), Middle East Respiratory Syndrome corona virus (“**MERS**”), H5N1 influenza, H1N1 influenza or H7N9 influenza, may adversely affect our business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn our business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, COVID-19 SARS, Ebola, MERS, H5N1 influenza, H1N1 influenza, H7N9 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt our operations or those of our customers, which may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE BONDS AND THE SHARES

The Bonds will be unsecured obligations.

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

- the Group enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Group’s future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Group’s indebtedness.

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

The Bonds will be structurally subordinated to subsidiary debt.

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

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

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

The return on the Bonds may decrease due to inflation.

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

An active trading market for the Bonds may not develop.

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

The market value of the Bonds may fluctuate.

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

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

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

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

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

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

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

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

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

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

The Bonds are not a suitable investment for all investors.

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

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

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

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

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

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

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

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (both terms as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

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

If we or any of our subsidiaries are unable to comply with the restrictions and covenants in our respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their

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

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

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

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

You may experience difficulties in effecting service of process or enforcing any judgments obtained from non-PRC courts against the Group or its management residing in the PRC.

We are a company incorporated under the PRC laws and a substantial part of our operations and assets are located in China. In addition, most of our management reside in China. As a result, it may be difficult for you to effect service of process upon us or our management residing in China.

Currently, the primary sources of shareholder rights are our Articles of Association, the PRC Company Law (《中華人民共和國公司法》), the PRC regulations and the listing rules of the Hong Kong Stock Exchange and The Shanghai Stock Exchange, which, among other things, impose certain standards of conduct, fairness and disclosure on us and our directors. The legal systems across different jurisdictions vary significantly. We cannot assure you that our shareholders will enjoy the protections to which they may be entitled in other jurisdictions.

The service of legal process and the process of recognizing and enforcing any judgments may be different across jurisdictions and are subject to treaties or arrangements providing for the recognition and enforcement of judgments made by courts of other jurisdictions. As a result, the Bondholders may experience difficulties to effect service of process and/or recognize and enforce any judgments for disputes brought in other jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions.

On 18 January 2019, the Supreme People’s Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”). The 2019 Arrangement has been implemented in Hong Kong by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024. In the Mainland, the Supreme People’s Court promulgated a judicial interpretation to implement the 2019 Arrangement on 25 January 2024 (the “**Judicial Interpretation**”). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People's Court of the Mainland consider that the enforcement of such judgment is contrary to the basic principles of the PRC law or the social and public interests of the Mainland. As a result, there can be no assurance that a Hong Kong court judgment will be recognized and enforced by the relevant PRC court.

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

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

The Issuer obtained an NDRC Certificate on 10 July 2024 in accordance with Order 56. Failure to comply with the NDRC post-issue and continuing obligations (such as post-issue reporting, pre-issuance approval expiration reporting, periodical reporting and major event reporting, etc.) under articles 24 and 26 of Order 56 may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the “Credit China” website and the national enterprise credit information publicity system, among others.

The Issuer undertakes that it will, within the relevant prescribed timeframes after the Issue Date, file or cause to be filed with the NDRC the requisite information and documents in respect of the Bonds in accordance with Order 56 and comply with the continuing obligations under Order 56 and other applicable PRC laws and regulations in relation to the issue of the Bonds.

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

The Circular of the State Administration of Foreign Exchange on Issuing the Administrative Measures for Foreign Debt Registration (《國家外匯管理局關於發佈〈外債登記管理辦法〉的通知》) containing the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) (the “**SAFE Measures**”) and Operation Guidelines for Administration of Foreign Debt Registration (《外債登記管理操作指引》) was issued by State Administration of Foreign Exchange (“**SAFE**”) on 28 April 2013, became effective on 13 May 2013 and was amended on 4 May 2015. According to the SAFE Measures, a debtor shall register foreign debts in accordance with laws and regulations. For the domestic debtors besides bureaus of finance and banks (“**Non-Bank Debtors**”), they shall submit filing or registration procedures of foreign debts with

the local counterparts of the SAFE. According to the Operation Guidelines for Administration of Foreign Debt Registration, Non-Bank Debtors shall complete foreign debt registration procedure within 15 working days after execution of related deeds of foreign debts. If the Issuer fails to complete the registration with the local branch of SAFE, in addition to facing a sanction as set forth in the Foreign Exchange Administrative Regulations (《外匯管理條例》), the Issuer may also have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may be materially and adversely affected. In the worst case scenario, the validity of the deeds of foreign debts may be affected.

According to the Cross-Border Financing Circular, the Issuer, as a financial institution, shall report required information to the PBOC and SAFE after withdrawal from cross-border financing and timely update the information if changed. The Issuer shall also report the required statistical information monthly. If the Issuer fails to report or update the cross-border financing information within the prescribed time frame, PBOC and SAFE, after verification, may circulate a notice of criticism on the Issuer, give a deadline for rectification and impose sanctions according to the relevant PRC laws.

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

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

The Issuer will comply with applicable filing requirements if applicable. However, given that the CSRC Filing Rules were recently promulgated, there remains uncertainty as to their interpretation, application and enforcement and how they will affect our operations and our future financing. We cannot assure you that we are able to meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us. If it is determined that we are subject to any approval, filing, other governmental authorisation or requirements from the CSRC or other PRC government authorities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial condition.

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

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

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

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

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

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

Legal investment considerations may restrict certain investments.

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

- the Bonds are legal investments for it;

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

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

Potential dilution of the ownership interest of existing Shareholders.

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

We may not have the ability to redeem the Bonds.

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

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

On giving not less than 30 nor more than 60 days’ notice, the Issuer may redeem the Bonds in whole, but not in part at their principal amount together with accrued and unpaid interest thereon to but excluding the date fixed for redemption, (i) at any time after 5 August 2027 but prior to the Maturity Date, subject to certain conditions as specified in the Terms and Conditions, or (ii) if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to the Conditions). In addition, the Bonds may be redeemed at our option in whole and not in part, on giving not less than 30 days’ nor more than 60 days’ notice, at the principal amount of the Bonds, if we satisfy the Trustee immediately prior to the giving of such notice that we have or will become obliged to pay Additional Tax Amounts as a result of certain events set out in the Conditions and such obligation cannot be avoided by taking reasonable measures available to us. As a result, the trading price of the Bonds may be affected when any redemption option of the Issuer in respect of the Bonds becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

Bondholders have limited anti-dilution protection.

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

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

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

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

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

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

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

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

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

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

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

Bondholders may only be entitled to the Cash Settlement Amount.

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

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

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

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

CAPITALISATION AND INDEBTEDNESS

The table below sets forth the Issuer’s consolidated borrowings and capitalisation as of 31 December 2023 and (as adjusted to account for the issue of the Bonds, before deducting the commissions and estimated offering expenses in connection with the issue of the Bonds). The Company derived this table from its audited consolidated financial statements as at and for the year ended 31 December 2023 contained in this Offering Circular. Investors should read this table in conjunction with the Issuer’s financial statements, the related notes and other financial information contained elsewhere in this Offering Circular.

	As at 31 December 2023			
	Actual		As Adjusted	
	(RMB million) (audited)	(USD million) (unaudited) ⁽¹⁾	(RMB million) (unaudited)	(USD million) (unaudited) ⁽¹⁾
Short-term borrowings	93,322	13,176	93,322	13,176
Long-term borrowings	135,161	19,083	135,161	19,083
Bonds payable	964,007	136,107	964,007	136,107
The Bonds to be issued ⁽²⁾	–	–	24,789	3,500
Total indebtedness	1,192,490	168,366	1,217,279	171,866
Equity				
Share capital	18,210	2,571	18,210	2,571
Reserves	263,752	37,239	263,752	37,239
Treasury shares	(5,001)	(706)	(5,001)	(706)
Retained profits	622,050	87,827	622,050	87,827
Equity attributable to owners of the parent...	899,011	126,931	899,011	126,931
Non-controlling interests	329,953	46,586	329,953	46,586
Total equity	1,228,964	173,517	1,228,964	173,517
Total capitalisation⁽³⁾	2,421,454	341,883	2,446,243	345,383

Notes:

- (1) Amounts in Renminbi have been translated at an exchange rate of USD1.00 = RMB7.0827 (being the exchange rate published by the People’s Bank of China on 29 December 2023. No representation is made that the RMB amounts should have been, could have been or may be converted to U.S. dollars, or vice versa, at that rate.
- (2) The aggregate principal amount of the Bonds, without taking into account and before deducting underwriting discounts, commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total capitalisation equals the aggregate of the total indebtedness and total equity.

There has been no material change in the Issuer’s capitalisation and indebtedness since 31 December 2023, except as otherwise disclosed in this Offering Circular.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the offering of the Bonds, after deducting the Managers' commissions and other estimated expenses payable in connection with this offering, will be approximately US\$3,452.0 million. The Issuer intends to use the net proceeds for the following purposes:

- to further develop the Group's core business and strengthen the Group's capital position;
- to support the Group's new strategic initiatives in the healthcare and elderlycare sectors; and
- general corporate purpose.

BUSINESS

Overview

Our Company was incorporated in 1988 in Shenzhen, PRC as the first joint-stock insurance company in PRC. As at 30 June 2024, our Company has an issued share capital of RMB18,210,234,607 comprising 18,210,234,607 shares. We are dually listed on The Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Our Company and our subsidiaries (collectively referred to as the “**Group**”) are a leading integrated financial services group in the PRC and have grown significantly since our inception in 1988 as a regional property and casualty insurance business. Through the Company’s single brand and multi-channel distribution networks, the Group provide a wide range of financial and other products and services. Our business includes:

- the insurance business which is carried out by Ping An Life Insurance Co of China Ltd. (“**Ping An Life**”), Ping An Property & Casualty Insurance Company of China, Ltd. (“**Ping An P&C**”), Ping An Annuity Insurance Company Ltd. (“**Ping An Annuity**”) and Ping An Health Insurance Company of China, Ltd. (“**Ping An Health Insurance**”);
- the banking business which is carried out by Ping An Bank Co., Ltd. (“**Ping An Bank**”);
- the asset management business which is carried out primarily through companies including Ping An Securities, Ping An Trust, Ping An Asset Management and Ping An Financial Leasing; and
- the technology business, which is carried out through member companies including Autohome, Inc. (“**Autohome**”), Ping An Healthcare and Technology Company Limited (“**Ping An Health**”), Lufax Holding Ltd (“**Lufax Holding**”) and OneConnect Financial Technology Co., Ltd. (“**OneConnect**”), providing diverse products and services for ecosystem users, with significant synergies. Ping An Health, Lufax Holding and OneConnect are associates of Ping An Financial Technology.

As an integrated financial services Company, we hold equity interests in the aforementioned subsidiaries.

Our Group serves our range of products and services to our extensive customer base, which consists of approximately 232 million retail customers in PRC. Our Group offers insurance products to our clients across various offices in PRC and our banking services are offered to retail and corporate across 109 branches and 1,201 business outlets as of 31 December 2023.

Our vision is for the Group to become a world-leading integrated financial, healthcare and eldercare services provider, in line with the PRC’s 14th Five-Year Plan, which sets out the nation’s focus on innovation-driven growth, low-carbon development, deeper social inclusion and population ageing. We intend to achieve this vision with two key strategies. First, we will strengthen the Group’s integrated finance model, by offering multiple products and one-stop shop services to our customers. Second, we will also develop our healthcare product by increasing family doctors and eldercare concierges. Both strategies will be driven by technology and empowered through technological innovations.

As at 31 December 2023, our Group had consolidated total assets of approximately RMB11,583,417 million, which was a 5.2 per cent. increase from 31 December 2022. For the year ended 31 December 2023, our Group generated consolidated total revenue of approximately RMB1,031,863 million and reported a consolidated net profit of approximately RMB109,274 million, up by approximately 4.7 per cent. and down by 18.9 per cent., respectively as compared to the year ended 31 December 2022. In particular, our Group’s operating profit attributable to shareholders of the parent company reached RMB117,989 million in the financial year ended 31 December 2023. Three core businesses, namely life and health insurance, property and casualty insurance, and banking, generated RMB140,913 million in operating profits attributable to shareholders of the parent company, slightly down 2.8% year on year.

For more details of the Group's financial information, including the year-on-year profits, total assets, liabilities and equity of the Group, please refer to the section entitled "*Summary Consolidated Financial Information*" and our Group's redacted audited consolidated financial statements as of and for the years ended 31 December 2022 and 2023 included in this Offering Circular.

Our Competitive Strengths

We believe that the following competitive strengths contribute to the Group's success and help distinguish us from our competitors:

Well positioned in a growing market with massive opportunities to fill the demand for financial services, healthcare and elderlycare.

The growing middle class and wealth diversification fuel strong demands for diverse financial services, which our Group is able to offer. In addition, as the Chinese economy is transitioning from a stage of high-speed growth to a stage of high-quality development coupled with the ageing population and wealth accumulation, there is a rise in consumer demand for wealth preservation and growth, health and longevity services and premium elderlycare. Our Group is well positioned with its developed integrated finance, healthcare and elderlycare products to capture the potential market and meet consumer demands.

Integrated financial services group with a full suite of financial business licenses, including insurance, banking, and asset management.

Leveraging our full suite of financial business licenses, including insurance, banking, and asset management, we are able to seize opportunities of diverse financial services arising from the growing middle class and wealth diversification. Our Group leverages its ecosystems to build a brand of heartwarming financial services to capture the potential market and meet consumer demands. In 2023, the Group ranked 33rd in the Fortune Global 500 list (1st among global insurers again and 5th among global financial services companies), 9th in the Fortune China 500 list, 16th in the Forbes Global 2000 list, and 1st in the Brand Finance Insurance 100 list in relation to global insurance brand value for the 7th consecutive year.

Unique business model of integrated finance, healthcare and elderlycare services, securing our market leadership position.

We have developed an integrated finance, healthcare and elderlycare model, which enables us to serve as a one-stop shop to provide a full suite of financial, healthcare and elderlycare services to customers who have signed up to our family doctor membership programme. This unique business model allows us to attract more customers whilst diversifying our businesses and profit sources, and to maximise customer's value during their time within the ecosystem, which has delivered proven results to our customers. It not only creates value independently, but also empowers our Group's core financial business as it facilitates cross-selling and expanding our customer base, and ultimately, has achieved a positive scale effect. From 2015 to 2023, our number of retail customers increased from 109 million to 232 million, the contracts per customers increased from 2.03 to 2.95, and as a result the retail business profit per customer increased from RMB289 to RMB498. As of 31 December 2023, approximately 64% of our Group's 232 million retail customers have used the healthcare and elderlycare services provided by us.

Trustworthy brand name in PRC, coupled with an extensive customer base which generates value continuously.

We have established a strong brand name, having been in operation since 1988 and quickly expanded into one of the three largest integrated financial groups in PRC. With the establishment of the Group's brand name and the growth of the Group's businesses, we have amassed an extensive customer base, which continuously generates value. The Group's retail customers nearly tripled in the past decade to 232 million as of 31 December 2023, including 29.20 million acquired in 2023, attributable to the diverse integrated finance offerings and convenient customer outreach channels. As retail cross-selling continued to deepen, 22.42 million customer migrations occurred within the Group in 2023. Continuous customer development leads to declining customer acquisition expenses, as well as economies of scale in terms of service costs, more contracts per customer, and higher customer retention. 25.3% of customers held four or more contracts within the Group as of 31 December 2023, with a 97.7% retention rate. Majority of the Group's retail customers, who account for more than 77.4% of the Group's total retail customers, are middle-class and above as of 31 December 2023. Out of the aforementioned customer base, high-net-worth individuals held 21.16 contracts per customer as of 31 December 2023.

The Group has achieved several accolades and awards in the lifetime of its business. Some of the recent awards and accolades include the following, among others:

- In 2024, the Group was ranked 29th in the Forbes Global 2000 list and 2nd among global insurance companies.
- In 2023, the Group ranked 31st overall, 6th among global financial enterprises, and ranked 1st as the world's most valuable insurance brand for 8 consecutive years in Brand Finance's 2024 The World's 500 Most Valuable Insurance Brands.
- In the 2023 Fortune Global 500 list, the Group ranked 33rd overall, 5th among global financial enterprises, and maintained 1st place among global insurance enterprises.
- For the Hong Kong Institute of Directors' Directors Of The Year Awards 2021, our Company won the awards in the "Listed Companies Boards" and "Listed Companies Executive Directors" categories for our outstanding corporate governance. In 2023, Chairman Ma Mingzhe received the Directors Of The Year Awards 2023.
- In 2023, the Group won the China Charity Award for the fourth time. The Group previously won the award in 2001, 2005 and 2008.
- For the MSCI ESG Ratings (2023), the Group maintained "A" and remained No. 1 in the multiline insurance and brokerage industry in the Asia-Pacific region.

Well established distribution channel enforced by a strong "online + offline" network covering the whole of China.

We have built a strong and extensive distribution network across China both online and offline. The coverage of our offline channels span over 7,000 outlets. As at 31 December 2023, we have 347,000 individual life insurance sales agents. At the same time, we have integrated our offline professional service networks with our expansive online network, by providing our customers with premium products and convenient services anytime via hundred-million-user mobile applications, including Ping An Jin Guan Jia, Ping An Pocket Bank, Ping An Auto Owner, and Ping An Health.

Unparalleled customer experience through world-leading technological capability across financial technology, digital healthcare and artificial intelligence.

We have strong technical expertise, including in the rapidly developing field of artificial intelligence and machine learning, with focus on three core technologies, namely artificial intelligence, blockchain and cloud computing. We rely on our independent research and development, and some of our patented application ranked first among other financial technology and digital healthcare applications. Leveraging on technology allows our Group to improve the delivery of our services and customer outreach, as these technologies enable us to provide our customers with premium products and convenient services anytime via hundred-million-user mobile applications. By utilising and enhancing our technology, we have increased customer experience and thereby customer retention. In this regard, premiums from self-service insurance renewal enabled by smart guidance increased by 13% year on year to RMB300.3 billion in 2023. In addition, we have a world-leading integrated operations center which is the largest in Asia. AI service representatives recorded a customer service volume of approximately 2.22 billion times. Claims savings from smart risk identification increased by 16.0% year on year to RMB10.82 billion in 2023. Leveraging the technological strength of integrated finance, we continuously enhance the capability and efficiency of cross-selling to meet customer needs for migration within the Group.

Visionary and experienced management team with a wealth of industry knowledge.

We have a very experienced management team with extensive expertise in the core businesses and markets in which we operate, consisting of leaders with a wealth of domestic experience and international background. As a result, the management team brings substantial expertise to the day-to-day management of the Group's operations in each core business segment. With a strong, diverse and experienced management team, we are able to stay at the forefront of innovation, as well as better adapt the Group to rapidly changing market environments by developing and introducing a range of product and service initiatives, business strategies, and management and operational practices that have been developed by companies worldwide. Please refer to the section entitled "*Directors, Supervisors and Senior Management*" for more details on the management of the Company.

Our Strategies

We seek to grow our existing core businesses by implementing the strategies set out below.

We will continuously advance our integrated finance, healthcare and elderlycare strategy.

Our integrated finance strategy is focused on deepening engagement with retail customers and developing customer groups under a customer-centric business philosophy. We will continue to develop our integrated finance, healthcare and elderlycare business model to achieve the mission of serving as a one-stop shop for multiple financial, healthcare and elderlycare products and services to our customers. To achieve such mission, we will continue to leverage technologies and compliant data analytics to gain precise insights into customer needs. We also intend to further improve our comprehensive suite of financial services towards the client, by delivering thoughtful customer experience via one-stop, multi-channel integrated finance solutions. Moreover, we intend to leverage data, products, benefits and an intelligent marketing services platform to enhance our ability to offer products that cater to each client's specific needs and circumstances, which we believe will boost the number of integrated financial client accounts, and ultimately, improve our revenues.

We aim to continue implementing our healthcare and elderlycare ecosystem strategy. We have been building a healthcare and elderlycare ecosystem in China with increasingly significant differential advantages including online, in-store and home-delivery service capabilities, wide coverage of hundreds of healthcare and elderlycare service resources, and access to high-quality proprietary resources. Going forward, we will leverage the capabilities and advantages of our healthcare and elderlycare ecosystem to unlock synergies between healthcare and elderlycare services and integrated financial services, centring on family doctor membership. Acting as a payer and integrating providers, we will constantly integrate “online, in-store and home-delivered” healthcare and elderlycare service resources to provide corporate and retail customers with “worry-free, time-saving and money-saving” healthcare and elderlycare service experience. Additionally, we will further pursue competitive differentiation by developing unique “finance + service” and “insurance + service” managed care business models, allowing for cross-selling of our healthcare and elderlycare services to our existing insurance customers and effectively leveraging on our existing extensive customer base to generate more value. In this way, our healthcare and elderlycare ecosystem is creating both standalone direct value and also significant indirect value by empowering our core financial businesses through differentiated “product + service” offerings, and we will strive to create more stable and sustainable value for shareholders.

Integrating ESG philosophy into company values and business operations.

Our sustainable development goals are to meet people’s aspiration for a better life, support the economic and social transformation toward sustainability, and achieve balanced, high-quality and sustainable long-term development of the Company. Through full communication and cooperation with stakeholders, we aim to accommodate interests and maximize value for all stakeholders. Specifically, we strive to create value for:

- customers by practicing the philosophy of “service first and integrity guaranteed”;
- employees by providing them with career plans for prosperous and contented lives;
- shareholders by delivering stable returns and asset appreciation; and
- society by giving back to society and developing the country.

Sustainable development is our development strategy as well as the basis for maximizing our long-term value. Having integrated sustainability into our development strategy, we build and practice a rational, professional corporate sustainability management framework and a clear, transparent ESG governance structure. In this way, we continuously instruct all the functional centres and member companies of the Group to systematically enhance corporate governance and business sustainability. In this respect, we have formulated and implemented our sustainability plan for 2023 to 2027, which specifies 13 key initiatives and their five-year goals, to continuously create value for the Group and stakeholders. The 13 key initiatives include sustainable insurance, responsible banking, responsible investment, responsible products, consumer protection and experience, corporate governance, climate change and carbon neutrality, rural vitalisation and community impact.

Key Businesses

We undertake the following key businesses:

- Insurance, which includes life and health insurance and property and casualty insurance;
- Banking;
- Asset management; and
- Technology.

Insurance – Life and Health Insurance

We offer a range of life and health insurance products through Ping An Life, Ping An Annuity and Ping An Health Insurance.

Ping An Life provides customers with comprehensive life insurance products throughout their lifetimes, and is the second largest life insurance company in PRC based on premium income in 2023. In 2023, Ping An Life also rolled out a combination of products which couples life or health insurance with healthcare and elderlycare services, such as the “insurance + healthcare”, “insurance + home-based elderlycare” and “insurance + high-end elderlycare” products. In particular, with the implementation of the “insurance + healthcare” combination service, Ping An Life provided health management services to over 20 million customers in 2023, with about 76% of newly enrolled customers also using the health management services.

Ping An Annuity carries out pension, investment and entrusted management businesses, and is China’s first professional pension company.

Ping An Health Insurance offers a range of health insurance products, and has emerged as the second-largest health insurance company in China.

Life and health insurance business’s written premium amounted to RMB601,934 million in 2023.

Insurance – Property and Casualty Insurance Business

We conduct our property and casualty insurance business mainly through Ping An P&C, which offers a range of property and casualty insurance products, including auto, corporate property and casualty, engineering, cargo, liability, guarantee, credit, home contents, and accident & health insurance, as well as international reinsurance business.

Ping An P&C is the second largest property and casualty (“**P&C**”) insurer in PRC by premium income.

An overview of the operating data of Ping An P&C’s core products, being auto insurance, liability insurance, health insurance, accidental injury insurance, corporate property and casualty insurance and guarantee insurance, for the year ended 31 December 2023 is set out below:

(RMB million)	Insured amount	Premium income	Insurance revenue	Insurance service expenses	Underwriting profit	Combined Ratio (“COR”)	Net insurance contract liabilities
Auto insurance	289,778,369	213,851	209,538	200,840	4,732	97.7%	185,461
Liability insurance	868,698,218	23,221	21,848	21,811	(1,373)	106.3%	23,310
Health insurance	140,735,069	13,250	10,655	9,979	511	95.2%	7,340
Accidental injury insurance	958,588,454	10,160	11,224	11,646	(672)	106.0%	10,521
Corporate property and casualty insurance	21,568,692	9,423	9,090	7,128	213	97.7%	7,659
Guarantee insurance	47,393	665	22,003	28,625	(6,834)	131.1%	9,485

Note: COR = (insurance service expenses + (allocation of reinsurance premiums paid – amount recovered from reinsurer) + (net insurance finance expenses for insurance contracts issued – net reinsurance finance income for reinsurance contracts held) + changes in insurance premium reserves)/insurance revenue.

For the year ended 31 December 2023, Ping An P&C had premium income of RMB302.2 billion.

Banking

We carry out our banking business through Ping An Bank and its wholly-owned subsidiary, being Ping An Wealth Management. The banking business consists of the following:

- Retail banking, which comprises liability business (including payroll, payment and settlement services), asset business (including retail loans), private banking and wealth management business;
- Corporate banking, which offers differentiated and comprehensive products to corporate customers, with a focus on strategic sectors, such as new energy, next-generation infrastructure and new manufacturing. The corporate banking business also offers “finance + technology”, which is a model in which financial solutions are backed by technology; and
- Interbank business, which includes investment trading and customer services, such as asset custody, bond underwriting, corporate hedging, among others.

Ping An Bank had 109 branches and 1,201 business outlets in 2023. Ping An Bank’s revenue amounted to RMB164,699 million for the financial year ended 31 December 2023, with total loans and advances amounting to RMB3,407,509 million, net interest revenue amounting to RMB117,991 million for the financial year ended 31 December 2023. The average balance of interest-earning assets and net interest margin of Ping An Bank was RMB4,966,063 and 2.38% respectively, for the financial year ended 31 December 2023. Net fee and commission revenue of Ping An Bank amounted to RMB29,430 million for the financial year ended 31 December 2023.

Asset Management

We conduct our asset management business primarily through companies including Ping An Securities, Ping An Trust, Ping An Financial Leasing, and Ping An Asset Management.

Ping An Securities provides securities brokerage, futures brokerage, investment banking, asset management and financial advisory services. Ping An Securities had over 23 million individual clients, securing our position as the industry leader in 2023. The company maintains a prominent standing in the industry with our substantial scale of debt financing, ranking first and sixth in annual asset-backed securities and bond underwriting volumes, respectively, in 2023.

Ping An Trust provides trust services, with a focus on industrial investment and product and financial service trusts. As of 31 December 2023, the total assets held in trust amounted to RMB662,503 million.

Ping An Financial Leasing provides financing and leasing to clients in various industries, particularly in engineering and construction, manufacturing and processing, next-generation infrastructure, urban redevelopment, city operations, auto finance, commercial vehicles, and includes the provision of small and micro finance, structured financing and factoring. As of 31 December 2023, the company’s total assets reached RMB240,024 million.

Ping An Asset Management’s primary focus lies in managing investment funds for Ping An Group while also offering asset management services to third-party clients, domestically and internationally. Assets under management (“AUM”) grew to RMB5,033,945 million as of 31 December 2023, including RMB528,427 million in third-party AUM.

Technology

We develop core technologies and security in proprietary intellectual property rights, with a view to transforming and upgrading Ping An’s core businesses. The Company engages in technology business through member companies including Lufax Holding, OneConnect, Ping An Health and Autohome.

Lufax Holding is a leading financial services enabler for small business owners (“SBOs”) in PRC, and provides SBOs with comprehensive, convenient financial products and services as well as enabling financial institutions to reach and serve SBOs efficiently. Lufax Holding achieved RMB34,255 million in total income in 2023.

OneConnect is a technology-as-a-service provider for the financial services industry. OneConnect provides “full-stack” integrated technology solutions to financial institutional customers, including digital banking solutions and digital insurance solutions. OneConnect also provides digital infrastructure for financial institutions through Gamma Platform. Under the “business + technology” model, OneConnect’s solutions enable our customers’ digital transformations, which help them improve efficiency, enhance service quality, and reduce costs and risks. OneConnect also focuses on digital banking solutions tailored for Southeast Asian financial institutions. OneConnect’s revenue reached RMB3,668 million in 2023.

Ping An Health centering on family doctor membership and leveraging a diversified, premium online-to-offline service network, has developed a specialized, comprehensive, high-quality and one-stop “healthcare and elderlycare” services platform to provide users with comprehensive healthcare and elderlycare services. Ping An Health achieved RMB4,674 million in revenue, with the number of cumulative paying users being close to 40 million for the financial year ended 31 December 2023.

Autohome provides an online destination for automobile consumers in PRC and provides an ecosystem that offers auto consumers with diverse products and services across the full auto lifecycle. Autohome’s revenue and net profit reached RMB7,184 million and RMB2,160 million respectively in the financial year ended 31 December 2023.

Key Operating Subsidiaries

The following chart sets forth the key operating subsidiaries of the Company as at 31 December 2023:

Name of Subsidiary	Principal activities and place of operation	Place of incorporation and kind of legal entity
Ping An Life	Life insurance, Shenzhen	Shenzhen, Corporation
Ping An Property & Casualty	Property and casualty insurance, Shenzhen	Shenzhen, Corporation
Ping An Bank	Banking, Shenzhen	Shenzhen, Corporation
Ping An Trust	Investment and trust, Shenzhen	Shenzhen, Corporation
Ping An Securities	Securities investment and brokerage, Shenzhen	Shenzhen, Corporation
Ping An Annuity	Annuity insurance, Shanghai	Shanghai, Corporation
Ping An Asset Management Co., Ltd.	Asset management, Shanghai	Shanghai, Corporation
Ping An Health Insurance	Health insurance, Shanghai	Shanghai, Corporation
China Ping An Insurance Overseas (Holdings) Limited	Investment holding, Hong Kong	Hong Kong, Corporation
Ping An International Financial Leasing	Financial leasing, Shanghai	Shanghai, Corporation

The Company also has the following key associated companies as at 31 December 2023:

Name of Associated Company	Principal activities	Place of incorporation
Lufax Holding	Financial technology	The Cayman Islands
OneConnect	Technology-as-a-service cloud platform for financial institutions	The Cayman Islands
Ping An Health	Online healthcare	The Cayman Islands

Employees

As of 31 December 2023, the Company had 288,751 current employees, of whom 237,019 were in the parent company and major subsidiaries.

The Group adheres to, and complies with, the relevant labour laws of PRC, Hong Kong and other jurisdictions in which it operates. Staff benefits include salaries, provident fund contributions, insurance and medical care. The Group believes that its employees are critical to its success, and it is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. In order to motivate employees, employee salaries are tied to business and individual performance. As at the date of this Offering Circular, the Group has not experienced any labour strikes or other material labour disputes that affected its operations.

Insurance

The Group maintains insurance which covers losses caused by fire, flood, riot, strike and malicious damage. The Group believes that its properties are covered by adequate insurance provided by reputable independent insurance companies in the relevant jurisdictions, and with commercially reasonable deductibles and limits on coverage which are normal for the type and location of the assets and properties which they relate.

Legal And Regulatory Proceedings

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

Awards And Accolades

The Group has achieved several accolades and awards in the lifetime of its business. Some of the recent awards and accolades include the following, among others:

- In 2024, the Group was ranked 29th in the Forbes Global 2000 list and 2nd among global insurance companies.
- In 2023, the Group ranked 31st overall, 6th among global financial enterprises, and ranked 1st as the world's most valuable insurance brand for 8 consecutive years in Brand Finance's "2024 The World's 500 Most Valuable Insurance Brands".
- In the 2023 Fortune Global 500 list, the Group ranked 33rd overall, 5th among global financial enterprises, and maintained 1st place among global insurance enterprises.
- For the Hong Kong Institute of Directors' Directors Of The Year Awards 2021, our Company won the awards in the "Listed Companies Boards" and "Listed Companies Executive Directors" categories for our outstanding corporate governance. In 2023, Chairman Ma Mingzhe received the Directors Of The Year Awards 2023.
- In 2023, the Group won the China Charity Award for the fourth time. The Group previously won the award in 2001, 2005 and 2008.
- For the MSCI ESG Ratings (2023), the Group maintained "A" and remained No. 1 in the multiline insurance and brokerage industry in the Asia-Pacific region.

PRC LAWS AND REGULATIONS

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

The PRC Legal System

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

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

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

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

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

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

The PRC Judicial System for Insurance Industry

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

Regulatory Authority

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

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

- Implementing unified supervision and management of the insurance industry in accordance with the law, strengthening institutional supervision, behavioural supervision, functional supervision, penetrating supervision, and continuous supervision, and maintaining the legal and sound operation of the financial industry;
- Conducting systematic research on issues related to the reform and opening up and the effectiveness of supervision of the financial industry, and participating in the formulation of the financial industry reform and development strategic planning. Formulating draft laws and regulations related to the insurance industry and providing suggestions for formulation and amendment. Establishing relevant regulatory systems for insurance institutions;
- Coordinating the work of protecting the rights and interests of financial consumers. Formulating the development plan for the protection of the rights and interests of financial consumers, establishing and improving the regulatory system for the protection of the rights and interests of financial consumers;
- Implementing access management for insurance institutions in accordance with the law, and supervising their corporate governance, risk management, internal control, capital adequacy, solvency, business conduct, information disclosure, etc.;
- Conducting on-site inspections and off-site supervision of insurance institutions in accordance with the law, carrying out risk and compliance assessments, and investigating and punishing illegal and non-compliant activities;
- Uniformly compiling the regulatory data reports of insurance institutions and publish them in accordance with relevant national regulations, and performing the related work responsibilities of the comprehensive statistics of the financial industry;
- Being responsible for the technological supervision of insurance institutions, establishing a technological supervision system, formulating technological supervision policies, building a supervisory big data platform, carrying out risk monitoring, analysis, evaluation, and early warning, and making full use of technological means to strengthen supervision and prevent risks;
- Implementing penetrating supervision of insurance institutions, formulating a shareholding supervision system, reviewing and approving shareholders, actual controllers and changes in shareholding and investigating shareholders, actual controllers and their concerted actors, and ultimate beneficiaries in accordance with the law, and taking relevant measures or impose penalties for illegal and non-compliant acts;
- Establishing a financial audit system outside the fields of currency, payment, credit reporting, anti-money laundering, foreign exchange and securities and futures, investigating, collecting evidence and handling relevant subjects of illegal financial activities in accordance with the law, and transferring those suspected of crimes to judicial authorities;

- Leading in cracking down on illegal financial activities, organizing the establishment of a monitoring and early warning system for illegal financial activities;
- Supervising the information technology outsourcing cooperation between insurance institutions and intermediary institutions such as information technology service institutions.

Regulatory Framework

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

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

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

Since the promulgation of the PRC Insurance Law in 1995, the insurance supervision and regulatory authority has promulgated a series of departmental rules and regulations and other regulatory documents based on the PRC Insurance Law, which cover almost all aspects of insurance operations, thereby establishing a preliminary regulatory framework with three parallel pillars, supervision of corporate governance, supervision of market conduct and supervision of solvency.

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

Establishment Of Insurance Companies

Supervision on Equity and Qualifications of Shareholders

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

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

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

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

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

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

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

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

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

Registered Capital

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

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

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

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

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

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

Qualification for Conducting Insurance Business

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

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

Business Scope

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

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

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

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

Insurance Group Companies

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

The establishment of an insurance group company shall be subject to approval of the NFRA and shall meet the following conditions: (i) having investors that meet the qualifications for shareholders of an insurance company as prescribed by the NFRA, have appropriate equity structure and jointly control more than 50% of the equity of at least two domestic insurance companies; (ii) having members who satisfy the requirements under Article 6 of the Insurance Group Companies Measures; (iii) having a minimum registered capital of RMB2 billion; (iv) having directors, supervisors and senior management who satisfy the eligibility requirements as prescribed by the NFRA; (v) having a sound corporate governance structure, integrated organisational structure, and effective risk management and internal control management systems; (vi) having business premises, office equipment and information systems commensurate with its operation and management; and (vii) other conditions as specified by laws, administrative regulations and the NFRA. Where it involves mitigating risks, the aforementioned conditions may be appropriately relaxed upon the approval of the NFRA.

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

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

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

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

Corporate Governance

Articles of Association

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

Corporate Governance Structure

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

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

Pursuant to the Administrative Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), promulgated by the CSRC and effective on 4 September 2023, The independent directors of a listed company shall at least include one accounting professional. A listed company shall set up an audit committee in the board of directors. The members of the audit committee shall be the directors that are not one of the senior management of the listed company, and the number of independent directors shall exceed the majority, and an accounting professional among the independent directors shall act as the chairman or convener. A listed company may, in light of the needs, set up specialized committees of nomination, remuneration and appraisal, and strategy, etc. The number of independent directors in the nomination committee and the remuneration and appraisal committee shall exceed the majority, and independent directors shall act as the chairman or conveners.

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

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

Qualification of Directors, Supervisors and Senior Management

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

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

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

Internal Control, Compliance and Risk Management

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

Pursuant to the Administrative Measures for Compliance Management of Insurance Companies (《保險公司合規管理辦法》), promulgated by the CIRC and effective from 1 July 2017, insurance companies shall establish and improve the compliance management system. Insurance companies shall formulate compliance policies and file with the NFRA for record once approved by the board of directors. The board of directors of insurance companies shall bear the ultimate responsibility for the compliance management of the company. Insurance companies shall appoint a chief compliance officer, who shall report to the board of directors and work under the leadership of the board of directors and the general manager. Insurance

companies shall establish clear cooperation and information exchange mechanisms between the compliance department and the internal audit department. An insurance group (holding) company shall set up an overall compliance management system for the group, strengthen the planning, leadership and supervision over the compliance management of the whole group, and enhance the level of compliance management. Each member company shall implement the group's overall compliance management requirements and be responsible for its own compliance management.

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

Related Party Transaction

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

Pursuant to the Administrative Measures for Related-party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), promulgated by the CBIRC and effective from 1 March 2022, insurance companies shall identify related parties and related party transactions and calculate the transaction amounts based on the principle of substance-over-form and look-through. The board of directors of an insurance company shall establish a related party transaction control committee to take charge of the management, review and risk control of related party transactions. The board of directors shall bear the ultimate responsibility of the management of related party transactions. The related party transaction control committee shall consist of three or more directors, and be chaired by an independent director. The related party transaction control committee shall focus on the compliance, fairness and necessity of related party transactions. Insurance companies shall establish management system for related party transactions, which shall include the identification, reporting, information collection and management of related parties, and the pricing, examination, recusal, reporting, disclosure, auditing and accountability of related party transactions. Insurance companies shall report and disclose related party transaction information in an authentic, accurate, complete and timely manner.

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

Information Disclosure

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

Insurance companies shall disclose the following information:

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

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

- the controlling shareholder or the actual controller is changed;
- the chairman or the general manager is changed;
- over one third of directors of the board of directors are changed in aggregate in the current year;
- the name, registered capital, domicile or business premises of the company are changed;
- the business scope of the company is changed;
- the company merges with another one, spins off or dissolves itself, or files for bankruptcy;
- the company cancels its provincial-level branches;
- the company makes a major equity investment in another company, aiming to acquire control of it;
- the actual heavy losses of a single investment made by the company amounts to over 5% of its net asset value at the end of the last quarter; where the value of its net assets is negative, such losses shall be measured by 5% of the company's registered capital;
- a heavy indemnity of over 5% of its net assets value at the last quarter end that is actually paid for a single claim or all claims arising out of the same insurance accident; where the value of its net assets is negative, such indemnity shall be measured by 5% of company's registered capital;
- any significant litigation which has significant impacts on the company's net assets and actual business operations or results in a ruling against the company to pay compensation of over RMB50 million;

- any major arbitration which has significant impacts on the company’s net assets and actual business operations or any arbitration award rendered against the company to pay compensation of over RMB50 million;
- the insurance company or its chairman or general manager is imposed a criminal punishment;
- the insurance company or the provincial-level branch thereof is imposed an administrative punishment by the NFRA or its local branch office;
- change or early dismissal of the accounting firm; and
- other matters as prescribed by the NFRA.

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

Solvency

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

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

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

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

The CIRC issued the Construction Plan for Second Phase Project of the C-ROSS (《償二代二期工程建設方案》) on 18 September 2017, officially initiating the second phase project of the C-ROSS, to further enhance and optimise the C-ROSS supervision system, and improve the scientificity, effectiveness and pertinence of the solvency supervision system. On 30 December 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》), the “**Rules II**”, which provides that the insurance industry shall implement the Rules II from the preparation of the

quarterly solvency report for the first quarter of 2022. For insurance companies whose core solvency ratio or comprehensive solvency ratio has fallen significantly, or has fallen below a threshold that triggers regulatory action as a result of the Rules II, the NFRA would set transitional policies according to the actual situation, allowing some regulatory rules to be put into practice step by step and fully implemented by 2025 at the latest. Pursuant to the Rules II, solvency supervision covers actual capital, minimum capital, life insurance contract liability valuation, minimum capital for insurance risk (non-life insurance business), minimum capital for insurance risk (life insurance business), minimum capital for insurance risk (reinsurance company), minimum capital for market risk, minimum capital for credit risk, stress testing, integrated risk rating (classified supervision), solvency aligned risk management requirements and assessment, liquidity risk, solvency information public disclosure, solvency information exchange, credit rating of insurance company, solvency report, insurance group, Lloyd's Insurance Company (China) Limited, look-through approach for market risk and credit risk, and capital planning under the regulatory framework of the C-ROSS.

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

Reserves

Pursuant to requirements of the PRC Accounting Standards for Business Enterprises No. 25 – Primary Insurance Contracts (《企業會計準則第25號–原保險合同》), promulgated by the MOF and effective from January 2007, the PRC Accounting Standards for Business Enterprises No. 26 – Reinsurance Contracts (《企業會計準則第26號–再保險合同》), promulgated by the MOF and effective from January 2007 and the Administrative Measures for the Reserves for Non-life Insurance Business of Insurance Companies (《保險公司非壽險業務準備金管理辦法》), promulgated by the CBIRC on 14 October 2021 and effective from 1 December 2021, insurance companies shall set aside unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance reserves.

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

Pursuant to the Implementation Rules for the Administrative Measures for Reserve of Non-life Insurance Business of Insurance Companies (No. 1-7) (《保險公司非壽險業務準備金管理辦法實施細則(1-7號)》), effective as of 2 March 2022, retrospective analysis of reserves of non-life insurance business comprises a retrospective analysis of unearned premium reserves and a retrospective analysis of claim reserves. Claim reserves include incurred and reported reserves, incurred but not reported reserves, and claim expense

reserves. An insurance company shall submit the reserve retrospective analysis report signed by the general manager and the chief actuary to the NFRA or its local branches on a regular basis. The general manager of an insurance company shall be responsible for the truthfulness of the basic information and the chief actuary shall be responsible for the methodology of the retrospective analysis, the reasonableness of the assumptions, and the accuracy of the calculation result.

Insurance Guarantee Fund

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

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

Security Deposit

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

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

Market Behavior

Insurance Clauses and Premium Rate

Pursuant to the Administrative Measures for Insurance Clauses and Insurance Premium Rates of Property and Casualty Insurance Companies (《財產保險公司保險條款和保險費率管理辦法》) promulgated by the CBIRC on 16 August 2021 and implemented on 1 October 2021, property and casualty insurance company shall, before the end of March each year, make a statistical analysis of the development, revision and clearance of the insurance clauses and premium rates of the previous year, and form an annual analysis report and summary schedule of the insurance clauses and premium rates of the property and casualty insurance company. After consideration and approval by the company's product management committee, it will be reported to the NFRA and its provincial-level branch at the same time. Property and casualty

insurance companies and their branches shall strictly comply with the approved or filed insurance clauses and insurance premium rates, and shall not change the insurance clauses or insurance premium rates in any way in violation of the provisions of these Measures. The compliance officer and the chief actuary of a property and casualty insurance company are responsible for the review of insurance clauses and the review of premium rates, respectively. The heads of the department responsible for the development and management of insurance clauses and premium rates of the property and casualty insurance company are directly responsible for the development and management of the company's insurance clauses and premium rates, respectively. The compliance officer is directly responsible for the review of insurance clauses, and the chief actuary is directly responsible for the review of premium rates.

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

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

Internet Insurance Business

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

Reinsurance

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

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

Insurance Intermediaries

Insurance Agent

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

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

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

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

Insurance Broker

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

Deployment of Insurance Funds

Overview

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

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

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

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

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

Bank Deposits

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

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

Equity of Listed Companies

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

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

Equity of Unlisted Companies

Pursuant to the Interim Measures on Equity Investment with Insurance Funds (《保險資金投資股權暫行辦法》), promulgated by the CIRC on 5 September 2010 and amended on 12 November 2020, insurance company can invest in unlisted corporate shares and private equity funds. An enterprise to which direct or indirect equity investment is made with insurance funds shall satisfy the following conditions:

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

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

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

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

Overseas Investment

Pursuant to the Interim Administrative Measures for Overseas Investment with Insurance Funds (《保險資金境外投資管理暫行辦法》) implemented on 28 June 2007, if an insurance company plans to be in the engagement of overseas investments with insurance funds, it shall file an application with the insurance regulatory authority of the State Council and obtain relevant approval. A trustor who has been approved by the insurance regulatory authority of the State Council to be in the engagement of the business of overseas investment with insurance funds shall file an application with the SAFE for the quota for foreign exchange remittance due to overseas investment.

When conducting overseas investments, insurance funds shall select the financial markets in the countries and regions listed in the Detailed Rules for the Implementation of the Interim Administrative Measures for Overseas Investment with Insurance Funds (《保險資金境外投資管理暫行辦法實施細則》) implemented on 12 October 2012, amended on 12 November 2020 and 8 December 2021 and invest in the following types of products: (i) money market products; (ii) fixed-income products; (iii) equity products; and (iv) real estate products.

Regulations on Commercial Banking

The banking industry in the PRC is highly regulated. The current principal regulatory authorities of the PRC banking industry include the NFRA and the PBOC. The NFRA is responsible for supervising and regulating banking institutions. The PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies and preparing drafts of important laws and regulations in the banking industry and prudently regulating basic systems. The laws and regulations applicable to the PRC banking industry mainly include Commercial Banking Law of the PRC (2015 Amendment) (《中華人民共和國商業銀行法(2015修正)》) (the “**Commercial Banking Law**”), Law of the PRC on the People’s Bank of China (2003 Amendment) (《中華人民共和國中國人民銀行法(2003修正)》) (the “**PBOC Law**”) and Banking Supervision and Regulatory Law of the PRC (2006 Amendment) (《中華人民共和國銀行業監督管理法(2006修正)》), and relevant regulations, rules and normative documents established thereunder.

The PRC Company Law, Commercial Banking Law and other laws, regulations and regulatory documents provided specific requirements for corporate governance. Among them, the Corporate Governance Guidelines for Banking and Insurance Institutions requires commercial banks to establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly split among the board of directors, the board of supervisors and the senior management. A commercial bank shall establish a sound internal control system, clarify internal control responsibilities, improve internal control measures, strengthen internal control guarantees, and continue to carry out internal control evaluation and supervision.

Since its inception, the China Banking Regulatory Commission (the “CBRC”, now substituted by the NFRA), has published, in addition to guidelines concerning granting loan and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, numerous risk management guidelines and rules in an effort to improve the risk management of PRC commercial banks, including operational risk management, market risk management, compliance risk management, liquidity risk management, information technology risk management and a supervisory rating system. The CBRC also issued the Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) as a basis of supervising the risk management of PRC commercial banks. The CBRC established requirements for ratios relating to risk levels and risk provisions in the Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) and is expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks.

On 7 June 2012, the CBRC promulgated the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective on 1 January 2013), which was replaced on 1 January 2024 with Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》), promulgated by the NFRA. Regulatory requirements in respect of the capital adequacy ratios of commercial banks include the minimum capital requirement, capital reservation buffer requirement, countercyclical capital buffer requirement, additional capital requirement for systematically important banks and capital requirement under the second pillar. Pursuant to the Administrative Measures for the Capital of Commercial Banks, the capital adequacy ratio of commercial banks at each tier must meet the following minimum requirements: (1) core tier-one capital adequacy ratio shall not be lower than 5%; (2) tier-one capital adequacy ratio shall not be lower than 6%; and (3) capital adequacy ratio shall not be lower than 8%. Commercial banks are required to calculate and set aside their capital reservation buffer after meeting the minimum capital requirements. The capital reservation buffer requirement is required to be equal to 2.5% of risk-weighted assets and is to be fulfilled by core tier-one capital. The NFRA has the authority to adjust the requirement for reserve capital based on the macroeconomic and financial situation, the overall risk status of the banking industry, as well as the operational management and risk level of individual banks. Under certain circumstances, commercial banks are required to calculate and set aside countercyclical capital after meeting the minimum capital requirements and the capital reservation buffer requirements. The rules for the accrual and use of countercyclical capital shall be separately stipulated by the PBOC together with NFRA.

Regulations on Asset Management Business

Securities Business in General

The current principal regulatory authority of the PRC securities industry is the CSRC. According to the PRC Securities Law (《中華人民共和國證券法》), effective on 1 March 2020, establishment of a securities company shall be approved by the CSRC. Without the approval of the CSRC, no enterprise or individual may engage in securities business activities in the name of a securities company. Subject to approval of the securities regulatory authority of the State Council, a securities company may engage in all or some of the following businesses: (i) securities brokerage; (ii) securities investment advisory; (iii) financial advisory relating to securities trading and securities investment activities; (iv) securities underwriting and sponsoring; (v) margin trading and short-selling; (vi) securities market making; (vii) proprietary securities business; and (viii) other securities businesses.

Securities Brokerage

According to the Administrative Measures for Securities Brokerage Services (《證券經紀業務管理辦法》), promulgated by the CSRC on 13 January 2023 and effective on 28 February 2023, a securities company may engage in securities brokerage services. Except for securities companies, no organisation or individual may engage in securities brokerage services. A securities company shall, in accordance with the principles of soundness, reasonableness, checks and balances and independence, continuously improve the level of internal control over securities brokerage services, strengthen the centralized and unified management in key fields and key links, and disclose to the public such information as business premises, business scope, personnel qualifications, products and services, and channels for receipt and payment of funds of investors.

Securities Underwriting

According to the PRC Securities Law, except for securities companies, no other entity or individual shall engage in securities underwriting. A securities company engaged in securities underwriting shall verify the truthfulness, accuracy and completeness of the public offering documents. Where false record, misleading representation or major omission is found, no sales activities shall be carried out. If any securities have been sold, the sales activities shall be terminated immediately and corrective measures shall be taken.

According to the Administrative Measures for the Issuance and Underwriting of Securities (《證券發行與承銷管理辦法》), promulgated by the CSRC on 17 September 2006 and latest amended on 17 February 2023, in underwriting securities, securities companies shall formulate strict risk management systems and internal control systems, strengthen the management of pricing and placement processes and implement underwriting responsibilities in accordance with the Measures and the risk control, internal control and other relevant provisions of the CSRC.

Securities Investment Consulting Business

According to the Interim Administrative Measures for Investment Consulting on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》) which came into effect on 1 April 1998, a firm engaging in the securities investment consulting business shall obtain a business license from the CSRC. Business practitioners of securities investment consulting must obtain the securities investment consulting qualifications and join a qualified securities investment consulting institution with business qualification before providing securities investment consulting services. A company engaging in securities and futures investment consulting business needs to satisfy the following requirements: it shall have more than five professionals with qualifications for securities or futures investment consultancy. A firm engaging in both securities and futures investment consultancy shall have more than 10 professionals with relevant qualifications. At least one member of its senior management shall obtain the relevant qualification for securities or futures investment consultancy business; its registered capital shall not be less than RMB1.0 million; it shall have permanent business premises and such communication and other information transmission facilities as appropriate to its business; it shall have articles of association; It shall have effective internal management system; and it shall satisfy other requirements as required by the CSRC.

Private Assets Management Business

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

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

Insurance Asset Management

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

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

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

Trust

The current principal regulatory authorities of the PRC trust companies is the NFRA. Pursuant to the Banking Regulation Law of the PRC (《中華人民共和國銀行業監督管理法》), promulgated by the Standing Committee of the NPC on 31 October 2006 and effective on 1 January 2007, the banking regulatory authority of the State Council shall be responsible for regulating all financial institutions in the banking industry throughout the country and their business activities and the provisions on regulation of financial institutions in the banking industry hereof shall apply to trust and investment companies that are established in the PRC.

According to the Administrative Measures for Trust Companies (《信託公司管理辦法》), promulgated by the CBRC on 23 January 2007 and effective on 1 March 2007, the approval of the NFRA and a financial permit must be obtained before the incorporation of a trust company. Trust companies may apply to engage in all or part of the following business activities in Renminbi or foreign currencies: (i) trust funds; (ii) trusts for movables; (iii) real estate trusts; (iv) securities trusts; (v) trusts in other property or property rights; (vi) act as the promoter of an investment fund or a fund management company and engage in fund investment activities; (vii) enterprise asset restructuring, mergers and acquisitions, and project financing, corporate finance, financial consulting, etc.; (viii) securities underwriting as entrusted by the relevant departments of the State Council; (ix) mediation, advisory, credit investigation, etc.; (x) bailment and safe deposit locker facility; and (xi) any other business activity stipulated by laws and regulations or approved by the NFRA. Trust companies shall manage and dispose trust property with utmost diligence, perform all duties with honesty, trustworthiness, prudence and management effectiveness, and protect the greatest beneficial interests of the beneficiaries.

Regulations on Cybersecurity and Data Protection

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

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

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

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

On 30 July 2021, the State Council issued the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CII Regulations**”), which took effect on 1 September 2021. Pursuant to the CII Regulations, “critical information infrastructures” refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy sources, transport, water conservation, finance, public

services, e-government, and science and technology industry for national defence, as well as other important network facilities and information systems that may have severe impact on national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures.

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

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

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

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

On 14 November 2021, the CAC published the Regulations for the Administration of Network Data Security (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), the “**Draft Data Security Regulations**”, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; and

(iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also state that data processors processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC at the municipal level before 31 January of each year. In addition, the Draft Data Security Regulations also require network platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or make any amendments that may have a significant impact on users' rights and interests. Further, platform rules and privacy policies formulated by operators of large internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC at the provincial level for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

Regulatory Procedure on the Issuance of Foreign Bonds

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

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

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

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and supporting guidelines (together, the “**CSRC Filing Rules**”), which came into effect on 31 March 2023. The CSRC Filing Rules will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. The CSRC Filing Rules state that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. In connection with the CSRC Filing Rules, on 17 February 2023 the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Notice on Overseas Listing Measures**”). According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by 31 March 2023, the date the Overseas Listing Measures became

effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the CSRC Filing Rules when it subsequently seeks to conduct a follow-on offering. The CSRC Filing Rules provide that an overseas offering and listing, including the follow-on offering of convertible bonds, is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the "**Forbidden Circumstances**"). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

Tax

Laws and Regulations Related to Enterprise Income Tax

According to the PRC EIT Law, promulgated by the People's Congress on 16 March 2007 and revised and implemented on 24 February 2017 and 29 December 2018, and the Implementation Rules for Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and taking effect on 1 January 2008, and amended on 23 April 2019, all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%.

Laws and Regulations Related to Value-added Tax

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

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

<u>Name</u>	<u>Title</u>
Mr. Ma Mingzhe	Chairman and Executive Director
Mr. Xie Yonglin	Executive Director, President and Co-Chief Executive Officer
Ms. Cai Fangfang.....	Executive Director and Senior Vice President
Mr. Soopakij Chearavanont.....	Non-executive Director
Mr. Yang Xiaoping.....	Non-executive Director
Mr. He Jianfeng	Non-executive Director
Ms. Cai Xun	Non-executive Director
Mr. Ng Sing Yip	Independent Non-executive Director
Mr. Chu Yiyun	Independent Non-executive Director
Mr. Liu Hong	Independent Non-executive Director
Mr. Ng Kong Ping Albert.....	Independent Non-executive Director
Mr. Jin Li.....	Independent Non-executive Director
Mr. Wang Guangqian	Independent Non-executive Director

Note: The appointments of Mr. Michael Guo and Ms. Fu Xin as Executive Directors of the Company were approved by shareholders but shall become effective upon the approval from NFRA for their qualifications as Directors are obtained.

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

(a) Directors

Mr. Ma Mingzhe

Mr. Ma Mingzhe, 68, is the founder of the Group and has been a Director of the Company since March 1988. Mr. Ma is presently the Chairman and Executive Director of the Company. Since the establishment of the Company, Mr. Ma had been fully involved in the operations and management of the Company until June 2020 when he ceased to act as the CEO. He now plays a core leadership role, in charge of decision-making on the Company's strategies, human resources, culture and major issues. Mr. Ma successively served as the President, a Director, and the Chairman and CEO of the Company. Prior to founding the Company, Mr. Ma was the Deputy Manager of China Merchants Shekou Industrial Zone Social Insurance Company. Mr. Ma has a Ph.D. in Money and Banking from Zhongnan University of Economics and Law (previously known as Zhongnan University of Finance and Economics).

Mr. Xie Yonglin

Mr. Xie Yonglin, 55, is the Executive Director, President and Co-CEO of the Company. Mr. Xie is also the Chairman of Ping An Bank, a Director of Ping An Asset Management and a Non-executive Director of Lufax Holding. Mr. Xie joined the Company in 1994 and has been a Director of the Company since April 2020. He was the Deputy Director of the Company's Strategic Development & Reform Center from June 2005 to March 2006. He held positions of the Operations Director, the Human Resources Director, and a Vice President of Ping An Bank from March 2006 to November 2013, and served as the Special Assistant to the Chairman, the President and the CEO, and the Chairman of Ping An Securities from November 2013 to November 2016 consecutively. He was a Senior Vice President of the Company from September 2016 to December 2019. Previously, Mr. Xie served as a Deputy General Manager of sub-branches of Ping An P&C, a Deputy General Manager and then the General Manager of branches of Ping An Life, and the General Manager of Ping An Life's Marketing Department. Mr. Xie holds a Master's degree in Science and Ph.D. in Corporate Management from Nanjing University.

Ms. Cai Fangfang

Ms. Cai Fangfang, 50, is the Executive Director and Senior Vice President of the Company. Ms. Cai joined the Company in 2007 and has been a Director since July 2014. Ms. Cai is also a Director of a number of controlled subsidiaries of the Company including Ping An Life, Ping An P&C and Ping An Bank as well as a Non-executive Director of Ping An Health. Ms. Cai successively held the positions of a Vice General Manager and the General Manager of the Remuneration Planning and Management Department of the Human Resources Center of the Company from October 2009 to February 2012, served as the Vice Chief Financial Officer and General Manager of the Planning Department of the Company from February 2012 to September 2013, the Vice Chief Human Resources Officer of the Company from September 2013 to March 2015, and the Chief Human Resources Officer of the Company from March 2015 to April 2023. Prior to joining the Company, Ms. Cai served as the consulting director of Watson Wyatt Consultancy (Shanghai) Ltd. and the audit director on the financial industry of British Standards Institution Management Systems Certification Co., Ltd. Ms. Cai holds a Master's degree in Accounting from the University of New South Wales, Australia.

Mr. Soopakij Chearavanont

Mr. Soopakij Chearavanont, 60, is a Non-executive Director of the Company. Mr. Chearavanont has been a Director of the Company since June 2013. He is the Chairman of CP Group, an Executive Director and the Chairman of C.P. Lotus Corporation, a Non-executive Director and the Chairman of Chia Tai Enterprises International Limited, and an Executive Director and the Chairman of C.P. Pokphand Co., Ltd. Mr. Chearavanont is also the Chairman of CP ALL Public Company Limited and Charoen Pokphand Foods Public Company Limited (both listed in Thailand). Mr. Chearavanont served as a Director of True Corporation Public Company Limited (listed in Thailand) and the Chairman of CT Bright Holdings Limited in the past. Mr. Chearavanont holds a Bachelor's degree in Science from the College of Business and Public Administration of New York University.

Mr. Yang Xiaoping

Mr. Yang Xiaoping, 60, is a Non-executive Director of the Company. Mr. Yang has been a Director of the Company since June 2013. Mr. Yang is the Senior Vice Chairman of CP Group, the Vice Chairman and CEO of CPG Overseas, an Executive Director and the Vice Chairman of C.P. Lotus Corporation, the CEO of CT Bright Holdings Limited, and a Non-executive Director of CITIC Limited and Honma Golf Limited. Mr. Yang is also an Associate Dean of the China Institute for Rural Studies of Tsinghua University, a Vice Director of the Management Committee of the Institute for Global Development of Tsinghua University, the President of Beijing Association of Enterprises with Foreign Investment and an Adviser on Foreign Investment to the Beijing Municipal Government. Prior to his current offices, Mr. Yang was a member of the 12th National Committee of the Chinese People's Political Consultative Conference, and served as the Manager for China Division and the Chief Representative of Beijing Office of Nichiyu Co., Ltd. Mr. Yang was a Non-executive Director of Tianjin Binhai Teda Logistics (Group) Corporation Limited and Chery Holding Group Co., Ltd., a Non-executive Director and the Vice Chairman of True Corporation Public Company Limited, and the Vice Chairman of the board of directors of China Minsheng Investment Co., Ltd. Mr. Yang holds a Bachelor's degree from Nanchang University (previously known as Jiangxi Polytechnic College) and a certificate for completing a doctoral program in Tsinghua University.

Mr. He Jianfeng

Mr. He Jianfeng, 52, is a Non-executive Director of the Company, and has been a Director since July 2022. Mr. He is currently the Party Committee Secretary and Chairman of Shenzhen Investment Holdings Co., Ltd. and the President of Research Institute of Tsinghua University in Shenzhen. Prior to his current positions, Mr. He served as the Party Committee Secretary and Chairman of Shenzhen Agricultural Products Group Co., Ltd., the Party Committee Secretary and Chairman of Shenzhen Food Materials Group Co., Ltd., the Chief Economist and a Party Committee Member of the State-owned Assets Supervision and Management Commission of Shenzhen Municipal People's Government, a Vice President of Shenzhen SEZ Construction and Development Group Co., Ltd., among others. Mr. He holds a Bachelor of Laws degree in International Law from Wuhan University. Mr. He is a senior economist and a qualified PRC lawyer.

Ms. Cai Xun

Ms. Cai Xun, 49, is a Non-executive Director of the Company, and has been a Director of the Company since July 2022. Ms. Cai is currently an Employee Director and the Deputy Party Committee Secretary of Shum Yip Group Limited, an Executive Director of Shenzhen Investment Limited, and a Non-executive Director of Road King Infrastructure Limited. Prior to her current positions, Ms. Cai served as the division director of the Cadre Division I, the division director of the Research and Publicity Division, the division director of the Cadre Supervision Division and the deputy division director of the Cadre Division I and II of the Organization Department of Shenzhen Municipal Party Committee. Ms. Cai holds a Bachelor's degree in Economics from Central South University (previously known as Central South University of Technology).

Mr. Ng Sing Yip

Mr. Ng Sing Yip, 73, is an Independent Non-executive Director of the Company. Mr. Ng has been a Director of the Company since July 2019. Mr. Ng currently serves as a member of the Professional Advisory Board of the Asian Institute of International Financial Law of the University of Hong Kong, the Chairman of the Board of Supervisors of HSBC Bank Vietnam Limited, and an Independent Non-executive Director of HSBC Bank Australia Limited. Prior to his current positions, Mr. Ng served as a Crown Counsel in the Attorney General's Chambers in Hong Kong before going into private practice. Mr. Ng joined HSBC in June 1987 as an Assistant Group Legal Consultant, was later appointed as a Deputy Head of the Legal and Compliance Department, and the Head of Legal and Compliance in Asia Pacific, and served as a Non-executive Director of HSBC Bank (China) Limited, an Independent Non-executive Director of Hang Seng Bank Limited and the Vice Chairman of the Legal Committee of the Hong Kong General Chamber of Commerce. Mr. Ng holds a Bachelor's degree and Master's degree in Laws (L.L.B. and L.L.M.) from the University of London, a Bachelor's degree in Laws (L.L.B.) from Peking University, and is admitted as solicitor to the supreme courts of England, Hong Kong, and Victoria, Australia.

Mr. Chu Yiyun

Mr. Chu Yiyun, 59, is an Independent Non-executive Director of the Company. Mr. Chu has been a Director of the Company since July 2019. Mr. Chu is a professor and doctoral supervisor at the School of Accountancy of Shanghai University of Finance and Economics, a full-time researcher at the Accounting and Finance Research Institute of Shanghai University of Finance and Economics, a Key Research Institute of Humanities and Social Sciences under the Ministry of Education, a member of the first and second Senior Accounting Professional Qualification Evaluation Committee of the National Government Offices Administration, a Director of the Ninth Council of the Accounting Society of China, and a Renowned Accounting Expert designated by the Ministry of Finance. Mr. Chu is also an Independent Non-executive Director of Bank of Hebei Co., Ltd. and an Independent Supervisor of Bank of China Co., Ltd. Mr. Chu was a member of the First Accounting Standards Advisory Committee of the Ministry of Finance, the Executive Secretary-General of the Accounting Education Branch of the Accounting Society of China (formerly known as Chinese Accounting Professors Association), and an Independent Non-executive Director of Universal Scientific Industrial (Shanghai) Co., Ltd. and Tellhow Sci-tech Co., Ltd. Mr. Chu holds Ph.D., Master's and Bachelor's degrees in Accounting from Shanghai University of Finance and Economics.

Mr. Liu Hong

Mr. Liu Hong, 56, is an Independent Non-executive Director of the Company. Mr. Liu has been a Director of the Company since July 2019. Mr. Liu is currently a professor and doctoral supervisor at Peking University, a Vice President of the Chinese Association for Artificial Intelligence, a member of the leading expert group of the national key R&D program of "Intelligent Robots" under the "13th Five-Year Plan" and one of the first group of experts under the National "High-level Talent Special Support Plan". Previously, Mr. Liu served as an Independent Director of Shenzhen JingQuanHua Electronics Co., Ltd. Mr. Liu holds a Ph.D. in Engineering from Harbin Institute of Technology and has completed postdoctoral research at Peking University.

Mr. Ng Kong Ping Albert

Mr. Ng Kong Ping Albert, 66, is an Independent Non-executive Director of the Company. Mr. Ng has been a Director of the Company since August 2021. Mr. Ng is currently the President of the Hong Kong China Chamber of Commerce, an Honorary Advisor of the Hong Kong Business Accountants Association, and a member of the Advisory Board of the School of Accountancy of The Chinese University of Hong Kong. Mr. Ng is a member of the Audit Committee of The Chinese University of Hong Kong, Shenzhen and a Council Member of the Education Foundation of The Chinese University of Hong Kong, Shenzhen. Mr. Ng is also an Independent Non-executive Director of China International Capital Corporation Limited, Beijing Airdoc Technology Co., Ltd. and Shui On Land Limited, and an Independent Director of Alibaba Group Holding Limited. Previously, Mr. Ng served as the Chairman of Ernst & Young China, Managing Partner of Ernst & Young in Greater China, and a member of the EY Global Executive. He has over 30 years of professional experience in the accounting industry in Hong Kong and the Chinese mainland. Before joining Ernst & Young, Mr. Ng was the partner-in-charge of Arthur Andersen LLP in Greater China, the partner-in-charge of China business of PricewaterhouseCoopers, and the Managing Director of Citigroup China Investment Banking. Mr. Ng served as a member of the First and Second Accounting Standards Advisory Committee of the Ministry of Finance of the PRC. Mr. Ng holds a Bachelor's degree and Master's degree in Business Administration from The Chinese University of Hong Kong. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants, Chartered Accountants Australia and New Zealand, Certified Public Accountants Association and the Association of Chartered Certified Accountants.

Mr. Jin Li

Mr. Jin Li, 53, is an Independent Non-executive Director of the Company. Mr. Jin has been a Director of the Company since August 2021. Mr. Jin is currently a Vice President and Chair Professor of Southern University of Science and Technology, a member of the Committee for Economic Affairs of the 14th CPPCC National Committee, a member of the Central Committee of Jiusan Society, a member of the Board of Directors and the Academic Committee of the Global Corporate Governance Forum, and a Vice Chairman of China Management Science Society. Mr. Jin is also an Independent Non-executive Director of Guosen Securities Co., Ltd. Mr. Jin was an Associate Dean of Guanghua School of Management, Peking University, a tenured professor and a doctoral supervisor in the Department of Finance at Oxford University's Saïd Business School, and an associate professor in the Department of Finance at Harvard Business School. He was also an Independent Non-executive Director of Yingda International Trust Company Limited, Beijing Financial Holdings Group, Dacheng Fund Management Co., Ltd. and CITIC aiBank Corporation Limited, and an Independent Director of S.F. Holding Co., Ltd. Mr. Jin holds a Ph.D. from Massachusetts Institute of Technology, USA.

Mr. Wang Guangqian

Mr. Wang Guangqian, 68, is an Independent Non-executive Director of the Company, and has been a Director since July 2023. Mr. Wang is currently a professor at the School of Finance of Central University of Finance and Economics, a Vice President of China Society for Finance and Banking, and a Vice President of China Modern Financial Society. Mr. Wang was a Vice Dean of Central College of Finance (now Central University of Finance and Economics) and then a Vice President and the President of Central University of Finance and Economics. Mr. Wang holds a Ph.D. in Finance from Renmin University of China.

(b) Supervisors

Mr. Sun Jianyi

Mr. Sun Jianyi, 71, is the Chairman of Supervisory Committee (Employee Representative Supervisor). Mr. Sun joined the Company in 1990 and has become a Supervisor since August 2020. Since joining the Company in July 1990, Mr. Sun has been the General Manager of the Management Department, Senior Vice President, Executive Vice President, Deputy Chief Executive Officer and Vice Chairman of the Company, and the Chairman of the board of directors of Ping An Bank successively. Prior to joining the Company, Mr. Sun was the Head of the Wuhan Branch of the People's Bank of China, a Deputy General Manager of the Wuhan Branch of the People's Insurance Company of China, and the General Manager of Wuhan Securities Company. Mr. Sun was also a Non-executive Director of China Vanke Co., Ltd., a Non-executive Director of China Insurance Security Fund Co., Ltd., and an Independent Non-executive Director of Haichang Ocean Park Holdings Ltd. Mr. Sun holds a Diploma in Finance from Zhongnan University of Economics and Law (previously known as Zhongnan University of Finance and Economics).

Ms. Zhu Xinrong

Ms. Zhu Xinrong, 67, is an Independent Supervisor in the Company. She is a Supervisor since July 2022. Ms. Zhu is currently a second-level professor and doctoral supervisor of finance at Zhongnan University of Economics and Law, an expert entitled to a special government allowance from the State Council, a national master teacher, and the Director of the Collaborative Innovation Center of "Industrial Upgrade and Regional Finance," a university-affiliated think tank at Zhongnan University of Economics and Law. Ms. Zhu also serves as an executive council member of the China Society for Finance and Banking and an expert in the consulting expert pool of the Monetary Policy Committee of the People's Bank of China. Previously, Ms. Zhu was a member of the National Supervisory Committee for Professional Degrees in Finance and the Vice President of Hubei Finance Society. Ms. Zhu served as an Independent Non-executive Director of Guangdong Sanhe Pile Co., Ltd., Hubei Xianning Rural Commercial Bank Co., Ltd. and Wuhan Credit Investment Group Co., Ltd. Ms. Zhu holds a Ph.D. in Money and Banking from Zhongnan University of Economics and Law (previously known as Zhongnan University of Finance and Economics).

Mr. Liew Fui Kiang

Mr. Liew Fui Kiang, 57, is an Independent Supervisor of the Company and has been a Supervisor since July 2022. Mr. Liew currently serves as an Independent Non-executive Director of Shandong Gold Mining Co., Ltd., China Apex Group Limited, Zhaoke Ophthalmology Limited, Zhengye International Holdings Company Limited, and Zhongchang International Holdings Group Limited. Previously, Mr. Liew served as an Independent Non-executive Director of Baoshan Iron & Steel Company Limited and the Chairman of PacRay International Holdings Limited. Mr. Liew holds a Master of Business Administration degree from the University of Hull Business School, Bachelor's degree of Laws from the University of Leeds, United Kingdom. He is also a fellow of the Hong Kong Institute of Directors, solicitor of Hong Kong and solicitor of England and Wales.

Mr. Hung Ka Hai Clement

Mr. Hung Ka Hai Clement, 68, is an Independent Supervisor of the Company and has been a Supervisor since July 2022. Mr. Hung currently serves as an Independent Non-executive Director of Starjoy Wellness and Travel Company Limited (formerly known as Aoyuan Healthy Life Group Company Limited), China East Education Holdings Limited, Huarong International Financial Holdings Limited, Skyworth Group Limited, USPACE Technology Group Limited (formerly known as Hong Kong Aerospace Technology Group Limited) and JX Energy Ltd., and a Non-executive Director of High Fashion International Limited and Capital Estate Limited. Previously, he served Deloitte China for 31 years where he assumed the Chairman role of Deloitte China and a board

member of Deloitte International. Mr. Hung served as an adviser to the Guangzhou Institute of Certified Public Accountants. He also served as a member of the Political Consultative Committee of Luohu District, Shenzhen and was appointed as an expert adviser to the Ministry of Finance of the People's Republic of China. Mr. Hung was an Independent Non-executive Director and then a Non-executive Director of SMI Holdings Group Limited, an Independent Non-executive Director, then a Non-executive Director and subsequently a redesignated Independent Non-executive Director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited). Mr. Hung was also an Independent Non-executive Director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited), Tibet Water Resources Ltd., SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited), and Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited). Mr. Hung holds a Bachelor's degree of Arts in Accountancy from the University of Lincoln, United Kingdom (previously known as The Polytechnic, Huddersfield) and is a life member of The Institute of Chartered Accountants in England and Wales.

Mr. Wang Zhiliang

Mr. Wang Zhiliang, 45, is an Employee Representative Supervisor. He joined the Company in 2002 and has become a Supervisor since August 2017. Mr. Wang is the Chief Administrative Affairs Officer of the Group. Previously, Mr. Wang served as the Administrative Director and the Director of General Office of the Group, a Deputy General Manager of the Group's Head Office in Shanghai, a Deputy Director of the Group's General Office, the Chairman of Ping An Financial Leasing and served in the Administration Department of Tianjin Branch of Ping An Life. Mr. Wang holds a Bachelor's degree in Economic Information Management from Tianjin University of Finance and Economics (previously known as Tianjin Institute of Finance and Economics).

(c) Senior Management

Mr. Ma Mingzhe, Mr. Xie Yonglin and Ms. Cai Fangfang form part of the senior management of the Company. Please refer to the section entitled "*Directors, Supervisors and Senior Management – (a) Directors*" for more information on their work experience and concurrent positions.

Mr. Michael Guo

Mr. Michael Guo, 52, is the Co-Chief Executive Officer and Senior Vice President of the Company. Mr. Guo joined the Company in 2019 and has been in his present office since September 2023. Mr. Guo is also a Director of Ping An Life, as well as a Non-executive Director of OneConnect and Ping An Health. Previously, Mr. Guo successively held the positions of the Vice Chief Human Resources Officer and the Chief Human Resources Officer of the Company from August 2022 to September 2023. Before then, he served as the Special Assistant to the Chairman and an Executive Vice President of Ping An P&C. Prior to joining the Company, Mr. Guo was a Partner and Managing Director of Boston Consulting Group, and a Global Co-CEO of Willis Towers Watson Capital Markets. Mr. Guo holds a Masters of Business Administration degree from the University of New South Wales, Australia.

Mr. Huang Baoxin

Mr. Huang Baoxin, 59, is a Senior Vice President of the Company. Mr. Huang joined the Company in 2015 and has been in his present office since April 2020. Mr. Huang is also the General Manager of the Group's Beijing Head Office. Prior to joining the Company, Mr. Huang served as a Deputy Division Director of the Industrial Transportation Department of the Ministry of Finance of the PRC, a Deputy Director General of the Second Secretary Bureau of the General Office of the State Council of the PRC, a Deputy Director General and then the Director General of the Supervisory Bureau of the General Office of the State Council of the PRC, and a deputy head of the discipline inspection team of the Publicity Department of the Central Committee of the CPC accredited by the Central Commission for Discipline Inspection of the CPC. Mr. Huang holds a Bachelor's degree in Finance

from Zhongnan University of Economics and Law (previously known as Zhongnan University of Finance and Economics) Master's degree in Political Economics from Renmin University of China Doctorate degree in Public Finance from the Chinese Academy of Fiscal Sciences (previously known as Research Institute for Fiscal Science, Ministry of Finance of the PRC).

Ms. Fu Xin

Ms. Fu Xin, 44, is a Senior Vice President of the Company. Ms. Fu joined the Company in 2017 and has been in her current office since August 2023. Ms. Fu is also a Director of Ping An Life, Ping An Bank and Ping An Asset Management. Ms. Fu joined the Company as the General Manager of the Group's Planning Department in October 2017, and served as the Group's Deputy Chief Financial Officer from March 2020 to March 2022 and the Company's Chief Operating Officer from March 2022 to September 2023. Prior to joining the Company, Ms. Fu served as a Financial Services Partner at Roland Berger International Management Consulting and an Executive Director of PricewaterhouseCoopers. Ms. Fu holds a Masters of Business Administration degree from Shanghai Jiao Tong University.

Mr. Sheng Ruisheng

Mr. Sheng Ruisheng, 55, is the Board Secretary and Company Secretary. He joined the Company in 1997 and has been in office since April 2017. Mr. Sheng also serves as the Brand Director and spokesperson of the Company. Previously, Mr. Sheng served as the Assistant to the General Manager, a Deputy General Manager, and the General Manager of the Company's Branding Department from August 2002 to January 2014. Mr. Sheng holds a Bachelor of Arts degree from Nanjing University and a Masters of Business Administration degree from The Chinese University of Hong Kong.

Ms. Zhang Zhichun

Ms. Zhang Zhichun, 48, is the Chief Financial Officer (Financial Director) of the Company. She joined the Company in 1998 and has been in her current office since January 2023. Ms. Zhang is also a Director of a number of controlled subsidiaries of the Company including Ping An P&C, Ping An Securities and Ping An Annuity. Previously, Ms. Zhang successively served as the Assistant President, Chief Investment Officer, Financial Director, and Board Secretary of Ping An P&C from December 2017 to December 2022. Before then, she served as a Deputy General Manager of Ping An P&C's Planning Department and a Deputy General Manager and then the General Manager of the Company's Planning Department. Ms. Zhang holds a Bachelor's degree in Actuarial Science from Shanghai University of Finance and Economics, and is also an associate of the China Association of Actuaries.

Mr. Guo Shibang

Mr. Guo Shibang, 59, is an Assistant President and Chief Risk Officer of the Company. He joined the Company in 2011 and has been in his present office since March 2024. Previously, Mr. Guo served as a Senior Vice President and the Chief Risk Officer, and the Compliance Director of Ping An Securities from September 2014 to October 2016, and the Special Assistant to the Chairman, the Assistant President, an Executive Director and the Vice President of Ping An Bank from October 2016 to December 2023. Prior to that, Mr. Guo served as a Director and the President of Ping An Bank's Small and Micro Finance Business Unit. Prior to joining the Company, Mr. Guo was a chief officer and a deputy division-level researcher (presiding) of the Treasury Planning Department of the Head Office of Industrial and Commercial Bank of China, and the Manager of Beijing Shangdi Sub-branch, a Party Committee Member and a Deputy General Manager of Beijing Management Department, the Party Committee Secretary and Manager of Dalian Branch, and the Vice Chairman of the Head Office Retail Management Committee and the General Manager of the Retail Banking Department of China Minsheng Bank. Mr. Guo holds a Ph.D. and Master's degree in Economics from Peking University, and a Bachelor's degree in Engineering from Shanghai Jiao Tong University, is a senior economist.

Ms. Zhang Xiaolu

Ms. Zhang Xiaolu, 56, is the Compliance Officer of the Company. She joined the Company in 2019 and has been in her current office since June 2021. Previously, Ms. Zhang served as the Chief Risk Officer from August 2021 to March 2024, the Chief Operating Officer of the Company from February 2021 to October 2021, and a Special Assistant to the President of Ping An Bank from June 2019 to August 2020. Prior to joining the Company, Ms. Zhang served as a Managing Partner of Advisory Service (CEO of Advisory) at Ernst & Young Greater China and the General Manager of Consulting Service in Insurance Industry at IBM. Ms. Zhang holds a Masters of Business Administration degree from Massey University in New Zealand.

Mr. Deng Bin

Mr. Deng Bin, 54, is an Assistant President and Chief Investment Officer of the Company. He joined the Company in 2021 and has been in his current office since March 2022. Mr. Deng is also a Director of Ping An Life, Ping An Annuity, Ping An Asset Management and China Ping An Insurance Overseas (Holdings) Limited. Prior to joining the Company, Mr. Deng served as the Chief Investment Officer of China Pacific Insurance (Group) Co., Ltd. and China Pacific Insurance Co., (H.K.) Ltd., the Head of Investment Analytics & Derivatives of AIA Group, and the Head of Market Risk Management (Asia-Pacific ex. Japan and South Korea) of AIG. Mr. Deng holds a Masters in Business Administration and master's degree in Quantitative Method and Modeling from Baruch College, City University of New York. He is also a Chartered Financial Analyst and Financial Risk Manager.

Mr. Huang Yuqiang

Mr. Huang Yuqiang, 42, is the Person-in-charge of Auditing. He joined the Company in 2004 and has held his current position since June 2023. Mr. Huang also serves as the General Manager of the Group's Audit and Supervision Department and a Director of Ping An Financial Leasing. After joining the Company in 2004, Mr. Huang successively held the positions of the General Manager of Asset Monitoring of the Risk Management Department of Ping An Bank and a Deputy General Manager (presiding) of the Risk Management Department of the Group. Mr. Huang holds a Bachelor's degree in Business Administration from Nanjing University.

SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' INTERESTS

Substantial Shareholders

As of 31 December 2023, as far as is known to any Directors or Supervisors of the Company, the following persons had interests or short positions in the Ordinary Shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”) or recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Class of Shares	Capacity	Notes	Number of H/A shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
CP Group Ltd.....	H	Interest of controlled corporations	(1)	1,114,859,403	Long position	14.96	6.12
UBS Group AG.....	H	Interest of controlled corporations	(2)	711,184,930	Long position	9.54	3.90
		Interest of controlled corporations	(2)	520,441,099	Short position	6.98	2.85
JPMorgan Chase & Co.	H	Interest of controlled corporations	(3)	131,991,408	Long position	1.77	0.72
		Investment manager		95,845,736	Long position	1.28	0.52
		Person having a security interest in shares		3,836,904	Long position	0.05	0.02
		Trustee		8,412	Long position	0.00	0.00
		Approved lending agent	(3)	230,152,823	Lending pool	3.09	1.26
		Total:	(3)	461,835,283		6.20	2.53
		Interest of controlled corporations	(3)	147,162,206	Short position	1.97	0.80
		Investment manager		307,992	Short position	0.00	0.00
		Total:	(3)	147,470,198		1.98	0.80
Citigroup Inc.....	H	Interest of controlled corporations	(4)	48,259,575	Long position	0.64	0.26
		Approved lending agent	(4)	352,841,906	Lending pool	4.73	1.93
		Total:	(4)	401,101,481		5.38	2.20
		Interest of controlled corporations	(4)	30,529,269	Short position	0.40	0.16
BlackRock, Inc.....	H	Interest of controlled corporations	(5)	401,713,391	Long position	5.39	2.20
		Interest of controlled corporations	(5)	591,000	Short position	0.00	0.00
Shenzhen Investment Holdings Co., Ltd...	A	Beneficial owner		962,719,102	Long position	8.94	5.29

Notes:

- (1) According to the disclosure form filed by CP Group Ltd. on 30 May 2023, CP Group Ltd. was deemed to be interested in a total of 1,114,859,403 H shares (long position) of the Company by virtue of its control over several wholly-owned corporations. As of 31 December 2023, CP Group Ltd. indirectly held 1,063,597,013 H shares (long position) of the Company in total, representing 5.84% of the Company's total share capital.
- (2) According to the disclosure form filed by UBS Group AG on 4 January 2024, UBS Group AG was deemed to be interested in a total of 711,184,930 H shares (long position) and 520,441,099 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of UBS Group AG in the Company included 462,835,379 H shares (long position) and 346,669,990 H shares (short position) held through derivatives.
- (3) According to the disclosure form filed by JPMorgan Chase & Co. on 28 December 2023, JPMorgan Chase & Co. was deemed to be interested in a total of 461,835,283 H shares (long position) and 147,470,198 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 230,152,823 H shares (long position). In addition, 94,815,360 H shares (long position) and 120,347,960 H shares (short position) were held through derivatives.
- (4) According to the disclosure form filed by Citigroup Inc. on 23 November 2023, Citigroup Inc. was deemed to be interested in a total of 401,101,481 H shares (long position) and 30,529,269 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 352,841,906 H shares (long position). In addition, 8,549,090 H shares (long position) and 27,017,772 H shares (short position) were held through derivatives.
- (5) According to the disclosure form filed by BlackRock, Inc. on 23 December 2023, BlackRock, Inc. was deemed to be interested in a total of 401,713,391 H shares (long position) and 591,000 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of BlackRock, Inc. in the Company included 3,857,500 H shares (long position) and 591,000 H shares (short position) held through derivatives.
- (6) As figures for the percentage of H shares held have been rounded down to the nearest second decimal place, they may not add up to the totals. The percentage figures are based on the number of shares of the Company as of 31 December 2023.

Interests of Directors, Supervisors and Senior Management

Interests of Directors, Supervisors and Senior Management in the Company

As of 31 December 2023, the interests of the Company's current directors, supervisors and senior management and those who vacated office during the year ended 31 December 2023 in the Company's shares which shall be disclosed pursuant to the Standard No. 2 Concerning the Contents and Formats of Information Disclosed by Listed Companies – The Contents and Formats of Annual Report issued by the CSRC, were as follows:

Name	Capacity	H/A shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change (shares)	Reason for the change	Nature of interest	Percentage of total issued H/A shares	Percentage of total issued shares
								(%)	(%)
Ma Mingzhe	Beneficial owner	A	2,245,730	2,524,802	+279,072	Key Employee Share Purchase Plan	Long position	0.02346	0.01386
Sun Jianyi.....	Beneficial owner	A	5,048,596	5,048,596	-	-	Long position	0.04691	0.02772
Xie Yonglin	Beneficial owner	A	666,487	942,767	+276,280	Key Employee Share Purchase Plan	Long position	0.00876	0.00518
Cai Fangfang....	Beneficial owner	A	378,064	477,260	+99,196	Key Employee Share Purchase Plan	Long position	0.00443	0.00262
Yang Xiaoping..	Beneficial owner	H	100,000	100,000	-	-	Long position	0.00134	0.00055

Name	Capacity	H/A shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change (shares)	Reason for the change	Nature of interest	Percentage of total issued H/A shares	Percentage of total issued shares
								(%)	(%)
Yao Jason Bo ⁽¹⁾	Beneficial owner	A	686,391	837,826	+151,435	Key Employee Share Purchase Plan	Long position	0.00778	0.00460
	Beneficial owner	H	24,000	24,000	-	-	Long position	0.00032	0.00013
Tan Sin Yin ⁽¹⁾ ...	Beneficial owner	A	547,920	714,249	+166,329	Key Employee Share Purchase Plan	Long position	0.00664	0.00392
	Beneficial owner	H	40,000	40,000	-	-	Long position	0.00054	0.00022
Wang Zhiliang..	Beneficial owner	A	68,281	76,840	+8,559	Key Employee Share Purchase Plan	Long position	0.00071	0.00042
Michael Guo.....	Beneficial owner	A	-	22,993	+22,993	Key Employee Share Purchase Plan	Long position	0.00021	0.00013
Huang Baoxin...	Beneficial owner	A	101,319	114,707	+13,388	Key Employee Share Purchase Plan	Long position	0.00107	0.00063
Fu Xin.....	Beneficial owner	A	25,065	42,474	+17,409	Key Employee Share Purchase Plan	Long position	0.00039	0.00023
Sheng Ruisheng	Beneficial owner	A	379,613	453,412	+73,799	Key Employee Share Purchase Plan	Long position	0.00421	0.00249
Zhang Zhichun .	Beneficial owner	A	93,999	106,370	+12,371	Key Employee Share Purchase Plan	Long position	0.00099	0.00058
Zhang Xiaolu....	Beneficial owner	A	12,627	46,535	+33,908	Key Employee Share Purchase Plan	Long position	0.00043	0.00026
	Beneficial owner	H	10,000	10,000	-	-	Long position	0.00013	0.00005
Deng Bin.....	Beneficial owner	A	-	5,328	+5,328	Key Employee Share Purchase Plan	Long position	0.00005	0.00003
Hu Jianfeng ⁽¹⁾ ...	Beneficial owner	A	67,836	78,264	+10,428	Key Employee Share Purchase Plan	Long position	0.00073	0.00043

Note:

- (1) Mr. Yao Jason Bo and Ms. Tan Sin Yin have resigned as directors of the Company on 30 May 2024. Mr. Hu Jianfeng resigned as the Person-in-charge of Auditing of the Company on 19 June 2023.

Save as disclosed above, as of 31 December 2023, the interests and short positions of the Company's Directors, Supervisors and chief executives in the Company's shares, underlying shares and debentures which shall have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Company's Directors, Supervisors or chief executives are taken as or deemed to have under such provisions of the SFO), or are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or are otherwise required to be notified by the Directors, Supervisors and chief executives to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name	Capacity	H/A shares	Interests	Interests	Change (shares)	Reason for the change	Nature of interest	Percentage	Percentage
			held at the beginning of the period (shares)	held at the end of the period (shares)				of total issued H/A shares	of total issued shares
								(%)	(%)
Ma Mingzhe.....	Interest of his spouse	H	20,000	20,000	-	-	Long position	0.00027	0.00011
	Others ⁽¹⁾	A	1,196,936	1,631,038	+434,102	Others ⁽¹⁾	Long position	0.01515	0.00896
Sun Jianyi.....	Others ⁽¹⁾	A	126,381	126,381	-	-	Long position	0.00117	0.00069
Xie Yonglin.....	Others ⁽¹⁾	A	897,702	1,223,278	+325,576	Others ⁽¹⁾	Long position	0.01137	0.00672
Cai Fangfang	Others ⁽¹⁾	A	598,468	815,519	+217,051	Others ⁽¹⁾	Long position	0.00758	0.00448
Yao Jason Bo ⁽²⁾ ...	Interest of his spouse	H	64,000	64,000	-	-	Long position	0.00086	0.00035
	Others ⁽¹⁾	A	598,468	598,468	-	-	Long position	0.00556	0.00329
Tan Sin Yin ⁽²⁾	Others ⁽¹⁾	A	897,702	-	-897,702	Lapse	-	00000	00000
Michael Guo	Others	A	70,811	103,368	+32,557	Others ⁽¹⁾	Long position	0.00096	0.00057
Wang Zhiliang	Others ⁽¹⁾	A	68,459	92,334	+23,875	Others ⁽¹⁾	Long position	0.00086	0.00051

Notes:

- (1) Conditional interests that can be vested in future under the Long-term Service Plan, subject to terms and conditions in the Long-term Service Plan of Ping An Insurance (Group) Company of China, Ltd.
- (2) Mr. Yao Jason Bo and Ms. Tan Sin Yin have resigned as directors of the Company on 30 May 2024.

Interests of Directors and Chief Executives in Associated Corporations of the Company

As of 31 December 2023, the interests and short positions of the Company's Directors, Supervisors and chief executives in the Company's shares, underlying shares or debentures of the Company's associated corporations (as defined in the SFO), which shall have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or are recorded in the register required to be kept under Section 352 of the SFO, or are otherwise required to be notified by the Directors, Supervisors and chief executives to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

<u>Name</u>	<u>Associated corporation</u>	<u>Capacity</u>	<u>Interests held at the beginning of the period (shares)</u>	<u>Interests held at the end of the period (shares)</u>	<u>Change (shares)</u>	<u>Reason for the change</u>	<u>Nature of interest</u>	<u>Percentage of total issued shares in associated corporation</u>
								(%)
Xie Yonglin	Ping An Bank	Beneficial owner	26,700	26,700	-	-	Long position	0.00014
Tan Sin Yin ⁽¹⁾ ..	OneConnect	Beneficial owner	78,000	78,000	-	-	Long position	0.00667

Note:

(1) Ms. Tan Sin Yin have resigned as directors of the Company on 30 May 2024.

CORPORATE STRUCTURE

The following summarises our corporate structure of the Company as of 31 December 2023.

No.	Name of Subsidiary	Place of incorporation	Registered Share Capital (RMB, unless specified otherwise)	Business	Shareholding		Voting Rights Ratio
					Direct	Indirect	
1	Ping An Life	Shenzhen, Guangdong	33,800,000,000	Life insurance	99.51%	–	99.51%
2	Ping An P&C	Shenzhen, Guangdong	21,000,000,000	Property and casualty insurance	99.55%	–	99.55%
3	Ping An Bank	Shenzhen, Guangdong	19,405,918,198	Banking	49.56%	8.40%	58.00%
4	Ping An Trust	Shenzhen, Guangdong	13,000,000,000	Trust and Investment	99.88%	–	99.88%
5	Ping An Securities Co., Ltd.	Shenzhen, Guangdong	13,800,000,000	Securities investment and brokerage	40.96%	55.59%	96.62%
6	Ping An Annuity	Shanghai	11,603,419,173	Annuity insurance	94.18%	5.79%	100.00%
7	Ping An Asset Management	Shanghai	1,500,000,000	Asset management	98.67%	1.33%	100.00%
8	Ping An Health Insurance	Shanghai	4,616,577,790	Health insurance	74.33%	0.68%	75.01%
9	China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	HKD7,085,000,000	Investment holding	100.00%	–	100.00%
10....	Ping An Financial Leasing	Shanghai	14,500,000,000	Financial leasing	69.44%	30.56%	100.00%

TERMS AND CONDITIONS OF THE BONDS

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

The issue of U.S.\$3,500,000,000 in aggregate principal amount of 0.875 per cent. convertible bonds due 2029 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) of Ping An Insurance (Group) Company of China, Ltd. 中國平安保險(集團)股份有限公司 (the “**Issuer**”) and the right of conversion into H Shares (as defined in Condition 5.1.5 (*Meaning of “Shares”*)) of the Issuer were authorised by resolutions of the board of directors of the Issuer passed on 15 July 2024. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 22 July 2024 (the “**Issue Date**”) and made between the Issuer and The Bank of New York Mellon, London Branch (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. The Issuer has entered into a paying, conversion and transfer agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about 22 July 2024 with the Trustee, The Bank of New York Mellon, London Branch as principal paying agent and principal conversion agent (collectively in such capacities, the “**Principal Agent**”, which expression shall include any additional or successor principal agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and transfer agent (the “**Transfer Agent**”, which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds), and the other paying agents, transfer agents and conversion agents appointed under it (each a “**Paying Agent**”, a “**Transfer Agent**” or a “**Conversion Agent**” (as applicable) and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. For the avoidance of doubt, references to the “**Paying Agents**”, the “**Transfer Agents**” or, as the case may be, the “**Conversion Agents**” each include the Principal Agent. References to the “**Principal Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, the registrar and the agents for the time being for the Bonds. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the Agency Agreement (i) are available for inspection at all reasonable times during usual business hours (being between 9.00 a.m. (London time) and 3.00 p.m. (London time) Monday to Friday except for public holidays) at the specified office of the Principal Agent, being at the date of the Trust Deed at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom and (ii) may be provided by email to any Bondholder, in each case, following prior written request and proof of holding and identity satisfactory to the Principal Agent. The Bondholders (as defined in Condition 1.3 (*Title*)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

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

1 Status; Form, Denomination and Title

1.1 Status

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

1.2 Form and Denomination

The Bonds are issued in registered form in the specified denomination of U.S.\$200,000 each and integral multiples of U.S.\$100,000 in excess thereof (each, an “**Authorised Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

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

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

1.3 Title

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

2 Registration and Transfers of Bonds; Issue of Certificates

2.1 Register

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

2.2 Transfers

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

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

2.3 *Delivery of New Certificates*

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

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

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

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

2.4 *Formalities Free of Charge*

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

2.5 *Restricted Transfer Periods*

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

2.6 Regulations

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

3 Covenants

3.1 Negative Pledge

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

3.2 Undertakings Relating to Foreign Debt Registration

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

3.3 Notification to NDRC

The Issuer undertakes that it will within the relevant prescribed timeframes after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the “**Order 56**”) issued by the NDRC and effective from 10 February 2023 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the Initial NDRC Post-Issuance Filing (as defined below).

3.4 *CSRC Post-Issuance Filings*

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

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

The Issuer shall:

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

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

The Trustee shall have no obligation or duty to monitor or assist with or ensure the Initial NDRC Post-Issuance Filing or the Initial CSRC Post-Issuance Filing is submitted or the Foreign Debt Registration is submitted or completed within the timeframe specified in Condition 3.2 (*Undertakings Relating to Foreign Debt Registration*), Condition 3.3 (*Notification to NDRC*) and Condition 3.4 (*CSRC Post-Issuance Filings*), respectively, or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing and/or the Foreign Debt Registration and/or the Registration Documents or to translate or procure the translation into English of the documents in relation to or in connection with the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing or the Foreign Debt Registration or to give notice to the Bondholders confirming the completion of the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing and the Foreign Debt Registration, and shall not be liable to Bondholders or any other person for not doing so.

3.6 Definitions

For the purposes of these Conditions:

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

“**CSRC Filing Rules**” means the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC on 17 February 2023 and became effective on 1 March 2023, as amended, supplemented or otherwise modified from time to time;

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

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

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

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

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

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

“**Relevant Indebtedness**” means any present or future indebtedness having a maturity of not less than one year incurred outside the PRC in the form of, or represented by, bonds, debentures, notes, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other investment securities which represent indebtedness and are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market, but shall not include any future or present indebtedness denominated in RMB and offered or sold in the PRC;

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

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

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

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

4 Interest

The Bonds bear interest from and including 22 July 2024 at the rate of 0.875 per cent. per annum payable semi-annually in arrear in equal instalments of U.S.\$437.5 per Calculation Amount (as defined below) on 22 January and 22 July in each year (each an “**Interest Payment Date**”).

Each Bond will cease to bear interest:

- (a) (subject to Condition 5.2.4 (*Interest Accrual*)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date; or
- (b) where such Bond is redeemed or repaid pursuant to Condition 7 (*Redemption, Purchase and Cancellation*) or Condition 9 (*Events of Default*), from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused. In such event, such unpaid amount shall bear interest at the rate of 2.875 per cent. per annum (both before and after judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (B) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per U.S.\$100,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the relevant annual rate of interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

5 Conversion

5.1 Conversion Right

5.1.1 Conversion Right and Conversion Period: Subject to the right of the Issuer to make a Cash Election as provided in Condition 5.2.5 (*Cash Settlement*) and as otherwise hereinafter provided, Bondholders have the right to convert their Bonds into H Shares credited as fully paid at any time during the Conversion Period referred to below.

Subject to and upon compliance with these Conditions, the right of a Bondholder to convert any Bond into H Shares is called the “**Conversion Right**”. The number of H Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted (translated into HK dollars at the fixed rate of HK\$7.8079 = U.S.\$1.00) (the “**Fixed Exchange Rate**”) by the Conversion Price (as defined in Condition 5.1.3 (*Conversion Price*)) in effect on the Conversion Date (as defined in Condition 5.2.1 (*Conversion Notice*)). A Conversion Right may only be exercised in respect of an Authorised Denomination for one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of H Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

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

In accordance with the below paragraphs, exercise of Conversion Rights is restricted in relation to any Bond during the period (i) commencing on the date falling 30 days prior to a shareholders’ meeting and ending on the date of that meeting; or (ii) commencing the date falling five working days prior to the record date set by the Issuer for the purpose of distribution of any dividend and ending on such record date; or (iii) commencing on such date and for such period as determined by applicable law from time to time that the Issuer is required to close its register (a “**Restricted Conversion Period**”). The Issuer will give notice of any such Restricted Conversion Period to the Bondholders and the Trustee and Agents not less than five working days prior to the commencement of any such Restricted Conversion Period.

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

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

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

- 5.1.2 *Fractions of H Shares*: Fractions of H Shares will not be issued on conversion and no cash payments or other adjustments will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that H Shares to be issued on conversion are to be registered in the same name, the number of such H Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of H Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of H Shares by operation of law or otherwise occurring after 15 July 2024 which reduces the number of H Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in U.S. dollars (by means of a U.S. dollar cheque drawn on a bank that processes payments in U.S. dollars and mailed directly to the address of the Bondholder or by transfer to a U.S. dollar account maintained by the payee, in either case in accordance with instructions given by the relevant Bondholder in the Conversion Notice) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 5.1.1 (*Conversion Right and Conversion Period*), as corresponds to any fraction of an H Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds U.S.\$10.00 (which shall be determined using the Prevailing Rate on the Conversion Date).

- 5.1.3 *Conversion Price*: The price at which H Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$43.71 per H Share but will be subject to adjustment in the manner provided in Condition 5.3 (*Adjustments to Conversion Price*).
- 5.1.4 *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 5.1.1 (*Conversion Right and Conversion Period*), if (i) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (ii) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events referred to in Condition 9 (*Events of Default*) or (iii) any Bond is not redeemed on the Maturity Date in accordance with Condition 7.1 (*Maturity*), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 16 (*Notices*) and, notwithstanding the provisions of Condition 5.1.1 (*Conversion Right and Conversion Period*), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- 5.1.5 *Meaning of “Shares”*: As used in these Conditions, the expression (i) “**H Shares**” means ordinary foreign shares with a par value of RMB1.00 each issued by the Issuer which are listed on the Hong Kong Stock Exchange; (ii) “**A Shares**” means ordinary domestic shares of RMB1.00 each issued by the Issuer which are traded in Renminbi on the Shanghai Stock Exchange; and (iii) “**Ordinary Shares**” means the H Shares, the A Shares and any fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorised after the date of the issue of the Bonds which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

5.2 *Conversion Procedure*

5.2.1 *Conversion Notice*:

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Certificate to the specified office of any Conversion Agent during its usual business hours (being 9:00 a.m. (London time) to 3:00 p.m. (London time), Monday to Friday on which commercial banks are open for business in the city of the specified office of the Conversion Agent) accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current and being substantially in the form scheduled to the Agency Agreement) obtainable from any Conversion Agent, together with (i) the relevant Certificate; and (ii) certification by the Bondholder, in the form obtainable from any Conversion Agent, as may be required under the laws of the PRC, Hong Kong or any jurisdiction in which the specified office of such Conversion Agent is located. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

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

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

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

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

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

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

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

Neither the Trustee nor the Agents shall be responsible for determining whether such Taxes or Conversion Expenses are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or any Bondholder to pay any such amount.

5.2.3 *Registration*:

(i) As soon as practicable, and in any event not later than seven H Share Stock Exchange Business Days (excluding any H Share Stock Exchange Business Days that fall within a Restricted Conversion Period) after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and certification and amounts payable by the relevant Bondholder deposited or paid as required by Conditions 5.2.1 (*Conversion Notice*) and 5.2.2 (*Stamp Duty etc.*), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of H Shares in the Issuer's H share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong

("CCASS"), take all action reasonably necessary to enable the H Shares to be delivered through CCASS for so long as the H Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) notified to Bondholders in accordance with Condition 16 (*Notices*) or, if so requested in the relevant Conversion Notice, cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

- (ii) The delivery of the H Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated in Condition 5.2.3(i) will be deemed to satisfy the Issuer's obligation to pay any amounts under such converted Bonds. The person or persons designated in the Conversion Notice will become the holder of record of the number of H Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members for H shares (the "**Registration Date**"). The H Shares issued upon exercise of the Conversion Rights will be fully paid up and will in all respects rank *pari passu* with, and within the same class as, the H Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law. Save as set out in these Conditions, a holder of H Shares issued on exercise of the Conversion Rights shall not be entitled to any rights, distributions or other payments the record date or due date for the establishment of entitlement for which precedes the relevant Registration Date.
- (iii) If (A) the Registration Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 5.3 (*Adjustments to Conversion Price*), and (B) the Conversion Date in relation to such exercise shall be before the date on which such adjustment to the Conversion Price becomes effective under the relevant Condition (any such adjustment, a "**Retroactive Adjustment**"), upon the relevant adjustment to the Conversion Price becoming effective under the relevant Condition, the Issuer shall procure the issue to the converting Bondholder (in accordance with the instructions contained in the Conversion Notice (subject to any applicable laws or regulations)), such additional number of H Shares ("**Additional H Shares**") as, together with the H Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of H Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price under the relevant Condition had been made and become effective on or immediately prior to the relevant Conversion Date and in such event and in respect of such Additional H Shares, references in this Condition 5.2.3 (iii) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period). If the Issuer has elected to pay the converting Bondholder cash in lieu of H Shares pursuant to the Cash Settlement Option (as defined in Condition 5.2.5 (*Cash Settlement*)), the number of Additional H Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer shall satisfy its obligations under Condition 5.2.5 (*Cash Settlement*) by paying, as soon as practicable and in any event not later than ten H Share Stock Exchange Business Days after the date of relevant adjustment of the Conversion Price under the relevant Condition becoming effective to the converting Bondholder an aggregate amount in U.S. dollars equivalent to the product of the Closing Price of any H Share and any such Additional H Shares on the date the Issuer would be required to deliver such H Shares if the Cash Settlement Option had not been exercised (which shall be determined using the Prevailing Rate on the Conversion Date).

5.2.4 *Interest Accrual:*

If any notice requiring the redemption of any Bonds is given pursuant to Condition 7.2 (*Redemption at the Option of the Issuer*) or Condition 7.3 (*Redemption for Taxation Reasons*) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the H Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date immediately following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date immediately following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the H Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution. Any such interest shall be paid not later than 14 days after the relevant Conversion Date directly by the Issuer by transfer to a U.S. dollar account maintained by the payee, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

5.2.5 *Cash Settlement:*

Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of H Shares deliverable upon conversion of the Bond is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option, in its sole discretion, to pay to the relevant Bondholder an amount of cash equivalent to the Cash Settlement Amount (as defined below) converted at the Prevailing Rate in order to satisfy such Conversion Right in whole or in part (and if in part, the other part shall be satisfied by the delivery of H Shares) (the “**Cash Settlement Option**”). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the “**Cash Settlement Notice**”) to the relevant Bondholder, the Trustee and the Agents as soon as practicable but no later than the fifth H Share Stock Exchange Business Day following the date of the Conversion Notice (the date of such Cash Settlement Notice being the “**Cash Settlement Notice Date**”). The Cash Settlement Notice must specify the number of H Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition 5.2.5 (*Cash Settlement*). The Issuer shall pay the Cash Settlement Amount no later than five H Share Stock Exchange Business Days after the 20 H Share Stock Exchange Business Day period used to determine the Cash Settlement Amount. The Cash Settlement Amount shall be paid directly by the Issuer by means of a U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank that processes payments in U.S. dollars in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and H Shares available to such converting Bondholders but the Issuer will not have any obligation to make the same proportion of cash and H Shares available with respect to any conversions by holders occurring on different Conversion Dates.

For the purposes of these Conditions:

“**Cash Settlement Amount**” means an amount in U.S. dollars (which shall be determined by the Issuer using the Prevailing Rate on the Cash Settlement Notice Date) equal to the product of:

- (i) the number of H Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bonds to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option; and

- (ii) the arithmetic average of the Volume Weighted Average Price (as defined below) of the H Shares for each day during the 20 H Share Stock Exchange Business Days immediately after the Cash Settlement Notice Date. The Issuer shall provide notice of the calculation of the Cash Settlement Amount to the Bondholders, the Trustee and the Agents no later than the second H Share Stock Exchange Business Day after the 20 H Share Stock Exchange Business Day period used to determine the Cash Settlement Amount following the Cash Settlement Notice Date; and

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

5.3 *Adjustments to Conversion Price*

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

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

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

Where:

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

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

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

5.3.2 **Capitalisation of Profits or Reserves:**

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

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

Where:

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

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

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

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

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

Where:

- A is the aggregate nominal amount of the issued Ordinary Shares of all classes immediately before such issue;
- B is the aggregate nominal amount of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such aggregate Current Market Price of the Scrip Dividend issued in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of such Scrip Dividend,

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

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

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

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

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue multiplied by their respective Current Market Price per Ordinary Share of such class on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value of the aggregate Capital Distribution.

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

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

For the avoidance of doubt, the final dividend to be paid by the Issuer in respect of the year ended 31 December 2023 (which has been approved by the shareholders of the Issuer on 30 May 2024) will not give rise to an adjustment of the Conversion Price pursuant to this Condition 5.3.3.

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

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

Where:

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

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

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

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

Where:

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

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

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

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

Where:

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

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

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

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

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

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such issue;
- B₁ is the number of Ordinary Shares of one class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share of such class;
- B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share of such class;
- C₁ is the maximum number of Ordinary Shares of one class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate; and
- C₂ where applicable, is the maximum number of Ordinary Shares of a second class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

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

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

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

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such modification;
- B₁ is the number of Ordinary Shares of one class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at the Current Market Price per Ordinary Share of such class or, if lower, the existing conversion, exchange subscription, purchase or acquisition price of such securities;
- B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at the Current Market Price per Ordinary Share of such class or, if lower, the existing conversion, exchange subscription, purchase or acquisition price of such securities;
- C₁ is the maximum number of Ordinary Shares of one class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 (*Modification of Rights of Conversion etc.*) or Condition 5.3.7 (*Other Issues at less than Current Market Price*); and
- C₂ where applicable, is the maximum number of Ordinary Shares of a second class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 (*Modification of Rights of Conversion etc.*) or Condition 5.3.7 (*Other Issues at less than Current Market Price*).

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

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

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

Where:

A is the aggregate Ordinary Shares in issue multiplied by their respective Current Market Price per Ordinary Share on the date on which the terms of such issue, sale or distribution of securities are first publicly announced; and

B is the Fair Market Value of the portion of the aggregate rights attributable to the Ordinary Shares.

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

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

5.3.11 **Further Classes of Ordinary Shares:** In the event that the Issuer has more than two classes of Ordinary Shares outstanding at any time, the formulae set out in this Condition 5.3 (*Adjustments to Conversion Price*) shall be restated to take into account such further classes of Ordinary Shares so that “B₁ + B₂” and “C₁ + C₂” shall become “B₁ + B₂ + B₃” and “C₁ + C₂ + C₃” and “B₃” and “C₃” shall have the same meaning as “B₁” and “C₁”, respectively, but by reference to a third class of Ordinary Shares and so on.

5.4 Undertakings

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

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

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

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

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

5.5 Notice of Change in Conversion Price

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

5.6 *Adjustment upon Change of Control*

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

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

Where:

NCP = the Conversion Price after such adjustment;

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

Conversion Premium (“CP”) = 25.0 per cent. expressed as a fraction;

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

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

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

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

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

5.7 *Provisions Relating to Changes in Conversion Price*

5.7.1 *Minor Adjustments*: On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*) and to the Trustee and the Agents in writing, in each case promptly after the determination thereof.

- 5.7.2 *Decision of an Independent Financial Advisor*: If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 5.3 (*Adjustments to Conversion Price*) or Condition 5.6 (*Adjustment upon Change of Control*) should be made, and following consultation between the Issuer and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per H Share value of any such adjustment shall not exceed the per H Share value of the dilution in the shareholders' interest in the Issuer's equity caused by such events or circumstances.
- 5.7.3 *Minimum Conversion Price*: Notwithstanding the provisions of this Condition 5 (*Conversion*), the Issuer undertakes that: (i) the Conversion Price shall not in any event be reduced to below the nominal or par value of the H Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable H Shares; and (ii) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.
- 5.7.4 *Reference to "fixed"*: Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- 5.7.5 *Multiple Events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.
- 5.7.6 *Upward/Downward Adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the H Shares as referred to in Condition 5.3.1 (*Consolidation, Subdivision or Re-classification*). The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee in writing and to the Bondholders in accordance with Condition 16 (*Notices*), reduce the Conversion Price, subject to Condition 5.7.3 (*Minimum Conversion Price*).
- 5.7.7 *Trustee Not Obligated to Monitor or Make Calculations*: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation or determination (or verification thereof) in connection with the Conversion Price and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Financial Advisor in making any calculation or determination or any erroneous calculation or determination in connection with the Conversion Price.
- 5.7.8 *Employee Share Option Schemes*: No adjustment will be made to the Conversion Price when Ordinary Shares or other securities (including rights or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any employee share scheme or plan (and which employee share scheme or plan is in compliance with, if applicable, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange or, if applicable, the Stock Listing Rules of the Shanghai Stock Exchange or, if relevant, the listing rules of the Alternative Stock Exchange ("**Share Scheme Options**") unless any issue or grant of Share Scheme Options (which, but for this provision, would have required adjustment pursuant to Condition 5 (*Conversion*)) would result in the total number of Ordinary Shares which may be issued upon exercise of all Share Scheme Options granted during the 12-month period up to and including the date of such issue or grant representing, in aggregate, more than 2.0 per cent. of the average of the issued and outstanding Ordinary Shares during such 12-month period. For the

avoidance of doubt, any Ordinary Shares issued in excess thereof, and only such Ordinary Shares issued in excess thereof, shall be subject to adjustment to the Conversion Price and taken into account in determining such adjustment as set out in Condition 5.3 (*Adjustments to Conversion Price*).

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

- (i) the aggregate consideration receivable or price for Ordinary Shares of a class issued for cash shall be the amount of such cash;
- (ii) (a) the aggregate consideration receivable for Ordinary Shares of a class to be issued on the conversion, exercise or exchange of any options, warrants or other rights or securities (or following any modification thereof) shall be deemed to be the consideration received or receivable by the Issuer for any such options, warrants or other rights or securities (or following any modification thereof); (b) the aggregate consideration receivable for Ordinary Shares of a class to be issued on the exercise of rights of subscription attached to any such securities (or following any modification thereof) shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Issuer for such securities (or following any modification thereof) which is attributed by the Issuer to such rights of subscription or, if no part of such consideration is so attributed, to the Fair Market Value of such rights of subscription as at the date of the announcement of the terms of issue or modification of such securities, plus in the case of each of (a) and (b) above, the additional minimum consideration (if any) to be received by the Issuer on the conversion, exercise or exchange of such options, warrants or other rights or securities (or following any modification thereof), or on the exercise of such rights of subscription; and (c) the consideration per Ordinary Share of a class receivable by the Issuer on the conversion, exercise or exchange of, or on the exercise of such rights of subscription attached to, such options, warrants or other rights or securities (or following any modification thereof) shall be the aggregate consideration referred to in (a) or (b) above (as the case may be) divided by the number of Ordinary Shares of such class to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (iii) if the consideration or price determined pursuant to (i) or (ii) above of this Condition 5.7.9 (*Consideration Receivable*) (or any component thereof) shall be expressed in a currency other than HK dollars, it shall be converted into HK dollars at the Prevailing Rate on the relevant date;
- (iv) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares of a class or securities or options, warrants or rights, or otherwise in connection therewith;
- (v) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity; and
- (vi) if as part of the same transaction, Ordinary Shares of a class shall be issued or issuable for a consideration receivable in more than one or in different currencies then the consideration receivable per Share shall be determined by dividing the aggregate consideration (determined as aforesaid and converted if and to the extent not in HK dollars, into HK dollars at the Prevailing Rate as aforesaid) by the aggregate number of Ordinary Shares so issued.

5.8 Definitions

For the purposes of these Conditions:

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

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

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

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

Weighted Average Price of an Ordinary Share of such class on any such day shall for the purposes of this definition be deemed to be the amount thereof (x) multiplied by the sum of one and the number of Ordinary Shares of such class which are to be issued or may be issued pursuant to such Scrip Dividend per Ordinary Share of such class entitled to the Relevant Cash Dividend and (y) reduced by the Fair Market Value of the Relevant Cash Dividend (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Ordinary Share of such class entitled to the Relevant Cash Dividend; and

- (C) for any other purpose, if any day during the said 20 Trading Day-period was the ex-date in relation to any dividend (or any other entitlement) the Volume Weighted Average Prices that shall have been based on a price cum-such dividend (or cum-such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend (or other entitlement) per Ordinary Share of such class as at the date of first public announcement of the terms of such dividend (or other entitlement);

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

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

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

“**Fair Market Value**” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Ordinary Share of the relevant class shall be the amount of such cash Capital Distribution per Ordinary Share of such class determined as at the date of announcement of such cash Capital Distribution and (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights or securities during the period of

five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars (a) in the case of any cash Capital Distribution, at the average benchmark exchange rate between Renminbi and HK dollars expressed to be used in respect of such cash Capital Distribution and (b) in any other case at the Prevailing Rate on such date. In addition, in the case of provisos (i) and (ii) above of this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

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

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

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

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

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

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

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

“Shanghai Stock Exchange” means The Shanghai Stock Exchange;

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

“**Volume Weighted Average Price**” means, in relation to an H Share for any H Share Stock Exchange Business Day, the order book volume-weighted average price of an H Share for such H Share Stock Exchange Business Day appearing on or derived from Bloomberg screen page “2318 HK Equity VAP” (or its successor page) or, if not available on any of such screens, from such other source as shall be determined in good faith and in a commercially reasonable manner, using a volume-weighted average method, to be appropriate by an Independent Financial Advisor, provided that for any H Share Stock Exchange Business Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an H Share in respect of such H Share Stock Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding H Share Stock Exchange Business Day on which the same can be so determined.

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

6 Payments

6.1 *Principal*

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

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the “**Interest Record Date**”). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

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

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

6.2 Registered Accounts

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

6.3 Fiscal Laws

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

6.4 Payment Initiation

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

6.5 Delay in Payment

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

6.6 Payment Business Day

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

6.7 Rounding

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

6.8 Appointment of Agents

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

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

7 Redemption, Purchase and Cancellation

7.1 Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount, together with accrued and unpaid interest thereon on 22 July 2029 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 7.2 (*Redemption at the Option of the Issuer*) or Condition 7.3 (*Redemption for Taxation Reasons*) below (but without prejudice to Condition 9 (*Events of Default*)).

7.2 Redemption at the Option of the Issuer

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

- (i) at any time after 5 August 2027 but prior to the Maturity Date, provided that no such redemption may be made unless the Closing Price of an H Share translated into U.S. dollars at the Prevailing Rate applicable to each H Share Stock Exchange Business Day, for any 20 H Share Stock Exchange Business Days within a period of 30 consecutive H Share Stock Exchange Business Days, the last of such H Share Stock Exchange Business Day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H Share Stock Exchange Business Days, at least 130 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then in effect. If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H Share Stock Exchange Business Day period, appropriate adjustments for the relevant days approved by an Independent Financial Advisor shall be made for the purpose of calculating the Closing Price of the H Shares for such days;
- (ii) if at any time the aggregate principal amount of the Bonds outstanding, is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 (*Further Issues*)).

Upon the expiry of the Optional Redemption Notice, the Issuer will be bound to redeem the relevant Bonds at their principal amount together with accrued and unpaid interest thereon to but excluding the date fixed for redemption.

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

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

7.3 *Redemption for Taxation Reasons*

- 7.3.1 At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Agent and the Bondholders (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (the "**Tax Redemption Date**"), together with interest accrued and unpaid thereon to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 15 July 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 7.3.1, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer, each of whom are also Authorised Signatories of the Issuer, stating that the obligation referred to in (i) above of this Condition 7.3.1 cannot be avoided by the Issuer having taken reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and stating that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders.
- 7.3.2 On the Tax Redemption Date, the Issuer shall redeem the Bonds at their principal amount together with interest accrued and unpaid to but excluding the Tax Redemption Date, provided that redemption under this Condition 7.3 (*Redemption for Taxation Reasons*) may not occur within seven days of the end of a Restricted Transfer Period, but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.
- 7.3.3 If the Issuer gives a notice of redemption pursuant to this Condition 7.3 (*Redemption for Taxation Reasons*), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 8 (*Taxation*) shall not apply in respect of any payment of principal or interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 8 (*Taxation*) and payment of all amounts shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the government of the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax. For the avoidance of doubt, any Additional Tax Amounts which had been payable in respect of the Bonds as a result of the laws or regulations of the government of the PRC or Hong Kong or, in each case, any authority thereof or therein having power to tax prior to 15 July 2024, will continue to be payable to such Bondholders. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during normal business hours (being between 9.00 a.m. (London time) and 3.00 p.m. (London time) Monday to Friday except for public holidays) a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date. Such notice of election, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

7.4 Redemption at the Option of the Bondholders

The holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on 22 July 2027 (the "**Put Option Date**") at their principal amount together with interest accrued and unpaid to but excluding the Put Option Date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during normal business hours (being between 9.00 a.m. (London time) and 3.00 p.m. (London time) Monday to Friday except for public holidays) a duly completed and signed notice (the "**Put Option Notice**"), substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

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

7.5 Redemption for Relevant Events

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

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

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

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

- (i) the Relevant Event Put Date;
- (ii) the date of such Relevant Event and, briefly, the events causing such Relevant Event;
- (iii) the date by which the Relevant Event Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;

- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise their rights under this Condition 7.5 (*Redemption for Relevant Events*) or their Conversion Right; and
- (viii) that a Relevant Event Put Exercise Notice, once validly given, may not be withdrawn without the Issuer's consent.

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

- (i) “**control**” means the acquisition or control of more than 50 per cent. of the voting rights of the registered share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
- (ii) a “**Change of Control**” occurs when:
 - (a) any person or persons, acting together acquires control of the Issuer; or
 - (b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons acting together, unless the consolidation, merger, sale or transfer will not result in any person acquiring control over the Issuer or the successor entity.
- (iii) a “**Delisting**” occurs when the H Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be);
- (iv) an “**H Share Suspension in Trading**” means the suspension in trading of the H Shares for a period of 30 consecutive H Share Stock Exchange Business Days;
- (v) a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's board of directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect Subsidiaries;
- (vi) a “**Relevant Event**” means the occurrence of either (a) a Change of Control in the Issuer; (b) a Delisting or (c) an H Share Suspension in Trading; and
- (vii) “**voting rights**” means the right generally to vote at general meetings of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

7.6 Purchases

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

7.7 Cancellation

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

7.8 Redemption Notices

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

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

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable on redemption of the Bonds pursuant to this Condition 7 (*Redemption, Purchase and Cancellation*) and none of them shall be liable to the Bondholders or any other person for not doing so.

8 Taxation

8.1 All payments made by or on behalf of the Issuer in respect of the Bonds will be made free from any restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Hong Kong or, in each case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 15 July 2024 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, or any Hong Kong deduction or withholding is required, in such event the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

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

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

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

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

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

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

9 Events of Default

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

9.1 *Non-Payment*: the Issuer (i) fails to pay the principal or premium (if any) interest on any of the Bonds when due and such failure continues for a period of seven days or (ii) fails to pay interest on any of the Bonds when due and such failure to pay interest continues for a period of 14 days; or

9.2 *Default on Conversion*: failure by the Issuer to deliver the H Shares, unless such failure is due to a technical or administrative error and is remedied by the Issuer within three H Share Stock Exchange Business Days or pay the Cash Settlement Amount in U.S. dollars in respect of such H Shares as and when such H Shares are required to be delivered or such Cash Settlement Amount in U.S. dollars is required to be paid, as the case may be, following conversion of a Bond; or

9.3 *Breach of Other Obligations*: the Issuer does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or

9.4 *Insolvency*: the Issuer or any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a substantial part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Principal Subsidiary; or

- 9.5** *Cross-Acceleration*: (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period and in each case, such default continues for more than 10 days after the expiration of any grace period or extension of time for payment applicable thereto; provided that any such Event of Default shall be deemed cured and not continuing upon payment of such indebtedness, rescission of such declaration of acceleration, or waiver or with consent of the applicable lender, or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any present or future indebtedness in respect of moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9.5 (*Cross-Acceleration*) have occurred equals or exceeds U.S.\$200 million or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such indebtedness become due and payable or is not paid or any such amount become due and payable or is not paid under any such guarantee or indemnity); or
- 9.6** *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or
- 9.7** *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any Principal Subsidiary, or the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Principal Subsidiary; or
- 9.8** *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries on any material part of their respective property, assets or revenues becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 90 days; or
- 9.9** *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- 9.10** *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of the PRC or Hong Kong is not taken, fulfilled or done; or
- 9.11** *Nationalisation*: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or any Principal Subsidiary; or
- 9.12** *Analogous Event*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9.6 (*Enforcement Proceedings*) to 9.8 (*Security Enforced*) (both inclusive) or Condition 9.11 (*Nationalisation*).

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

9.13 For purposes of this Condition 9 (*Events of Default*), “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (i) whose total revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement is at least 10 per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Issuer and its consolidated Subsidiaries; or
- (ii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet are at least 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests;

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

- (a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (b) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;
- (c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer; and
- (d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or

- (iii) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Principal Subsidiary, provided that on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of (i) or (ii) above;

A certificate signed by an Authorised Signatory of the Issuer stating that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

10 Prescription

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

11 Meetings of Bondholders, Modification and Waiver

11.1 Meetings

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

11.2 Modification and Waiver

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

11.3 Interests of Bondholders

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

12 Replacement of Certificates

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

13 Enforcement

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

14 Indemnification of the Trustee

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

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

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

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

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

15 Further Issues

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

16 Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia and, so long as the Bonds are listed on the Hong Kong Stock Exchange and the rules of that stock exchange so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be the South China Morning Post). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

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

17 Contracts (Rights of Third Parties) Act 1999

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

18 Governing Law and Jurisdiction

18.1 Governing Law

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

18.2 Jurisdiction

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

18.3 Waiver of Immunity

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

DIVIDENDS

Subject to the laws of the PRC and the Articles of Association of the Company, the Company shall distribute dividends to shareholders on a yearly basis in a specific proportion out of the distributable profit realised for the year. The Company may distribute dividends in cash or in shares. Under favourable circumstances, the Company may distribute interim dividends. Subject to the laws of the PRC, the Company may exercise the power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period. When distributing dividends to shareholders, the Company shall withhold and turn over the tax payable on the dividend income of shareholders based on the amount distributed and in accordance with PRC tax laws.

Dividends or other distributions of the Company shall be declared and calculated in Renminbi. Where the Company makes payment to holders of foreign investment shares in foreign currency, the foreign currency shall be arranged in accordance with the relevant state foreign exchange regulations.

The board of directors has recommended the payment of the 2023 interim dividend of RMB0.93 (2022: RMB0.92) per share (tax inclusive). The board of directors has recommended the payment of a final dividend of RMB1.5 (2022: RMB1.5) per share (tax inclusive) in respect of the year ended 31 December 2023. The dividend has been approved by the Shareholders at the 2023 annual general meeting of the Company.

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

	<u>Cash dividend per share</u>	<u>Cash dividend amount</u>	<u>Cash dividend payout ratio based on operating profit attributable to shareholders of the parent company</u>
	(RMB)	(RMB million)	(%)
2023	2.43	44,002	37.3
2022*	2.42	43,820	29.5

* For 2022, the cash dividend payout ratio based on restated operating profit attributable to shareholders of the parent company was 29.8%.

DESCRIPTION OF THE SHARES

The following information is a summary of certain provisions of the Articles of Association currently effective and certain other information concerning the Company. This summary does not purport to be complete and is qualified in its entirety by reference to the Articles of Association and the Company Law. Any provision of the Articles of Association may be varied by special resolution passed at a general meeting of shareholders of the Issuer as approved by the relevant competent authority according to the applicable laws and rules. Certain amendments on the Articles of Association of the Company have been approved by the shareholders of the Company on 30 May 2024 and the effectiveness of which are still subject to the approval of NFRA. For more details of such amendments please visit the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at www.pingan.cn (the other contents of these websites do not form part of this Offering Circular).

General

The Company was founded on 21 March 1988 and was established as a joint stock limited company in the PRC on 16 January 1997 in accordance with the provisions set out in the Company Law. The H Shares of the Company were listed on the Hong Kong Stock Exchange on 24 June 2004 and the A Shares of the Company were subsequently listed on The Shanghai Stock Exchange on 1 March 2007.

Shareholder Eligibility

According to Article 63 of the Articles of Association, investor whose shareholding ratio reaches 5% or more of the issued shares of the Company by means of trading through the stock exchanges, shall notify the Company within five days after the occurrence of the fact and the Company will correspondingly apply for the approval by the NFRA. The NFRA shall have the right to request the investor who do not meet the relevant qualification requirements to transfer the shares.

Share Capital

As of the date of this Offering Circular, the total share capital of the Company was RMB18,210,234,607 shares with a par value of RMB1.00 each, which can be categorized as follows:

Description of Shares	Number of shares	Approximate percentage of the total share capital
Domestic shares (A Shares)*	10,762,657,695	59.10%
Overseas listed foreign shares (H Shares)	7,447,576,912	40.90%
Total	18,210,234,607	100%

* Including 102,592,612 A Shares in the repurchased securities account of the Company, which were repurchased by the Company pursuant to the repurchase resolutions considered and approved by the board of directors of the Company, accounting for approximately 0.56% of the total share capital of the Company as of the date of this Offering Circular.

Ranking

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

Issue of Shares

The Company may, based on its operational and development requirements, increase its capital in accordance with the relevant provisions of the Articles of Association. The Company may increase its capital by the following methods: (i) by offering new shares to non-specified persons (including to issue new shares to the general public and strategic investors); (ii) by placing new shares to existing shareholders;

(iii) by allotting bonus issue to existing shareholders; (iv) by capitalizing its capital reserve; (v) by issuing convertible bonds; (vi) by formulating employee shareholding schemes in accordance with the law and issue shares to the employee shareholding schemes; (vii) by any other methods which is permitted by laws and administrative regulations.

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

Dividends

According to the Articles of Association of the Company, the accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit realised in the three years, provided that the annual distributable profits of the Company (namely profits after tax of the Company after covering the losses and making contributions to the revenue reserve) are positive in value and such distributions are in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. The annual dividends shall be passed by shareholders in general meeting, and the amount of dividends to be distributed shall be proposed by the board of directors of the Company.

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

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

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

Shareholders' Meetings

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

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

- (i) the number of directors falls short of the minimum number required by the Company Law or is less than two-thirds of the number required by the Articles of Association;
- (ii) the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- (iii) upon request by shareholders individually or collectively holding more than 10% of the Company's share;
- (iv) it is deemed necessary by the board of directors or it is proposed by the supervisory committee;

- (v) as proposed by more than half and no less than two of the independent directors;
- (vi) any other circumstances required by the laws, administrative regulations, departmental rules and the Articles of Association.

When the Company convenes an annual general meeting, a written notice to notify all registered shareholders must be given no later than 20 days before the meeting; when the Company convenes an extraordinary general meeting, a written notice to notify all registered shareholders must be given no later than 15 days before the meeting. Such notice shall contain the matters to be considered at the meeting as well as the date and venue of the meeting.

When the general meeting is held, the board of directors, the supervisory committee and the shareholders individually or collectively holding more than 3% of the Company's shares shall have the right to put forward a proposal in writing to the Company, and the Company shall incorporate those matters in the proposal which fall within the scope of the duties of the general meeting into the agenda of such meeting.

PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the registered holder of the Bonds represented by the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$100,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on confirmation of entitlement and appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer and its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream or any other clearing system (an “**Alternative Clearing System**”) as shall have been selected by the Issuer and approved by the Trustee, the Principal Agent and the Registrar on behalf of which the Bonds evidenced by the Global Certificate may be held, the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to, or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of the Bonds from the Issue Date at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate.

Payments of principal, premium and interest in respect of Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. Such payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Calculation of Interest

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Bondholder's Redemption

The Bondholder's redemption options in Condition 7.4 (*Redemption at the Option of the Bondholders*) and Condition 7.5 (*Redemption for Relevant Events*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Condition 7.2 (*Redemption at the Option of the Issuer*) and Condition 7.3 (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Trustee and the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 7.3 (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by depositing at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bonds within the time limits set out in the Terms and Conditions.

Exchange of Bonds Represented by Global Certificates

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system as shall have been selected by the Issuer and approved by the Trustee, the Principal Agent and the Registrar (on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or

does in fact do so. In such circumstances, the Issuer will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or such Alternative Clearing System) and their respective direct and indirect participants.

TAXATION

The following summary of certain PRC, Hong Kong and European Union tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or the Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Persons considering the purchase of the Bonds should consult their own tax advisors concerning the possible tax consequences of the purchase, ownership and disposition of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of Mainland China for PRC tax purposes (the “non-PRC Holders”). In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Taxation of the Bonds

EIT Tax

The Issuer is considered a PRC tax resident enterprise for the purpose of the PRC EIT Law and is subject to enterprise income tax at a rate of 25 per cent. on its income sourced from both within and outside the PRC. On that basis, Holders will be subject to withholding tax, income tax and other taxes or duties imposed by relevant government authorities in the PRC in respect of the holding of the Bonds or any repayment of principal, and premium (if any) and interest (if any) made thereon, as further described below.

Pursuant to the PRC EIT Law and the PRC IIT Law as amended, and their implementation rules, any non-PRC resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment inside the PRC or any non-PRC resident individual who is not residing in the PRC or who has resided in the PRC for less than 183 days with a tax year, must pay income tax on the PRC-sourced income, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established or tax resided and the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, the Issuer must withhold income tax from the payments of redemption premium (if any) and interest (if any) on the Bonds to any non-PRC resident enterprise Holder at the rate of 10% and any non-PRC resident individual Holder at the rate of 20%.

Under the PRC EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC resident enterprise Holders may be subject to PRC enterprise income tax if such gains are regarded as PRC-sourced income. If the gains derived from the disposal of the Bonds issued by a PRC enterprise and held by non-PRC resident enterprise Holders are regarded as PRC-sourced income, such gain will be subject to PRC enterprise income tax. However, it is not clear under the PRC laws whether the gains realised on the transfer of the Bonds are PRC-sourced for PRC tax purposes. Therefore, there is uncertainty as to whether gains realised on the transfer of the Bonds by non-PRC individual Holders will be subject to PRC individual income tax.

In addition, under the PRC IIT Law, individuals who do not have a domicile in the PRC and have not resided in the PRC, or individuals who do not have a domicile in the PRC but have resided in the PRC for less than 183 days cumulatively within a tax year, shall be deemed as non-resident individuals. Income derived by non-resident individuals from China shall be subject to individual income tax pursuant to the provisions of the PRC IIT Law. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax.

Any PRC tax on interest, redemption premium or transfers of Bonds will apply at a rate of 10 per cent. in the case of non-PRC enterprises without an establishment within the PRC or whose income has no actual connection to its establishment inside the PRC and 20 per cent. in the case of non-PRC individuals unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

The conversion of the Bonds without converting due interests into shares by non-PRC Holders is not subject to PRC income tax.

VAT

On 23 March 2016, the Ministry of Finance and the SAT issued Circular on the Comprehensively Launching of the Pilot Scheme for the Conversion of Business Tax into Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知) (“**Circular 36**”) which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within the PRC and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT from the payment of interest income to Bondholders who are located outside of the PRC.

However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

Taxation of the H Shares

Taxation of Dividends on H Shares

According to the Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of H Shares (Guoshuihan [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)) issued by the SAT, which became effective on 6 November 2008, PRC issuers should withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise

shareholders of H Shares. Non-resident enterprise investors in H-shares can file an application with the PRC tax authorities to apply any tax treatments in accordance with applicable tax agreements (or arrangements). Such investors will be required to provide materials proving that they are the beneficial owners that meet the requirements of any such tax treatments.

According to the PRC IIT Law as amended, and its implementation rules, dividends paid by PRC companies to individual shareholders are generally subject to a PRC withholding tax levied at a flat rate of 20%. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued by the SAT, if a domestic non-foreign-invested enterprise issues its shares in Hong Kong, its non PRC resident individual shareholders may be entitled to preferential tax treatments in accordance with the applicable tax treaties and arrangements. Generally, the distribution of dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to a withholding individual income tax of 10% and there is no need to apply to the PRC tax authorities to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply to the PRC tax authorities for a refund of the excess amount withheld. In accordance with the PRC laws, if an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%. The Issuer will withhold tax from any dividend payment at the applicable tax rate (which may be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the Issuer).

Taxation of Capital Gains related to transfer of H Shares

According to the PRC EIT Law and its implementation rules, a non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment inside the PRC is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including the gains derived from the disposal of equity interests in a PRC enterprise. Such tax may be reduced or eliminated under applicable tax treaties.

According to the PRC IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realised on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the PRC IIT Law, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on 31 December 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167號)) and Supplementary Notice of the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2010] No. 70) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知(財稅[2010]70號)), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax. The aforementioned provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of H Shares.

Tax Arrangements and Treaties

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) with respect to taxes on income, the PRC tax authorities may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident beneficially owns at least 25% equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Stamp duty

Except for the PRC stamp duty on booking capital account (記載資金的賬簿) which must be paid by the Issuer as a result of the issuance of H Shares on the conversion of the Bonds, no PRC stamp duty will be chargeable upon the issue or transfer of the Bonds or H Shares (if the register of the Holders is maintained outside the PRC and the issue or transfer of the Bonds or H Shares are made outside of the PRC).

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the A Shares and H Shares.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the “**FSIE Amendments**”), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 15 July 2024 (the “**Subscription Agreement**”) pursuant to which, and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below.

	Principal amount of the Bonds to be subscribed
	(US\$)
Morgan Stanley Asia Limited.....	2,450,000,000
J.P. Morgan Securities (Asia Pacific) Limited	1,050,000,000
China PA Securities (Hong Kong) Company Limited.....	0
Total	3,500,000,000

The Subscription Agreement provides that the Issuer will indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

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

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIIs (including private banks)

This notice to CMIIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIIs, which require the attention and cooperation of other CMIIs (including private banks). Certain CMIIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, long-only/outright investors, sovereign wealth funds, pension funds, hedge funds, corporates, private banks/broking companies, family offices and high net worth individuals, index funds, fundamental hedge funds, China funds, private equity funds, venture capital funds, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIIs). CMIIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIIs should not place “X-orders” into the order book.

CMIIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code.

In relation to omnibus orders, when submitting such orders, CMIIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: omnibus_equity@morganstanley.com; Asian_ECM_Syndicate@jpmorgan.com; mego.my.cheng@pingan.com.hk; Zack.ZX.Li@pingan.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that it and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (“**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Bonds have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the Bonds nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

PRC

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws or other relevant regulations of the PRC.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 285974623 and the International Securities Identification Number for the Bonds is XS2859746237.
2. **Legal Entity Identifier:** The Issuer's Legal Entity Identifier is 529900M9MC28JLN35U89.
3. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds issued to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 23 July 2024.
3. **Listing of the H Shares:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares arising on conversion of the Bonds. It is expected that dealing in, and listing of, such H Shares on the Hong Kong Stock Exchange will commence when they are issued.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was approved by the resolutions of the board of directors of the Issuer on 15 July 2024 and authorised by the Shareholders at the annual general meeting of the Issuer on 30 May 2024. The H Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate to the Directors of the Issuer at its annual general meeting held on 30 May 2024.
5. **No Material Adverse Change:** There has been no adverse change, nor any development reasonably likely to involve an adverse change, in the financial or trading position, condition (financial or otherwise), general affairs or prospects of the Issuer or the Group since 31 December 2023.
6. **Litigation:** Neither the Issuer nor any member of the Group is involved in any litigation or arbitration proceedings which are material in the context of the issue of the Bonds nor, so far as the Issuer is aware, is any such litigation or arbitration pending or threatened.
7. **Available Documents:** Copies of the Trust Deed, the Agency Agreement and the Articles of Association of the Issuer will be available for inspection from the Issue Date at the Issuer's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong during normal business hours and (with respect to the Trust Deed and the Agency Agreement) at the specified office for the time being of the Principal Agent (at all reasonable times during usual business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday other than public holidays) following prior written request and proof of holding and identity to the satisfaction of the Principal Agent), so long as any of the Bonds is outstanding.
8. **Consolidated Financial Statements:** The Issuer's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023, which are included in this Offering Circular, have been audited by Ernst & Young, the independent auditors of the Issuer. The Issuer's financial results as at and for the three months ended 31 March 2024, which are included in the section entitled "*Recent Development*" of this Offering Circular, have not been audited or reviewed by the independent auditors.
9. **Auditor's Consent:** The independent auditors of the Issuer have agreed to the reproduction in this Offering Circular of, and all references to, (i) their name and (ii) their audit reports on the consolidated financial statements of the Issuer as at and for the years ended 31 December 2022 and 2023.

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Note:

- (1) The independent auditor's reports on the Company's consolidated financial statements as at and for the years ended 31 December 2022 and 2023 set out herein are reproduced from the Company's annual reports as at and for the years ended 31 December 2022 and 2023. Page references contained in such independent auditor's reports refer to pages set out in such annual reports.

Independent Auditor’s Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People’s Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 188 to 354, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) 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 (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Valuation of insurance contract liabilities

As at 31 December 2023, the Group's insurance contract liabilities amounted to RMB4,159,801 million, representing 40% of total liabilities. We identified the valuation of insurance contract liabilities as a key audit matter, as it requires significant estimates and judgements.

The valuation of insurance contract liabilities involves significant judgement and estimates over the eligibility for the measurement approach, the determination of coverage unit and the uncertain future cash flows.

With the support of our internal experts, we performed the following audit procedures:

- Reviewed the Group's accounting policies in relation to the valuation of insurance contract liabilities.
- Evaluated and tested the design and operating effectiveness of key controls over the valuation of insurance contract liabilities.
- Evaluated and tested the design and operating effectiveness of the related IT systems and controls over the valuation of insurance contract liabilities, including IT general controls, data transmission and computational logic of the related systems.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of insurance contract liabilities (continued)</i>	
<p>Complex actuarial models and actuarial assumptions with highly judgemental nature are used to support the valuation of insurance contract liabilities. Key assumptions include mortality, morbidity, lapse rates, discount rates, expenses, claim ratios, policy dividends and risk adjustment for non-financial risk, etc.</p> <p>Relevant disclosures are included in Note 2.(28), Note 3.(4), Note 3.(5), Note 3.(6), Note 3.(7), Note 43 and Note 49.(1) to the consolidated financial statements.</p>	<ul style="list-style-type: none">- Evaluated the reasonableness of key judgements and assumptions.- Assessed the appropriateness of the valuation approaches of insurance contract liabilities. Performed independent recalculation on insurance contract liabilities of selected typical insurance products or groups of insurance contracts.- Tested the completeness and accuracy of the underlying data used in the valuation of insurance contract liabilities.- Evaluated the overall reasonableness of the insurance contract liabilities by performing movement analysis and assessing the impact of changes in assumptions.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income

As at 31 December 2023, the Group's loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income represented 29%, 11% and 23% of total assets and the amounts of expected credit loss provision for loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income were RMB100,045 million, RMB46,977 million and RMB8,818 million respectively.

We identified the impairment assessment of loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income as a key audit matter, as it involves significant management judgements and assumptions.

The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:

- Significant increase in credit risk - The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income with longer remaining periods to maturity.

We evaluated and tested the design and operating effectiveness of key controls over the approval process, post approval credit management, credit rating system, collateral monitoring, deferred principal and interest payments as well as impairment assessment of loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, including relevant data quality and information systems.

We adopted a risk-based sampling approach in our credit review procedures on loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income. We assessed the debtors' repayment capacity and evaluated the Group's credit rating, taking into consideration post lending or investing investigation reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our internal experts, we evaluated and tested the important parameters of the expected credit loss model, management's significant judgements and related assumptions, mainly focusing on the following aspects.

- 1) Expected credit loss model:
 - In response to the macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income (continued)

- Models and parameters - Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.
- Forward-looking information - Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights.
- Individual impairment assessment - Identifying credit impaired loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

Relevant disclosures are included in Note 2.(12), Note 3.(3), Note 24, Note 26, Note 27 and Note 49.(3) to the consolidated financial statements.

- Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios.
- Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.
- 2) Design and operating effectiveness of key controls:
 - Evaluated and tested the data and processes used to determine expected credit losses, including business data, internal credit rating data, macroeconomic data, as well as impairment system computational logic, inputs and interfaces among relevant systems.
 - Evaluated and tested key controls over expected credit loss models, including approval of model changes, ongoing monitoring of model performance, model validation and parameter calibration.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

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. Our report is made 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement 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.

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

We communicate with the Audit and Risk Management Committee 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 the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Management Committee, 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 *Benny Bing Yin Cheung*.

Ernst & Young
Certified Public Accountants

Hong Kong
21 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

(in RMB million)	Notes	2023	2022 (Restated)
Insurance revenue	6	536,440	525,981
Interest revenue from banking operations	7	227,552	228,784
Interest revenue from non-banking operations	8	118,503	115,933
Fees and commission revenue from non-insurance operations	9	45,806	45,982
Investment income	10	33,324	(2,311)
Share of profits and losses of associates and joint ventures		1,434	10,165
Other revenues and other gains	11	68,804	60,652
Total revenue		1,031,863	985,186
Insurance service expenses	12	(440,178)	(422,221)
Allocation of reinsurance premiums paid		(14,179)	(14,919)
Less: Amount recovered from reinsurer		10,448	10,605
Net insurance finance expenses for insurance contracts issued	43	(123,959)	(99,933)
Less: Net reinsurance finance income for reinsurance contracts held		542	564
Interest expenses on banking operations	7	(108,605)	(97,688)
Fees and commission expenses on non-insurance operations	9	(8,773)	(9,928)
Net impairment losses on financial assets	13	(77,744)	(80,553)
Net impairment losses on other assets	14	(1,327)	(1,367)
Foreign exchange gains/(losses)		120	3,144
General and administrative expenses	15	(83,877)	(79,815)
Changes in insurance premium reserves		(230)	(78)
Interest expenses on non-banking operations		(24,346)	(22,698)
Other expenses	15	(39,638)	(27,964)
Total expenses		(911,746)	(842,851)
Profit before tax	15	120,117	142,335
Income tax	16	(10,843)	(7,518)
Profit for the year		109,274	134,817
Attributable to:			
- Owners of the parent		85,665	111,008
- Non-controlling interests		23,609	23,809
		109,274	134,817
Earnings per share attributable to ordinary equity holders of the parent:		RMB	RMB
- Basic	18	4.84	6.36
- Diluted	18	4.74	6.27

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(in RMB million)	2023	2022 (Restated)
Profit for the year	109,274	134,817
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of debt instruments at fair value through other comprehensive income	91,144	13,944
Credit risks provision of debt instruments at fair value through other comprehensive income	(314)	1,530
Insurance finance expenses for insurance contracts issued	(117,017)	(36,851)
Reinsurance finance income for reinsurance contracts held	240	10
Reserve from cash flow hedging instruments	358	(350)
Exchange differences on translation of foreign operations	812	3,914
Share of other comprehensive income of associates and joint ventures	(579)	35
Items that will not be reclassified to profit or loss:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	17,575	6,254
Insurance finance expenses for insurance contracts issued	(11,062)	(4,413)
Share of other comprehensive income of associates and joint ventures	(16)	59
Other comprehensive income for the year, net of tax	(18,859)	(15,868)
Total comprehensive income for the year	90,415	118,949
Attributable to:		
- Owners of the parent	66,819	94,484
- Non-controlling interests	23,596	24,465
	90,415	118,949

Consolidated Statement of Financial Position

As at 31 December 2023

(in RMB million)	Notes	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Assets				
Cash and amounts due from banks and other financial institutions	19	804,077	774,841	592,151
Balances with the Central Bank	20	270,976	281,115	308,348
Financial assets purchased under reverse repurchase agreements	21	167,660	91,514	61,583
Accounts receivable		35,636	36,118	26,628
Derivative financial assets	22	44,978	29,278	30,957
Insurance contract assets	43	3	-	-
Reinsurance contract assets		22,215	20,615	19,926
Finance lease receivable	23	180,674	186,858	200,701
Loans and advances to customers	24	3,318,122	3,238,054	2,980,975
Financial assets at fair value through profit or loss	25	1,803,047	1,640,519	1,445,641
Financial assets at amortized cost	26	1,243,353	1,124,035	1,064,246
Debt financial assets at fair value through other comprehensive income	27	2,637,008	2,500,790	2,265,326
Equity financial assets at fair value through other comprehensive income	28	264,877	264,771	277,883
Investments in associates and joint ventures	29	258,877	280,793	284,061
Statutory deposits for insurance operations	30	14,903	14,444	12,606
Investment properties	31	121,406	114,763	86,041
Property and equipment	32	50,401	53,657	49,758
Intangible assets	33	99,078	99,411	68,462
Right-of-use assets	34	9,794	12,580	14,185
Deferred tax assets	46	101,337	89,321	64,289
Other assets	35	134,995	156,463	140,312
Total assets		11,583,417	11,009,940	9,994,079
Equity and liabilities				
Equity				
Share capital	36	18,210	18,280	18,280
Reserves	37	263,752	268,724	267,475
Treasury shares	40	(5,001)	(10,996)	(9,895)
Retained profits	37	622,050	593,183	540,629
Equity attributable to owners of the parent		899,011	869,191	816,489
Non-controlling interests	37	329,953	316,805	265,449
Total equity		1,228,964	1,185,996	1,081,938

(in RMB million)	Notes	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Liabilities				
Due to banks and other financial institutions	41	963,718	923,088	797,646
Financial liabilities at fair value through profit or loss		48,619	84,659	57,376
Derivative financial liabilities	22	44,531	39,738	35,049
Assets sold under agreements to repurchase	42	241,803	271,737	127,718
Accounts payable		8,858	10,349	6,663
Income tax payable		7,117	16,076	16,247
Insurance contract liabilities	43	4,159,801	3,671,177	3,340,870
Reinsurance contract liabilities		53	105	-
Customer deposits and payables to brokerage customers	44	3,534,539	3,431,999	3,002,049
Bonds payable	45	964,007	931,098	1,097,523
Lease liabilities	34	10,234	13,013	14,208
Deferred tax liabilities	46	14,148	14,217	13,605
Other liabilities	47	357,025	416,688	403,187
Total liabilities		10,354,453	9,823,944	8,912,141
Total equity and liabilities		11,583,417	11,009,940	9,994,079

The financial statements on pages 188 to 354 were approved and authorized for issue by the Board of Directors on 21 March 2024 and were signed on its behalf.

MA Mingzhe
Director

XIE Yonglin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(in RMB million)	For the year ended 31 December 2023											
	Reserves										Total equity	
	Share capital	Share premium	Financial assets at FVOCI reserves	Insurance finance expenses for insurance contracts issued	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits		Non-controlling interests
As at 31 December 2022	18,280	118,095	(30,778)	-	39,099	12,164	115,104	2,046	(10,996)	595,661	316,623	1,175,298
Changes in accounting policies	-	-	115,744	(84,153)	(21,361)	-	2,764	-	-	(2,478)	182	10,698
As at 1 January 2023	18,280	118,095	84,966	(84,153)	17,738	12,164	117,868	2,046	(10,996)	593,183	316,805	1,185,996
Profit for the year	-	-	-	-	-	-	-	-	-	85,665	23,609	109,274
Other comprehensive income for the year	-	-	107,935	(127,456)	(80)	-	-	755	-	-	(13)	(18,859)
Total comprehensive income for the year	-	-	107,935	(127,456)	(80)	-	-	755	-	85,665	23,596	90,415
Dividends declared (Note 17)	-	-	-	-	-	-	-	-	-	(44,002)	-	(44,002)
Appropriations to general reserves	-	-	-	-	-	-	12,485	-	-	(12,485)	-	-
Disposal of equity investments at fair value through other comprehensive income	-	-	2,998	(2,687)	-	-	-	-	-	(311)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(7,023)	(7,023)
Equity transactions with non-controlling interests	-	-	-	-	(106)	-	-	-	-	-	(1,817)	(1,923)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	48	48
Key Employee Share Purchase Plan (Note 38)	-	-	-	-	(30)	-	-	-	-	-	-	(30)
Long-term Service Plan (Note 39)	-	-	-	-	(3,979)	-	-	-	-	-	-	(3,979)
Cancellation of repurchased shares (Note 36)	(70)	(5,925)	-	-	-	-	-	-	5,995	-	-	-
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,675)	(2,675)
Others	-	11,569	-	-	(451)	-	-	-	-	-	1,019	12,137
As at 31 December 2023	18,210	123,739	195,899	(214,296)	13,092	12,164	130,353	2,801	(5,001)	622,050	329,953	1,228,964

(in RMB million)	For the year ended 31 December 2022 (Restated)											
	Reserves										Total equity	
	Share capital	Share premium	Financial assets at FVOCI reserves	Insurance finance expenses for insurance contracts issued	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits		Non-controlling interests
As at 31 December 2021	18,280	111,598	(36,413)	-	47,302	12,164	101,108	(1,573)	(9,895)	569,834	265,318	1,077,723
Changes in accounting policies	-	-	99,124	(41,884)	(25,964)	-	2,013	-	-	(29,205)	131	4,215
As at 1 January 2022	18,280	111,598	62,711	(41,884)	21,338	12,164	103,121	(1,573)	(9,895)	540,629	265,449	1,081,938
Profit for the year	-	-	-	-	-	-	-	-	-	111,008	23,809	134,817
Other comprehensive income for the year	-	-	21,161	(41,062)	(242)	-	-	3,619	-	-	656	(15,868)
Total comprehensive income for the year	-	-	21,161	(41,062)	(242)	-	-	3,619	-	111,008	24,465	118,949
Dividends declared (Note 17)	-	-	-	-	-	-	-	-	-	(43,820)	-	(43,820)
Appropriations to general reserves	-	-	-	-	-	-	14,747	-	-	(14,747)	-	-
Disposal of equity investments at fair value through other comprehensive income	-	-	1,094	(1,207)	-	-	-	-	-	113	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,585)	(6,585)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	42,437	42,437
Equity transactions with non-controlling interests	-	-	-	-	96	-	-	-	-	-	(2,959)	(2,863)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	916	916
Key Employee Share Purchase Plan (Note 38)	-	-	-	-	85	-	-	-	-	-	-	85
Long-term Service Plan (Note 39)	-	-	-	-	(4,113)	-	-	-	-	-	-	(4,113)
Acquisition of shares	-	-	-	-	-	-	-	-	(1,101)	-	-	(1,101)
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(7,164)	(7,164)
Others	-	6,497	-	-	574	-	-	-	-	-	246	7,317
As at 31 December 2022	18,280	118,095	84,966	(84,153)	17,738	12,164	117,868	2,046	(10,996)	593,183	316,805	1,185,996

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(in RMB million)	Notes	2023	2022 (Restated)
Net cash flows from operating activities	53	360,403	476,776
Cash flows from investing activities			
Purchases of property and equipment, intangibles and other long-term assets		(7,810)	(8,871)
Proceeds from disposal of property and equipment, intangibles and other long-term assets, net		1,068	568
Proceeds from disposal of investments		1,756,672	2,012,393
Purchases of investments		(2,066,919)	(2,406,664)
Acquisition of subsidiaries, net		-	(37,620)
Disposal of subsidiaries, net		65	507
Interest received		139,390	146,953
Dividends received		73,533	76,974
Net cash flows used in investing activities		(104,001)	(215,760)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		2,999	3,104
Proceeds from bonds issued		1,064,814	773,258
(Decrease)/increase in assets sold under agreements to repurchase of insurance operations, net		(81,822)	118,241
Proceeds from borrowings		107,295	186,022
Repayment of borrowings		(1,202,227)	(1,206,226)
Interest paid		(22,380)	(28,218)
Dividends paid		(50,707)	(49,582)
(Decrease)/increase in insurance placements from banks and other financial institutions, net		(5,166)	2,266
Payment of acquisition of shares		-	(1,101)
Payment of shares purchased for Long-term Service Plan		(4,451)	(4,439)
Repayment of lease liabilities		(5,522)	(6,533)
Payment of redemption for other equity instruments by subsidiaries		(5,650)	(10,100)
Others		(19,239)	(7,565)
Net cash flows used in financing activities		(222,056)	(230,873)
Net increase in cash and cash equivalents		34,346	30,143
Net foreign exchange differences		1,924	8,580
Cash and cash equivalents at the beginning of the year		444,202	405,479
Cash and cash equivalents at the end of the year	52	480,472	444,202

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the “Company”) was registered in Shenzhen, the People’s Republic of China (the “PRC”) on 21 March 1988. The business scope of the Company includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, conducting insurance funds investment, domestic and overseas insurance and other business approved by regulators. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses.

The registered office address of the Company is 47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong Province, China.

These consolidated financial statements are presented in millions of Renminbi (“RMB”) unless otherwise stated.

2. MATERIAL ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (“IASB”), also comply with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the applicable disclosure requirements of the *Hong Kong Companies Ordinance*. They have been prepared under the historical cost convention, except for some financial instruments, insurance contract assets or liabilities and reinsurance contract assets or liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

The Group adopted International Financial Reporting Standard 17 Insurance Contracts (“IFRS 17”) on 1 January 2023 and restated the comparative information in accordance with IFRS 17. The adoption of IFRS 17 has brought about major changes in the recognition for insurance revenue and insurance service expenses, the measurement of insurance contract liabilities and the presentation of financial statements. The new accounting policies in relation to insurance contracts are set out in Note 2.(28).

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (Continued)

In accordance with IFRS 17, the Group is not required to disclose the amount of the adjustment for each financial statement line item affected for the current period and each prior period presented. Therefore, the Group has only summarized the impact of the adoption of IFRS 17 on key financial indicators for the comparative period, as disclosed below:

	Before the adoption of IFRS 17 31 December 2022	Impact of the adoption of IFRS 17	After the adoption of IFRS 17 31 December 2022
Total assets	11,137,168	(127,228)	11,009,940
Total liabilities	9,961,870	(137,926)	9,823,944
Equity attributable to owners of the parent	858,675	10,516	869,191

The Group has adopted IFRS 9 Financial Instruments before 1 January 2023. In accordance with IFRS 17, the Group reassessed its business models for managing financial assets and redetermined the classification of financial assets held for activities related to insurance contracts based on the measurement models of the insurance contracts on 1 January 2023. For financial assets derecognized between 1 January 2022 and 31 December 2022, the Group has applied the classification overlay to reclassify them item-by-item based on same classification method, and adjusted the comparative information. The major changes in the above reclassification of financial assets were disclosed as follows:

	Before reclassification 31 December 2022	Impact of the reclassification	After reclassification 31 December 2022
Financial assets at amortized cost	3,004,502	(1,880,467)	1,124,035
Debt financial assets at fair value through other comprehensive income	467,031	2,033,759	2,500,790

In accordance with IFRS 17, considering that retrospective approach is impracticable for some of the groups of insurance contracts, the Group has applied the modified retrospective approach or the fair value approach on the transition date.

(3) ISSUED BUT NOT YET EFFECTIVE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Group has not adopted the following revised IFRSs that have been issued but are not yet effective.

Standards/Amendments	Content	Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

These amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(4) BUSINESS COMBINATIONS AND GOODWILL

Business combinations that are not under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(5) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full, unless the transaction provides evidence of an impairment of the transferred asset.

Total comprehensive income within a subsidiary is still attributed to the non-controlling interest even if it results in a deficit balance. If the Group loses control over a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Derecognizes the cumulative translation differences recorded in equity;
- (d) Recognizes the fair value of the consideration received;
- (e) Recognizes the fair value of any investment retained;
- (f) Recognizes any surplus or deficit in profit or loss; and
- (g) Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(6) SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(7) STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

The Group has determined that all of its fund products, trust products, debt investment plans, equity investment plans and asset funding plans, which are not controlled by the Group, are unconsolidated structured entities. Fund products, trust products, equity investment plans and asset funding plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in bonds, stocks and loans or equities of other companies. Debt investment plans are managed by affiliated or unaffiliated asset managers and its major investment objectives are infrastructure funding projects. Fund products, trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holders to agreed stake according to contractual terms in the respective fund products', trust products', debt investment plans', equity investment plans' and asset funding plans' income.

The Group holds beneficiary certificates in its fund products, trust products, debt investment plans, equity investment plans and asset funding plans.

(8) ASSOCIATES

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize impairment losses on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(8) ASSOCIATES (CONTINUED)

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment, as well as the gain on disposal of the associates, are recognized in profit or loss.

The results of associates are included in the Group's income statement to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(9) JOINT VENTURES

The Group has assessed the nature of its joint ventures and determined them to be joint ventures. The Group has rights to the net assets of these joint ventures. The Group's investments in its joint ventures are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 2.(8) for details of the equity method of accounting.

(10) FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss on change arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in profit or loss and other comprehensive income, respectively).

The functional currency of most of overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange differences on translation of foreign operations reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates for their functional and currencies ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(11) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, current accounts with the Central Bank and short term highly liquid investments including assets purchased under reverse repurchase agreements and others which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(12) FINANCIAL ASSETS

Recognition

The Group shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

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

Classification and measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

- (a) those to be measured at amortized cost ("AC");
- (b) those to be measured at fair value through other comprehensive income ("FVOCI"); or
- (c) those to be measured at fair value through profit or loss ("FVPL").

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The debt investments shall be classified as FVPL if the cash flows characteristics cannot pass the test on solely payments of principal and interest on the principal amount. Otherwise, the classification of debt investments will depend on the business model provided the fair value option is not elected. Investments in equity instruments are classified as FVPL in general, except those designated as at FVOCI.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Classification and measurement (Continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, etc. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- (a) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the Group mainly include cash and amounts due from banks and other financial institution, balances with the Central Bank, accounts receivable, finance lease receivable, financial assets at AC, loans and advances to customers measured at AC, etc.
- (b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Such assets held by the Group mainly include debt financial assets at FVOCI and loans and advances to customers measured at FVOCI, etc.
- (c) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. The gains or losses from fair value changes on the debt investments measured at FVPL are recognized in profit or loss. The Group also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows that are due to the entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI, and with the exposure arising from loan commitments and financial guarantee contracts that are not accounted for as “insurance contracts”. A number of significant judgements are required in measuring the expected credit loss (“ECL”), such as:

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

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a “three-stage” model expected credit loss models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognized into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group. The impairment provisions are measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition;

Stage 2: If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The impairment provisions are measured based on expected credit losses on a lifetime basis;

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. The impairment provisions are measured based on expected credit losses on lifetime basis.

For the financial instruments at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e., amortized cost) before adjusting for impairment provision using the effective interest method. For the financial instruments at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

The Group recognizes or reverses the impairment provision through profit or loss. For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial instruments and correspondingly reduce the accumulated changes in fair value included in the other comprehensive income reserves of equity.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment (Continued)

For account receivables, the Group refers to historical experience of credit loss, combines with current situation and forward-looking information, formulate the lifetime expected credit loss of the financial assets.

For loan commitments' the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

Derecognition

Financial assets are derecognized when:

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

When the equity financial assets measured at FVOCI are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained profits. When the other financial assets are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

(13) FINANCIAL LIABILITIES

At initial recognition, the Group classifies a financial liability at fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When a financial liability (or part of it) is extinguished, the Group derecognizes the financial liability (or part of it). The difference between the carrying amount of the derecognized liability and the consideration is recognized in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

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 other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

- (a) are incurred principally for the purpose of repurchasing in the near term;
- (b) on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) are derivatives (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

The above financial liabilities are subsequently measured at fair value. All the realized and unrealized gains/ (losses) are recognized in profit or loss.

The Group may, at initial recognition, designate a financial liability as at fair value through profit or loss when one of the following criteria is met:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- (b) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel;
- (c) a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows.

Once designated as financial liabilities at fair value through profit or loss at initial recognition, the financial liabilities shall not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value. Any changes in fair value are recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognized in other comprehensive income. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

Other financial liabilities

The Group measures other financial liabilities subsequently at amortized cost, using the effective interest method. Other financial liabilities of the Group mainly include customer deposits and payables to brokerage customers, short-term borrowings, long-term borrowings and bonds payable, etc.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss, which incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group initially measures such contracts at fair value. The fair value at inception is likely to equal the premium received. This amount is recognized rateably over the period of the contract in fees and commission income. Subsequently, the liabilities arising from the financial guarantee contracts are measured at the higher of premium received on the initial recognition less income recognized in accordance with the principles of IFRS 15, and the amount of impairment provision calculated as described in Note 2.(12) -impairment.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IFRS 9, the Group has also regarded certain financial guarantee contracts as insurance contracts.

(14) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, forward currency contracts and swap transaction, credit swap and stock index futures, etc. Such derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Except for those related to hedge accounting, the gains or losses from fair value changes of derivatives are recognized in profit or loss.

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

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

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

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial instruments where there is active market, the fair value is determined by quoted prices in active markets. For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the inputs should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Such techniques include using recent prices in arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies.

(16) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(17) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is recognized and presented as "assets sold under agreements to repurchase" for the proceeds from selling such assets. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such non-cash collateral assets continue to be recognized on the balance sheet. The difference between the selling price and repurchasing price is recognized as interest expense over the term of the agreement using the effective interest method.

The amounts advanced under these agreements are recognized and presented as "financial assets purchased under reverse repurchase agreements". The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repurchase the assets, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as interest income over the term of the agreement using the effective interest method.

Sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the bank and securities businesses are included in the operating activities of consolidated statement of cash flows and sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the insurance business are included in the financing and investing activities of consolidated statement of cash flows.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(18) FINANCE LEASE RECEIVABLE AND UNEARNED FINANCE INCOME

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments, the unguaranteed residual value and the initial direct costs and (b) the aggregate of their present values is recognized as unearned finance lease income. Finance lease receivable net of unearned finance lease income which represents the Group's net investment in the finance lease is presented as finance lease receivable in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease, and is recognized as "other revenues and other gains".

The impairment provision measurement and derecognition of finance lease receivable are complied with the basic accounting policy of the financial assets (Note 2.(12)). The Group incorporates forward looking information in estimating the expected credit loss for finance lease receivable. The Group derecognizes finance lease receivables when the rights to receive cash flows from the finance lease have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Refer to Note 13 and Note 23 for details.

(19) PRECIOUS METALS

The Group's precious metals represent gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net recoverable amount. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in income statement.

(20) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (0% to 10% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 15 to 40 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use or the investment property is sold.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(21) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal assumptions used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	-	Over the shorter of economic useful lives and terms of the leases
Buildings	0% - 10%	15 - 40 years
Equipment, furniture and fixtures	0% - 10%	3 - 15 years
Motor vehicles	0% - 15%	3 - 25 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(22) CONSTRUCTION IN PROGRESS

Construction in progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation, less any impairment losses.

No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(23) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Core deposits

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.

Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently amortized on the straight-line basis over the contract terms.

Prepaid land premiums

Prepaid land premiums are prepayments for land under PRC law for fixed periods. Prepaid land premiums are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. All lands related to the Group's prepaid land premiums are located in Mainland China.

Trademarks

Trademarks are initially stated at cost and subsequently amortized on the straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Expressway operating rights	20 – 30 years
Prepaid land premiums	30 – 50 years, indefinite
Core deposits	20 years
Trademarks	10 – 40 years, indefinite
Software and others (including patents and know-how, customer relationships and contract rights, etc.)	2 – 25 years

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(24) FORECLOSED ASSETS

Foreclosed assets are initially recognized at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the end of the reporting period, the foreclosed assets are measured at the lower of their carrying value and net recoverable amount. When the carrying value of the foreclosed assets is higher than the net recoverable amount, a provision for the decline in value of foreclosed assets is recognized as impairment losses in the income statement.

(25) INVENTORIES

The Group's inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased for property development by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and condition.

The actual cost of inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. Estimates of net recoverable amount are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence of events after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable value.

After allotting inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable value of the inventories are higher than their cost, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profit and loss.

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use 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. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to 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. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

(27) INSURANCE GUARANTEE FUND

The Group calculates the insurance guarantee fund based on the sum of benchmark rate and risk differential rate for the year:

- (a) Benchmark rate: 0.8% of the consideration received for property insurance, short-term health insurance and accident insurance; 0.3% of the consideration received for life insurance, long-term health insurance and annuities; including 0.05% of the consideration received for investment-linked insurance.
- (b) Risk differential rate: based on the result of the solvency integrated risk rating.

No additional provision is required for Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health Insurance"), when the accumulated insurance guarantee fund balances of life insurance industry reach 1% of the industry total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty"), no additional provision is required when the accumulated balance of property and casualty insurance industry reaches 6% of the industry total assets.

The consideration received used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies, excluding VAT.

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS

(28.1) Definition of insurance contract

Insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insured event is an uncertain future event covered by an insurance contract that creates insurance risk. Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer.

The Group applies IFRS 17 to:

- (a) insurance contracts, including reinsurance contracts, the Group issues;
- (b) reinsurance contracts the Group holds;
- (c) insurance contracts the Group acquired in a transfer of insurance contracts or a business combination;
- (d) investment contracts with discretionary participation features the Group issues.

Reinsurance contract is an insurance contract issued by the reinsurer to compensate the cedent for claims arising from one or more insurance contracts issued by the cedent.

Investment contract with discretionary participation features is a financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts:

- (a) that are expected to be a significant portion of the total contractual benefits;
- (b) the timing or amount of which are contractually at the discretion of the issuer; and
- (c) that are contractually based on the returns on specified items.

Insurance contract with direct participation features is an insurance contract that meet the following conditions at inception:

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

Reinsurance contracts issued and reinsurance contracts held cannot be insurance contracts with direct participation features.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.2) Identification of insurance contract

The Group assesses the significance of insurance risk contract by contract. A contract is an insurance contract only if it transfers significant insurance risk. A contract that meets the definition of an insurance contract remains an insurance contract until all rights and obligations are extinguished (i.e., discharged, cancelled or expired), unless the contract is derecognized because of a contract modification.

Below assessments are performed to determine whether the insurance risk is significant:

- (a) Insurance risk is significant if, and only if, an insured event could cause the Group to pay additional amounts that are significant in any single scenario that has commercial substance, even if the insured event is extremely unlikely, or even if the expected probability-weighted present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts that exceed those that would be payable if no insured event had occurred. Those additional amounts include claims handling and assessment costs.
- (b) In addition, a contract transfers significant insurance risk only if there is a scenario that has commercial substance in which the Group has a possibility of a loss on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

(28.3) Combination of insurance contracts

A set or series of insurance contracts with the same or a related counterparty may achieve, or be designed to achieve, an overall commercial effect. In order to report the substance of such contracts, the Group treats the set or series of contracts as a whole.

(28.4) Separating components from an insurance contract

An insurance contract may contain more components. The Group separates the following non-insurance components from such contracts:

- (a) embedded derivatives that should be separated in accordance with IFRS 9;
- (b) distinct investment components, except for those that can meet the definition of investment contract with discretionary participation features;
- (c) promises to transfer distinct goods or services other than insurance contract services.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.4) Separating components from an insurance contract (Continued)

Investment component is the amounts that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. An investment component is distinct if, and only if, both the following conditions are met:

- (a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if, and only if:
 - (i) the Group is unable to measure one component without considering the other. Thus, if the value of one component varies according to the value of the other, the two components are highly interrelated; or
 - (ii) the policyholder is unable to benefit from one component unless the other is also present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated; and
- (b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

Insurance contract services are the services that the Group provides to a policyholder of an insurance contract, including: coverage for an insured event (insurance coverage); for insurance contracts without direct participation features, the generation of an investment return for the policyholder (investment-return service); and for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service). The Group separates from an insurance contract a promise to transfer distinct goods or services other than insurance contract services to a policyholder. For the purpose of separation, the Group does not consider activities that the Group must undertake to fulfill a contract unless the Group transfers a good or service other than insurance contract services to the policyholder as those activities occur. A good or service other than an insurance contract service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. A good or service other than an insurance contract service that is promised to the policyholder is not distinct if: the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract; and the Group provides a significant service in integrating the good or service with the insurance components.

After the separation of any cash flows related to embedded derivatives and distinct investment component, the Group attributes the remaining cash flows to insurance component (including unseparated embedded derivatives, non-distinct investment component and promises to transfer goods or services other than insurance contract services which are not distinct) and promises to transfer distinct goods or services other than insurance contract services.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.5) Level of aggregation of insurance contracts

The Group identifies portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. The Group divides portfolios of insurance contracts into groups of insurance contracts and applies the recognition and measurement requirements to the groups of insurance contracts. Insurance contracts issued more than one year apart are not included in the same group. The Group determines the group to which contracts belong by considering individual contracts. If the Group has reasonable and supportable information to conclude that a set of contracts will all be in the same group, the Group may measure the set of contracts to determine the group.

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

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

(28.6) Recognition of insurance contracts

The Group recognizes a group of insurance contracts it issues from the earliest of the following:

- (a) the beginning of the coverage period of the group of contracts;
- (b) the date when the first payment from a policyholder in the group becomes due; and
- (c) for a group of onerous contracts, when the group becomes onerous.

For individual contract that meet one of the criteria set out above, the Group determines the group to which it belongs at initial recognition and does not reassess the composition of the groups subsequently. Coverage period is the period during which the Group provides insurance contract services.

The Group recognizes an asset for insurance acquisition cash flows paid or payable before the related group of insurance contracts is recognized. The Group allocates insurance acquisition cash flows to groups of insurance contracts using a systematic and rational method. Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Group derecognizes an asset for insurance acquisition cash flows when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts. At the end of each reporting period, the Group assesses the recoverability of an asset for insurance acquisition cash flows if facts and circumstances indicate the asset may be impaired. If the Group identifies an impairment loss, the Group adjusts the carrying amount of the asset and recognizes the impairment loss in profit or loss. The Group recognizes in profit or loss a reversal of some or all of an impairment loss previously recognized and increase the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts

(28.7.1) General model

Measurement on initial recognition

On initial recognition, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The contractual service margin represents the unearned profit the Group will recognize as it provides insurance contract services under the insurance contracts in the group. The fulfilment cash flows comprise:

- (a) estimates of future cash flows;
- (b) an adjustment to reflect the time value of money and the financial risks related to the future cash flows; and
- (c) a risk adjustment for non-financial risk.

Risk adjustment for non-financial risk is the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts. The fulfilment cash flows do not reflect the non-performance risk of the Group.

When the Group estimates the future cash flows at a higher level of aggregation, the Group allocates the resulting fulfilment cash flows to individual groups of contracts. The estimates of future cash flows shall:

- (a) be unbiased probability-weighted mean;
- (b) be consistent with observable market prices for market variables;
- (c) be current - the estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future;
- (d) be explicit - the Group shall estimate the cash flows separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- (a) the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- (b) the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.1) General model (Continued)

Measurement on initial recognition (Continued)

The Group uses appropriate discount rate to adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows shall:

- (a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- (b) be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

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

The Group calculates the total amount of below items on initial recognition of a group of insurance contracts:

- (a) the fulfilment cash flows;
- (b) the derecognition at the date of initial recognition of any asset for insurance acquisition cash flows and any other asset or liability previously recognized for cash flows related to the group of contracts;
- (c) any cash flows arising from the contracts in the group at that date.

If the total amount represents net cash inflows, the Group recognizes it as contract service margin. If the total amount represents net cash outflows, the Group recognizes a loss in profit or loss.

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.1) General model (Continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future service allocated to the group at that date and the contractual service margin of the group at that date. The liability for incurred claims comprises the fulfilment cash flows related to past service allocated to the group at that date.

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

- (a) the effect of any new contracts added to the group.
- (b) interest accreted on the carrying amount of the contractual service margin during the reporting period, measured at the discount rates determined at the date of initial recognition of a group of contracts, applied to nominal cash flows that do not vary based on the returns on any underlying items.
- (c) the changes in fulfilment cash flows relating to future service, except that such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or except that such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- (d) the effect of any currency exchange differences on the contractual service margin.
- (e) the amount recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The Group recognizes the reduction in the liability for remaining coverage because of services provided in the period as insurance revenue. The Group recognizes the increase in the liability for incurred claims because of claims and expenses incurred in the period and any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses as insurance service expenses. Insurance revenue and insurance service expenses presented in profit or loss has excluded any investment components.

The Group determines insurance service expenses related to insurance acquisition cash flows in a systematic way on the basis of the passage of time. The Group recognizes the same amount as insurance revenue to reflect the portion of the premiums that relate to recovering those cash flows.

The Group recognizes the change in the liability for remaining coverage and the liability for incurred claims because of the effect of the time value of money and the effect of financial risk as insurance finance income or expenses.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.1) General model (Continued)

Subsequent measurement (Continued)

The Group makes accounting policy choices to portfolios of insurance contracts between:

- (a) including insurance finance income or expenses for the period in profit or loss; or
- (b) disaggregating insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts, the difference between the insurance finance income or expenses and the total insurance finance income or expenses for the period is included in other comprehensive income.

When applying IAS 21 The Effects of Changes in Foreign Exchange Rates to a group of insurance contracts that generate cash flows in a foreign currency, the Group treats the group of contracts, including the contractual service margin, as a monetary item. The Group includes exchange differences on changes in the carrying amount of groups of insurance contracts in the statement of profit or loss, unless they relate to changes in the carrying amount of groups of insurance contracts included in other comprehensive income for insurance finance income or expenses, in which case they are included in other comprehensive income.

(28.7.2) Measurements for insurance contract with direct participation features (Variable Fee Approach)

The Group assesses whether an insurance contract can meet the definition of insurance contracts with direct participation features by using its expectations at inception of the contract and does not perform reassessment afterwards.

Insurance contracts with direct participation features are contracts under which the Group's obligation to the policyholder is the net of:

- (a) the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- (b) a variable fee that the Group will deduct from (a) in exchange for the future service provided by the insurance contract, comprising:
 - (i) the amount of the Group's share of the fair value of the underlying items; less
 - (ii) fulfilment cash flows that do not vary based on the returns on underlying items.

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.2) Measurements for insurance contract with direct participation features (Variable Fee Approach) (Continued)

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

- (a) the effect of any new contracts added to the group.
- (b) the change in the amount of the Group's share of the fair value of the underlying items, except to the extent that:
 - (i) if the Group mitigates the effect of financial risk using derivatives or reinsurance contracts held, when meets certain conditions, the Group may choose to recognize insurance finance income or expenses for the period in profit or loss to reflect some or all of the changes in the effect of the time value of money and financial risk on the amount of the Group's share of the underlying items. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
 - (ii) the decrease in the amount of the Group's share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss; or
 - (iii) the increase in the amount of the Group's share of the fair value of the underlying items is allocated to the loss component of the liability for remaining coverage.
- (c) the changes in fulfilment cash flows relating to future service and do not vary based on the returns on underlying items, except to the extent that:
 - (i) if the Group mitigates the effect of financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss, when meets certain conditions, the Group may choose to recognize insurance finance income or expenses for the period in profit or loss to reflect some or all of the changes in the effect of the time value of money and financial risk on the fulfilment cash flows. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
 - (ii) such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
 - (iii) such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.2) Measurements for insurance contract with direct participation features (Variable Fee Approach) (Continued)

- (d) the effect of any currency exchange differences arising on the contractual service margin.
- (e) the amount recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

For insurance contracts with direct participation features that the Group holds the underlying items, the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income, includes in profit or loss an amount that exactly match the income or expenses included in profit or loss for the underlying items, resulting in the net of the separately presented items being nil.

(28.7.3) Measurements for onerous insurance contracts

If a group of insurance contracts is onerous at the date of initial recognition, or if additional loss caused by contracts added to the group of onerous contracts, the Group recognizes a loss as insurance service expenses in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for remaining coverage for the group being equal to the fulfilment cash flows.

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if meets one of the following conditions, the Group recognizes a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage:

- (a) the amount of unfavourable changes relating to future service in the fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk exceed the carrying amount of the contractual service margin;
- (b) for a group of insurance contracts with direct participation features, the decrease in the amount of the Group's share of the fair value of the underlying items exceed the carrying amount of the contractual service margin.

After the Group has recognized a loss on an onerous group of insurance contracts, the Group allocates below changes of the liability for remaining coverage on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component:

- (a) estimates of the present value of future cash flows for claims and expenses released from the liability for remaining coverage because of incurred insurance service expenses;
- (b) changes in the risk adjustment for non-financial risk recognized in profit or loss because of the release from risk; and
- (c) insurance finance income or expenses.

Any amounts allocated to the loss component of the liability for remaining coverage shall not be recognized as insurance revenue.

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.3) Measurements for onerous insurance contracts (Continued)

After the Group has recognized a loss on an onerous group of insurance contracts, the subsequent measurements are:

- (a) for any subsequent increases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk, and any subsequent decreases in the amount of the Group's share of the fair value of the underlying items, the Group recognizes a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage;
- (b) for any subsequent decreases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk, and any subsequent increases in the amount of the Group's share of the fair value of the underlying items, the Group reverses the insurance service expenses in profit or loss and decreases the loss component of the liability for remaining coverage until that component is reduced to zero, the Group adjusts the contractual service margin only for the excess of the decrease over the amount allocated to the loss component.

(28.7.4) Premium Allocation Approach

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

- (a) the Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying general model, unless the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred; or
- (b) the coverage period of each contract in the group is one year or less.

For contracts issued to which the Group applies the premium allocation approach, the Group assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

Using the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received at initial recognition, minus any insurance acquisition cash flows at that date, and plus or minus any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other asset or liability previously recognized for cash flows related to the group of contracts.

At the end of each subsequent reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus any amounts relating to the amortization of insurance acquisition cash flows recognized as insurance service expenses in the reporting period, plus any adjustment to a financing component, minus the amount recognized as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.7) Measurement of insurance contracts (Continued)

(28.7.4) Premium Allocation Approach (Continued)

The Group adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates determined on initial recognition. The Group is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, to the extent that the fulfilment cash flows exceed the carrying amount of the liability for remaining coverage, the Group recognizes a loss as insurance service expenses in profit or loss and increase the liability for remaining coverage.

The Group measures the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims and other related expenses. The Group is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Group would also not include in the fulfilment cash flows mentioned above any such adjustment.

When the Group applies the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

(28.8) Recognition and measurement for reinsurance contracts held

In addition to the requirements for insurance contracts set out above, the recognition and measurement for reinsurance contracts held are modified as follows. The requirements of measurements for onerous insurance contracts are not applicable for reinsurance contracts held.

(28.8.1) Recognition for reinsurance contracts held

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

- (a) a group of contracts that there is a net gain at initial recognition, if any;
- (b) a group of contracts that at initial recognition have no significant possibility of becoming to have net gain subsequently, if any; and
- (c) a group of the remaining contracts in the portfolio, if any.

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For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.8) Recognition and measurement for reinsurance contracts held (Continued)

(28.8.1) Recognition for reinsurance contracts held (Continued)

The Group recognizes a group of reinsurance contracts held from the earlier of the following:

- (a) the beginning of the coverage period of the group of reinsurance contracts held; and
- (b) the date the Group recognizes an onerous group of underlying insurance contracts.

If a group of reinsurance contracts held provide proportionate coverage, the Group recognizes such group of reinsurance contracts held from the earlier of the following:

- (a) the later date of the beginning of the coverage period of the group of reinsurance contracts held and the date that any underlying insurance contract is initially recognized; and
- (b) the date the Group recognizes an onerous group of underlying insurance contracts.

(28.8.2) Measurement for reinsurance contracts held

On initial recognition, the Group measures a group of reinsurance contracts held at the total of the fulfilment cash flows and the contractual service margin. The contractual service margin represents the net cost or net gain the Group will recognize as it receives insurance contract services from the reinsurer.

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

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

On initial recognition for a group of reinsurance contracts held, the Group calculates the sum of:

- (a) the fulfilment cash flows;
- (b) the amount derecognized at that date of any asset or liability previously recognized for cash flows related to the group of reinsurance contracts held;
- (c) any cash flows arising at that date; and
- (d) loss-recovery component of assets for remaining coverage of reinsurance contracts held.

The Group recognizes any net cost or net gain of the above total amounts as a contractual service margin. If the net cost relates to events that occurred before the purchase of the group of reinsurance contracts held, the Group recognizes such a cost immediately in profit or loss as an expense.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.8) Recognition and measurement for reinsurance contracts held (Continued)

(28.8.2) Measurement for reinsurance contracts held (Continued)

If the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognized, when the Group recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, the Group recognizes a loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held by multiplying:

- (a) the loss recognized on the underlying insurance contracts; and
- (b) the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

The Group adjusts the same amount calculated above to contractual service margin and recognizes as amount recovered from reinsurer in profit or loss.

The Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

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

- (a) the effect of any new contracts added to the group.
- (b) interest accreted on the carrying amount of the contractual service margin, measured at the discount rates determined at the date of initial recognition of a group of contracts, to nominal cash flows that do not vary based on the returns on any underlying items.
- (c) the loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held, and reversals of a loss-recovery component recognized to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.
- (d) the changes in the fulfilment cash flows relating to future service, except that such change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin for the group of underlying insurance contracts; or except that such change results from onerous contracts, if the Group measures a group of underlying insurance contracts applying the premium allocation approach.
- (e) the effect of any currency exchange differences arising on the contractual service margin.
- (f) the amount recognized in profit or loss because of services received in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held.

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For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.8) Recognition and measurement for reinsurance contracts held (Continued)

(28.8.2) Measurement for reinsurance contracts held (Continued)

The Group recognizes the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Group recognizes the increase in the asset for incurred claims because of claims and expenses that are expected to be reimbursed in the period and any subsequent related changes in fulfilment cash flows as amount recovered from reinsurer. The Group treats amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts as the reduction to the allocation of reinsurance premiums paid. Allocation of reinsurance premiums paid and amount recovered from reinsurer presented in profit or loss has excluded any investment components.

The Group uses the premium allocation approach to simplify the measurement of a group of reinsurance contracts held, if at the inception of the group:

- (a) the Group reasonably expects the resulting measurement would not differ materially from the result of not applying the premium allocation approach set out above, unless the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the asset for remaining coverage during the period before a claim is incurred; or
- (b) the coverage period of each contract in the group of reinsurance contracts held is one year or less.

(28.9) Investment contracts with discretionary participation features

In addition to the requirements for insurance contracts set out above, the recognition and measurement for investment contract with discretionary participation features are modified as follows:

- (a) the date of initial recognition is the date the Group becomes party to the contract.
- (b) the contract boundary is modified so that cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date. The Group has no substantive obligation to deliver cash if the Group has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.
- (c) the allocation of the contractual service margin is modified so that the Group recognizes the contractual service margin over the duration of the group of contracts in a systematic way that reflects the transfer of investment services under the contract.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.10) Modification and derecognition

If the terms of an insurance contract are modified, the Group derecognizes the original contract and recognizes the modified contract as a new contract, if, and only if, any of the conditions below are satisfied:

- (a) if the modified terms had been included at contract inception:
 - (i) the modified contract would have been excluded from the scope of IFRS 17;
 - (ii) the Group would have separated different components from the host insurance contract, resulting in a different insurance contract to which IFRS 17 would have applied;
 - (iii) the modified contract would have had a substantially different contract boundary; or
 - (iv) the modified contract would have been included in a different group of contracts.
- (b) the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- (c) the Group applied the premium allocation approach to the original contract, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

If a contract modification meets none of the conditions above, the Group treats changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

The Group derecognizes an insurance contract when it is extinguished, i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled. The Group derecognizes an insurance contract from within a group of contracts by applying the following requirements:

- (a) the fulfilment cash flows allocated to the group are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognized from the group;
- (b) the contractual service margin of the group is adjusted; and
- (c) the number of coverage units for expected remaining insurance contract services is adjusted.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS (CONTINUED)

(28.10) Modification and derecognition (Continued)

When the Group derecognizes an insurance contract because it transfers the contract to a third party or derecognizes an insurance contract and recognizes a new contract, the Group applies the following requirements:

- (a) adjusts the contractual service margin of the group from which the contract has been derecognized, for the difference between (i) and either (ii) for contracts transferred to a third party or (iii) for contracts derecognized due to modification:
 - (i) the change in the carrying amount of the group of insurance contracts resulting from the derecognition of the contract.
 - (ii) the premium charged by the third party.
 - (iii) the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.
- (b) measures the new contract recognized assuming that the Group received the premium described in (a)(iii) at the date of the modification.

If the Group derecognizes an insurance contract because it transfers the contract to a third party or derecognizes an insurance contract due to modification, the Group reclassifies to profit or loss as a reclassification adjustment any remaining amounts for the group that were previously recognized in other comprehensive income, unless for insurance contracts with direct participation features that the Group holds the underlying items.

(29) PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations and the provision recognized for the loss allowance of off-balance sheet credit exposure, contingent liabilities are recognized as provisions if the following conditions are met:

- (a) An entity has a present obligation as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(29) PROVISIONS (CONTINUED)

The amount recognized 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 each reporting period and adjusted to reflect the current best estimate.

The Group incorporates forward looking information in estimating the expected credit loss for loan commitments and financial guarantee contracts. Refer to Note 13 and Note 47 for details.

(30) REVENUE RECOGNITION

The Group's main revenue is recognized on the following bases:

Insurance revenue

The Group recognizes insurance revenue as it provides insurance contract services under groups of insurance contracts.

For insurance contracts not measured under the premium allocation approach, insurance revenue comprises the relevant amount arising from changes of the liability for remaining coverage that relate to services for which the Group expects to receive consideration, excludes investment components, and the amortization of insurance acquisition cash flows, the details are as follows:

- (a) Amounts relating to the changes in the liability for remaining coverage:
 - (i) expected insurance service expenses incurred in the period;
 - (ii) change in the risk adjustment for non-financial risk;
 - (iii) amount of contractual service margin recognized for services provided in the period;
 - (iv) other amounts, such as experience adjustments for premium receipts that relate to current or past service, if any;
- (b) For insurance acquisition cash flows recovery, the Group allocates a portion of premiums related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of contracts. The allocated amount is recognized as insurance revenue with the same amount recognized as insurance service expenses.

For insurance contracts measured under the premium allocation approach, the Group recognizes insurance revenue for the period based on the passage of time by allocating expected premium receipts to each period of service. However, when the expected pattern of release from risk during the coverage period differs significantly from the passage of time, the premium receipts are allocated based on the expected pattern of incurred insurance service expenses.

Interest income

Interest income for interest bearing financial instruments, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(30) REVENUE RECOGNITION (CONTINUED)

Fees and commission income of non-insurance operations

The fees and commission income of non-insurance operations from a diverse range of services it provides to its customers are recognized when the control of services is transferred to customers. Fee income can be divided into the following main categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on the completion of the underlying transaction and the control of services is transferred to customers. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees and brokerage fees. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

Expressway toll fee income

Expressway toll fee income is recognized upon the completion of the performance obligation of services.

Sale of goods

Revenue from the sale of goods is recognized when control of the goods has been transferred. Control of goods or services refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services.

The amount of revenue from the sale of goods shall be measured by the transaction price, which is allocated to each performance obligation. The transaction price is the amount of consideration to be entitled in exchange for transferring promised goods to a customer. The Group considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

The part with unconditional rights is recognized as a receivable by the Group, while the rest is recognized as contracts assets. And the impairment provisions of receivables and contracts assets are recognized based on ECL. If the consideration received or receivable from the contract exceeds the performance completed, the excess part would be recognized as contracts liabilities. The Group presents the net amount by the offsetting between contracts assets and contracts liabilities under one contract.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(31) LEASES

Leases refer to a contract in which the lessor transfers the right to use the assets to the lessee for a certain period of time to obtain the consideration. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

As lessor of operating leases

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the income statement on the straight-line basis over the lease terms. Contingent rents are recognized as profit or loss in the period in which they are earned.

Group as a lessee

The Group mainly leases buildings as right-of-use assets. The Group applies the lease recognition exemption to short-term leases and leases of low-value assets, and does not recognize the right-of-use assets and lease liabilities. Lease payments on short-term leases and leases of low-value assets are recognized as costs of asset or expenses on a straight-line basis over the lease term. Except for lease applying lease recognition exemption, leases are recognized as a right-of-use asset at the date at which the lease begins, lease liabilities are initial measured at the present value of the lease payments that have not been paid. 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 and payments of penalties for terminating the lease, etc. The variable lease payments determined on a certain percentage of sales are not included in the lease payments and are recognized in profit or loss when incurred.

Right-of-use assets are initial measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and deduct any lease incentives receivable. The right-of-use asset is depreciated over the asset's useful life on a straight-line basis if the Group can reasonably determine the ownership of the assets at the end of the lease term; The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term if the ownership of the assets is uncertain at the end of the lease term. When the recoverable amount is lower than the carrying amount of the right-of-use asset, the Group reduces its carrying amount to the recoverable amount.

(32) EMPLOYEE BENEFITS

Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

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For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(33) SHARE-BASED PAYMENT

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The Group estimates the number of total shares expected to vest taking into consideration of service and non-market performance conditions. Based on number of shares expected to vest, related cost or expense is recognized over the vesting period according to fair value of the shares granted on granted date.

At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Company settles with the awardees under the share purchase scheme upon vesting.

(34) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(34) TAX (CONTINUED)

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(35) DIVIDENDS

When the final dividends proposed by the directors have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

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2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(36) RELATED PARTIES

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;

Or

- (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).

(37) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments and the presentation is consistent with the information reported to the Board of Directors.

Operating segments refer to the Group's component that satisfies the following conditions:

- (a) The component produces income and expenses in its daily operation;
- (b) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment;
- (c) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgements are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgements and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant difference of fair value estimation.

(2) CLASSIFICATION OF FINANCIAL ASSETS

The judgements in determining the classification of financial assets include the analysis of business models and the contractual cash flows characteristics.

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows are arising from collecting contractual cash flows, selling financial assets or both. The business model of managing financial assets is not determined by a single factor or activity. Instead, the entity should consider all relevant evidence available when making the assessment. Relevant evidence mainly includes, but not limited to, how the cash flow of the group of assets is collected, how the performance of the group of assets is reported to key management personnel, and how the risk of group of assets is being assessed and managed.

The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e., whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(3) MEASUREMENT OF THE EXPECTED CREDIT LOSSES

The measurement of the expected credit losses for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 49.

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

- (a) Determining criteria for significant increase in credit risk;
- (b) Choosing appropriate models and assumptions for the measurement of ECL;
- (c) Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- (d) Establishing groups of similar financial assets for the purposes of measuring ECL.

(4) LEVEL OF AGGREGATION AND RECOGNITION OF GROUP OF INSURANCE CONTRACTS

For contracts issued to which the Group does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- (a) based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- (b) using information about profitability estimation for the relevant group of products.

(5) ELIGIBILITY FOR THE PREMIUM ALLOCATION APPROACH AND THE VARIABLE FEE APPROACH

The Group assesses the eligibility for the premium allocation approach and the variable fee approach when measures a group of insurance contracts on initial recognition, based on the characteristics of the insurance contracts and applicable facts and circumstances.

(6) DETERMINATION OF COVERAGE UNIT

The Group allocates the contractual service margin at the end of the period equally to each coverage unit provided in the current period and expected to be provided in the future, and recognizes as insurance revenue in each period. The Group identifies the coverage units of a group of insurance contracts in each period. The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period.

In assessing the quantity of services provided by insurance contracts, the Group considers the terms and benefit features of the contracts, based on the service pattern of insurance coverage, investment-return service and investment-related service, as applicable. For contracts providing multiple services, the Group determines the relative weighting of each services based on related factors, including the expected maximum benefits, investment component, etc.

Expected coverage period is derived based on the consideration of the contract terms and estimates used when measures fulfilment cash flows, including mortality rates, morbidity rates, lapse rate, etc.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(7) ESTIMATION OF THE FULFILMENT CASH FLOWS OF INSURANCE CONTRACTS

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the present value of the fulfilment cash flows within the boundary of insurance contract, based on information currently available at the end of the reporting period, and considers the risk adjustment for non-financial risk.

The main assumptions used in measuring the present value of the fulfilment cash flows include discount rates, insurance incident occurrence rates, lapse rates, expense assumption, policy dividend assumptions, claim ratios, risk adjustment for non-financial risk, etc.

(a) Discount rates

For the estimated fulfilment cash flows that do vary based on the returns on underlying items and those that do not, the Group determines discount rates applying the bottom-up approach, which means the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity and other relevant factors. The current discount rate assumption for the measurement as at 31 December 2023 ranged from 2.62% to 4.60% (31 December 2022: 2.59%-4.60%).

The discount rate assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

(b) Insurance incident occurrence rates

The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

The assumption of mortality rates is based on the Group's prior experience data on mortality rates, estimates of current and future expectations, the industrial benchmark and the understanding of the China insurance market. The assumption of mortality rates is presented as a percentage of "China Life Insurance Mortality Table (2010-2013)", which is the industry standard for life insurance in China. The assumption of morbidity rates is determined based on the industrial benchmark, the Group's assumptions used in product pricing, experience data of morbidity rates, and estimates of current and future expectation. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

(c) Lapse rates

The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions. The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels.

(d) Expense assumption

The Group uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions. The expense assumptions include assumptions of insurance acquisition cash flows, policy administration and maintenance costs, and claim handling costs.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(7) ESTIMATION OF THE FULFILMENT CASH FLOWS OF INSURANCE CONTRACTS (CONTINUED)

(e) Policy dividend assumptions

The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions. As at 31 December 2023, policyholder dividend assumption was determined based on 75% (31 December 2022: 75%) of the interest and mortality surplus for individual participating business.

(f) Claim ratios

The Group uses reasonable estimates, based on historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation, in deriving claim development factors and claim ratios.

(g) Risk adjustment for non-financial risk

The Group uses the confidence level, confidence level conversion to determine the risk adjustment for non-financial risk. As at 31 December 2023, the risk adjustment for non-financial risk of insurance contracts and reinsurance contracts held was determined based on the confidence level of 75% (31 December 2022: 75%).

(8) DETERMINATION OF CONTROL OVER THE STRUCTURED ENTITIES

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgement based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

For further disclosure in respect of the maximum risk exposure of unconsolidated structured entities of the Group, see Note 49.(8).

4. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (1)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Life	Shenzhen, Corporation	Life insurance, Shenzhen	99.51%	-	99.51%	33,800,000,000
Ping An Property & Casualty	Shenzhen, Corporation	Property and casualty insurance, Shenzhen	99.55%	-	99.55%	21,000,000,000
Ping An Bank Co., Ltd. (ii) ("Ping An Bank")	Shenzhen, Corporation	Banking, Shenzhen	49.56%	8.40%	58.00%	19,405,918,198
Ping An Trust Co., Ltd. ("Ping An Trust")	Shenzhen, Corporation	Investment and trust, Shenzhen	99.88%	-	99.88%	13,000,000,000
Ping An Securities Co., Ltd. ("Ping An Securities")	Shenzhen, Corporation	Securities investment and brokerage, Shenzhen	40.96%	55.59%	96.62%	13,800,000,000
Ping An Annuity	Shanghai, Corporation	Annuity insurance, Shanghai	94.18%	5.79%	100.00%	11,603,419,173
Ping An Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	98.67%	1.33%	100.00%	1,500,000,000
Ping An Health Insurance	Shanghai, Corporation	Health insurance, Shanghai	74.33%	0.68%	75.01%	4,616,577,790
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong, Corporation	Investment holding, Hong Kong	100.00%	-	100.00%	HKD7,085,000,000
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong, Corporation	Property and casualty insurance, Hong Kong	-	100.00%	100.00%	HKD490,000,000
Ping An International Financial Leasing Co., Ltd. ("Ping An Financial Leasing")	Shanghai, Corporation	Financial leasing, Shanghai	69.44%	30.56%	100.00%	14,500,000,000
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	100.00%	100.00%	HKD395,000,000
Shenzhen Ping An Innovation Capital Investment Co., Ltd.	Shenzhen, Corporation	Investment holding, Shenzhen	-	99.88%	100.00%	4,000,000,000
Ping An Trendwin Capital Management Co., Ltd.	Shanghai, Corporation	Investment consulting, Shanghai	-	99.75%	100.00%	100,000,000
Ping An Real Estate Co., Ltd. ("Ping An Real Estate")	Shenzhen, Corporation	Property management and investment management, Shenzhen	-	99.62%	100.00%	21,160,523,628

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Technology (Shenzhen) Co., Ltd.	Shenzhen, Corporation	IT services, Shenzhen	37.66%	62.34%	100.00%	5,310,315,757
Shenzhen Ping An Finserve Co., Ltd.	Shenzhen, Corporation	IT and business process outsourcing services, Shenzhen	-	100.00%	100.00%	598,583,070
Ping An E-wallet Electronic Commerce Company Limited ("Ping An E-wallet")	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	78.63%	1,000,000,000
eLink Commerce Company Limited	Hong Kong, Corporation	E-commerce trade, Hong Kong	-	99.89%	100.00%	HKD25,124,600
Shenzhen Wanlitong Network Information Technology Co., Ltd.	Shenzhen, Corporation	Custom loyalty service, Shenzhen	-	77.14%	100.00%	200,000,000
Shenzhen Ping An Commercial Property Investment Co., Ltd. (iii) ("Ping An Commercial Property Investment")	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.50%	99.99%	1,810,000,000
Ping An Futures Co., Ltd.	Shenzhen, Corporation	Futures brokerage, Shenzhen	-	96.64%	100.00%	721,716,042
Shenzhen Ping An Real Estate Investment Co., Ltd.	Shenzhen, Corporation	Real estate investment and management, Shenzhen	-	100.00%	100.00%	1,310,000,000
Shanghai Pingpu Investment Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.51%	100.00%	9,130,500,000
Anseng Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenzhen Ping An Financial Technology Consulting Co., Ltd. ("Ping An Financial Technology")	Shenzhen, Corporation	Corporation management advisory services, Shenzhen	100.00%	-	100.00%	30,406,000,000
Ping An Tradition International Money Broking Company Ltd.	Shenzhen, Corporation	Currency brokerage, Shenzhen	-	66.92%	67.00%	50,000,000
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	Shanghai, Corporation	Property agency, Shanghai	-	100.00%	100.00%	1,930,000,000
Ping An Wealthtone Investment Management Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	68.11%	100.00%	800,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Fund Management Company Limited	Shenzhen, Corporation	Fund raising and distribution, Shenzhen	-	68.11%	68.19%	1,300,000,000
Shenzhen Ping An Financial Center Development Company Ltd.	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.51%	100.00%	6,688,870,000
Ping An Insurance Sales Services Co., Ltd.	Shenzhen, Corporation	Sales agency of insurance, Shenzhen	-	75.10%	75.10%	515,000,000
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd.	Guangzhou, Corporation	Insurance agent, Shenzhen	-	99.55%	100.00%	50,000,000
Reach Success International Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Jade Reach Investments Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenyang Shengping Investment Management Co., Ltd.	Shenyang, Corporation	Property management and investment management, Shenyang	-	99.51%	100.00%	419,000,000
Tongxiang Ping An Investment Co., Ltd.	Jiaying, Corporation	Investment management, Jiaying	-	99.62%	100.00%	500,000,000
Ping An Commercial Factoring Co., Ltd.	Shanghai, Corporation	Commercial factoring, Shanghai	-	100.00%	100.00%	2,700,000,000
Shanxi Changjin Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Jincheng	-	59.71%	60.00%	750,000,000
Shanxi Jinjiao Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Jincheng	-	59.71%	60.00%	504,000,000
Ping An Caizhi Investment Management Company Limited (iii)	Shenzhen, Corporation	Equity investment, Shenzhen	-	96.55%	100.00%	300,000,000
Ping An of China Securities (Hong Kong) Company Limited	Hong Kong, Corporation	Investment holding, Hong Kong	-	96.55%	100.00%	HKD663,514,734
Ping An of China Futures (Hong Kong) Company Limited	Hong Kong, Corporation	Futures brokerage, Hong Kong	-	96.55%	100.00%	HKD20,000,000

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An of China Capital (Hong Kong) Company Limited	Hong Kong, Corporation	Investment management, Hong Kong	-	96.55%	100.00%	HKD20,000,000
China PA Securities (Hong Kong) Company Limited	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD440,000,000
Shanghai Lufax Fund Sales Co., Ltd.	Shanghai, Corporation	Fund sales, Shanghai	-	95.43%	100.00%	20,000,000
Fuer Insurance Broker Co., Ltd.	Shanghai, Corporation	Insurance brokerage service, Shanghai	-	100.00%	100.00%	50,000,000
Beijing Shuangronghui Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	256,323,143
Chengdu Ping An Property Investment Co., Ltd.	Chengdu, Corporation	Real estate investment and management, Chengdu	-	99.51%	100.00%	840,000,000
Hangzhou Pingjiang Investment Co., Ltd.	Hangzhou, Corporation	Real estate development and management, Hangzhou	-	99.51%	100.00%	1,430,000,000
Beijing Jingxinlize Investment Co., Ltd.	Beijing, Corporation	Investment management, Beijing	-	99.51%	100.00%	1,160,000,000
Anbon Allied Investment Company Limited	Hong Kong, Corporation	Real estate investment and management, United Kingdom	-	99.51%	100.00%	GBP90,000,160
Talent Bronze Limited	Hong Kong, Corporation	Real estate investment and management, United Kingdom	-	99.51%	100.00%	GBP133,000,000
Ping An Pioneer Capital Co., Ltd.	Shenzhen, Corporation	Financial products and equity investment, Shenzhen	-	96.55%	100.00%	1,000,000,000
Shenzhen Pingke Information Consulting Co., Ltd.	Shenzhen, Corporation	Management consulting, Shenzhen	-	100.00%	100.00%	5,092,341,943
Beijing Jingping Shangdi Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	45,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below
(Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Guangzhou Xinping Property Investment Co., Ltd.	Guangzhou, Corporation	Property leasing, Guangzhou	-	99.51%	100.00%	50,000,000
Shanghai Jahwa (Group) Company Ltd. ("Shanghai Jahwa")	Shanghai, Corporation	Production and sale of consumer chemicals, Shanghai	-	99.51%	100.00%	5,268,261,234
Shanghai Jahwa United Co., Ltd. (iii)	Shanghai, Corporation	Industry, Shanghai	-	51.56%	51.88%	678,873,194
Falcon Vision Global Limited	British Virgin Islands, Corporation	Investment management, Shanghai	-	99.51%	100.00%	USD50,000
Shanghai Zean Investment Management Company Limited	Shanghai, Corporation	Property leasing, Shanghai	-	99.51%	100.00%	4,810,000,000
PA Dragon LLC	USA, Corporation	Logistics and real estate, USA	-	99.52%	100.00%	USD143,954,940
Shanghai Pingan Automobile E-commerce Co., Ltd.	Shanghai, Corporation	E-commerce, Shanghai	-	94.74%	94.74%	63,330,000
Shanghai Gezhouba Yangming Property Co., Ltd.	Shanghai, Corporation	Real estate development and management, Shanghai	-	99.51%	100.00%	20,000,000
Shanghai Jinyao Investment Management Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.05%	100.00%	1,290,000,000
Shanghai Pingxin Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	-	100.00%	100.00%	1,010,000,000
Shenzhen Qianhai Credit Service Centre Co., Ltd.	Shenzhen, Corporation	Credit information services, Shenzhen	-	100.00%	100.00%	345,075,000
Pingan Real Estate Capital Limited	Hong Kong, Corporation	Investment platform, Hong Kong	-	99.62%	100.00%	2,536,129,600
Shenzhen Pulian Consulting Co., Ltd.	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	100,000,000
Guangzhou Ping An Good Loan Microfinance Co., Ltd.	Guangzhou, Corporation	Micro loan, Guangzhou	-	100.00%	100.00%	600,000,000

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For the year ended 31 December 2023

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
An Ke Technology Company Limited	Hong Kong, Corporation	Investment management and investment consulting, Hong Kong	-	100.00%	100.00%	USD582,996,000
Ping An Pay Technology Service Co., Ltd.	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	100.00%	680,000,000
Ping An Pay Electronic Payment Co., Ltd.	Shanghai, Corporation	Internet service, Shanghai	-	77.14%	100.00%	489,580,000
Tongxiang Anhao Investment Management Co., Ltd.	Jiaxing, Corporation	Investment management, Jiaxing	-	99.81%	100.00%	300,000,000
Ping An Infrastructure Investment Fund Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	98.02%	99.00%	1,000,000,000
Ping An Fortune Management Co., Ltd.	Shanghai, Corporation	Consulting services, Shanghai	-	100.00%	100.00%	100,000,000
Shenzhen Dingshuntong Investment Co., Ltd.	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	100,000,000
Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd.	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	1,500,100,000
Ping An International Financial Leasing (Tianjin) Co., Ltd.	Tianjin, Corporation	Financial leasing, Tianjin	-	100.00%	100.00%	10,400,000,000
Shenzhen Anpu Development Co., Ltd.	Shenzhen, Corporation	Logistics and warehousing, Shenzhen	-	79.61%	80.00%	5,625,000,000
China PA Asset Management (Hong Kong) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	96.55%	100.00%	HKD10,000,000
Shanghai Tianhe Insurance Brokerage Co., Ltd.	Shanghai, Corporation	Insurance brokerage, Shanghai	-	42.52%	100.00%	50,000,000
Helios P.A. Company Limited	Hong Kong, Corporation	Project investment, Hong Kong	-	99.51%	100.00%	USD677,161,910
Ping An Urban-Tech (Shenzhen) Co., Ltd.	Shenzhen, Corporation	IT services, Shenzhen	-	79.21%	100.00%	50,000,000
Shenzhen Ping An Chuangke Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.81%	100.00%	100,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shenzhen Anchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.81%	100.00%	100,000,000
Lianxin (Shenzhen) Investment Management Co., Ltd. ("Lianxin Investment")	Shenzhen, Corporation	Investment management, Shenzhen	-	99.72%	100.00%	5,100,000,000
Autohome Inc.	Cayman Islands, Corporation	Automotive internet platform, Beijing	-	42.52%	46.50%	USD1,273,469
Mayborn Group Limited	United Kingdom, Corporation	Infant products, United Kingdom	-	51.56%	100.00%	GBP1,154,873
Jiaxing Ping An Cornerstone I Equity Investment Management Co., Ltd.	Jiaxing, Corporation	Investment management, Shanghai	-	99.51%	100.00%	1,000,000
Ping An Wealth Management Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	57.96%	100.00%	5,000,000,000
TTP Car Inc.	Cayman Islands, Corporation	Second-hand car platform, Shanghai	-	21.69%	51.00%	USD15,753
Shenzhen Shengjun Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.72%	100.00%	5,000,000
Overseas W.H. Investment Company Limited	Cayman Islands, Corporation	Investment holding, Cayman Islands	-	100.00%	100.00%	USD5,038,967,126
Shenzhen Pingjia Investment Management Co., Ltd.	Shenzhen, Corporation	Investment platform, Shenzhen	-	99.81%	100.00%	5,000,000
Chongqing Youshengda Real Estate Consulting Co., Ltd.	Chongqing, Corporation	Real estate consulting, Chongqing	-	99.51%	100.00%	12,537,286,000
Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd.	Hangzhou, Corporation	Investment management, Shanghai	-	99.51%	100.00%	10,000,000
Shenzhen Hengchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment platform, Shenzhen	-	99.62%	100.00%	5,000,000
Global Voyager Fund (HK) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	100.00%	100.00%	USD14,794,701

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
China PA Wealth Management (Hong Kong) Company Limited	Hong Kong, Corporation	Insurance brokerage, Hong Kong	-	96.55%	100.00%	HKD1,000,000
Ping An Commodities Trading Co., Ltd.	Shenzhen, Corporation	Commodity trade, Shenzhen	-	96.64%	100.00%	1,000,000,000
Shanghai Raffles Kaixuan Commercial Management Service Co., Ltd.	Shanghai, Corporation	Property leasing and property management, Shanghai	-	69.66%	70.00%	2,208,601,418
Shanghai Huaqing Real Estate Management Co., Ltd.	Shanghai, Corporation	Property leasing and property management, Shanghai	-	59.71%	60.00%	USD30,000,000
Beijing Xinjie Real Estate Development Co., Ltd.	Beijing, Corporation	Property leasing and property management, Beijing	-	69.66%	70.00%	USD24,500,000
Chengdu Raffles City Industry Co., Ltd.	Chengdu, Corporation	Property leasing and property management, Chengdu	-	69.66%	70.00%	USD217,700,000
Raffles City (Hangzhou) Real Estate Development Co., Ltd.	Hangzhou, Corporation	Property leasing and property management, Hangzhou	-	69.66%	70.00%	USD299,740,000
Ningbo Xinyin Business Management Service Co., Ltd.	Ningbo, Corporation	Property leasing and property management, Ningbo	-	69.66%	70.00%	800,000,000
Beijing Jinkunlize Property Co., Ltd.	Beijing, Corporation	Property leasing and property management, Beijing	-	99.51%	100.00%	3,380,000,000
New Founder (Beijing) Enterprise Management Development Co., Ltd.	Beijing, Corporation	Corporation management, Beijing	-	99.51%	100.00%	50,000,000
New Founder Holding Development Company Limited ("New Founder Group")	Zhuhai, Corporation	Investment and technical services, Beijing	-	66.18%	66.51%	7,250,000,000
Founder Securities Co., Ltd. ("Founder Securities")	Changsha, Corporation	Securities brokerage, Changsha	-	19.00%	28.71%	8,232,101,395

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
PKU Healthcare Management Co., Ltd.	Zhuhai, Corporation	Hospital management, Beijing	-	66.18%	100.00%	3,000,000,000
Founder Cifco Futures Co., Ltd.	Beijing, Corporation	Futures brokerage, Beijing	-	17.56%	92.44%	1,005,000,000
Founder Financing Securities Co., Ltd.	Beijing, Corporation	Securities underwriting and sponsorship, Beijing	-	19.00%	100.00%	1,400,000,000
Shanghai Jifeng Investment Management Co., Ltd. (iii)	Shanghai, Corporation	Investment management, Shanghai	-	17.56%	100.00%	500,000,000
Beijing Founder Fubon Crown Asset Management Co., Ltd.	Beijing, Corporation	Customer-specific asset management, Beijing	-	12.67%	100.00%	130,000,000
Founder Securities (Hong Kong) Limited	Hong Kong, Corporation	Securities trading and consulting, Hong Kong	-	19.00%	100.00%	HKD410,000,000
Founder Asset Management (Hong Kong) Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	19.00%	100.00%	HKD22,000,000
Founder Fubon Fund Management Co., Ltd.	Beijing, Corporation	Fund raising and distribution, Beijing	-	12.67%	66.70%	660,000,000

Notes:

- (i) The proportion of ordinary shares, as shown in the above table, is the sum product of direct holding by the Company and indirect holding by a multiplication of the proportion of shares held in each holding layer. The proportion of votes is the sum product of the proportion of votes held directly by the Company and indirectly via subsidiaries controlled by the Company.
- (ii) For the year ended 31 December 2023, Ping An Bank's profit attributable to its non-controlling interest was RMB19,530 million (2022: RMB19,136 million), the dividend paid to its non-controlling interest was RMB4,667 million (2022: RMB4,200 million). As at 31 December 2023, Ping An Bank's equity attributable to its non-controlling interest was RMB227,551 million (31 December 2022: RMB211,724 million). Ping An Bank's summarized financial information is disclosed in "segment reporting" under the "Banking" segment.
- (iii) The registered capitals of these subsidiaries were changed in 2023.

The Company and its subsidiaries are subject to the Company Law as well as various listing requirements, where applicable. Capital or asset transactions between the Company and its subsidiaries might be subject to regulatory requirements. Certain of the Company's subsidiaries are subject to regulatory capital requirements. As such, there are restrictions on the Group's ability to access or use the assets of these subsidiaries or use them to settle the liabilities of these subsidiaries. Please refer to Note 49.(7) for detailed disclosure on the relevant regulatory capital requirements.

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For the year ended 31 December 2023

4. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2023, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Asset Xinxiang No.28 Assets Management	99.51%	18,284,946,602	Investment in wealth management products
Huabao East Aggregated Fund Trust Scheme	98.87%	12,000,000,000	Investment in debt schemes
Shanghai Trust Huarong Aggregated Fund Trust Scheme	99.52%	9,500,000,000	Investment in debt schemes
Ping An Asset Xinxiang No.19 Assets Management	99.51%	6,289,478,815	Investment in wealth management products
Ping An Asset Xinxiang No.5 Assets Management	99.55%	102,235,678	Investment in wealth management products
Ping An Asset Xinxiang No.20 Assets Management	99.51%	5,511,269,442	Investment in wealth management products
Ping An Asset Xinxiang No.18 Assets Management	99.51%	5,540,918,880	Investment in wealth management products
Ping An Fund - Ping An Life Fixed Income No. 1 MOM Single Asset Management Plan	99.51%	11,784,108,709	Investment in wealth management products
Ping An Fund - Ping An Life Equity No. 2 MOM Single Asset Management Plan	99.51%	20,381,188,007	Investment in wealth management products

5. SEGMENT REPORTING

The segment businesses are separately presented as the insurance segment, the banking segment, the asset management segment, the technology business segment and the other businesses, based on the products and service offerings. The insurance segment is divided into the life and health insurance and the property and casualty insurance segment which are in line with the nature of products, risk and asset portfolios. The types of products and services from which reportable segments derive revenue are listed below:

- The life and health insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and health care and medical insurance, reflecting performance summary of Ping An Life, Ping An Annuity and Ping An Health Insurance;
- The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including auto insurance, non-auto insurance, accident and health insurance, reflecting performance of Ping An Property & Casualty;
- The banking segment undertakes loan and intermediary business with corporate customers and retail customers as well as wealth management and credit card services with individual customers, reflecting performance of Ping An Bank;
- The asset management segment provides trust products services, brokerage services, trading services, investment banking services, investment management services, finance lease business and other asset management services, reflecting performance summary of Ping An Trust, Ping An Securities, Ping An Asset Management Co., Ltd. and Ping An Financial Leasing and the other asset management subsidiaries;
- The technology business segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance summary of the technology business subsidiaries, associates and joint ventures.

Except for the above business segments, the other segments did not have a material impact on the Group's operating outcome, and as such are not separately presented.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resource allocation and performance assessment. Segment performance is assessed based on key performance indicators.

Transfer prices between operating segments are based on the amount stated in the contracts agreed by both sides.

During 2023 and 2022, revenue from the Group's top five customers accounted for less than 1% of the total revenue for the year.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2023 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Asset management	Technology business	Other businesses and elimination	Total
Insurance revenue	223,600	313,458	-	-	-	(618)	536,440
Interest revenue from banking operations	-	-	227,617	-	-	(65)	227,552
Fees and commission revenue from non-insurance operations	5,424	-	35,042	9,277	-	(3,937)	45,806
Including: Inter-segment fees and commission revenue from non-insurance operations	(10)	-	3,510	331	-	(3,831)	-
Interest revenue from non-banking operations	99,000	7,956	-	13,284	801	(2,538)	118,503
Including: Inter-segment interest revenue from non-banking operations	82	34	-	3,048	81	(3,245)	-
Investment income	19,483	4,623	15,750	(5,173)	493	(1,852)	33,324
Including: Inter-segment investment income	2,057	133	(17)	132	42	(2,347)	-
Including: Operating lease income from investment properties	7,893	387	50	41	-	(1,465)	6,906
Share of profits and losses of associates and joint ventures	3,166	465	-	921	583	(3,701)	1,434
Other revenues and other gains	37,663	1,249	915	29,550	18,457	(19,030)	68,804
Including: Inter-segment other revenues	9,890	58	25	3,136	5,187	(18,296)	-
Including: Non-operating gains	423	254	49	85	5	-	816
Total revenue	388,336	327,751	279,324	47,859	20,334	(31,741)	1,031,863

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2023 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Asset management	Technology business	Other businesses and elimination	Total
Insurance service expenses	(133,978)	(306,390)	-	-	-	190	(440,178)
Allocation of reinsurance premiums paid	(2,714)	(12,496)	-	-	-	1,031	(14,179)
Less: Amount recovered from reinsurer	2,538	8,540	-	-	-	(630)	10,448
Net insurance finance expenses for insurance contracts issued	(118,509)	(5,483)	-	-	-	33	(123,959)
Less: Net reinsurance finance income for reinsurance contracts held	55	518	-	-	-	(31)	542
Interest expenses on banking operations	-	-	(109,626)	-	-	1,021	(108,605)
Fees and commission expenses on non-insurance operations	(1,415)	-	(5,612)	(1,815)	-	69	(8,773)
Net impairment losses on financial assets and other assets	(1,850)	(505)	(59,094)	(17,251)	(269)	(102)	(79,071)
Including: Loan impairment losses, net	-	-	(62,833)	-	-	-	(62,833)
Including: Impairment losses on investment assets	(1,422)	(119)	5,239	(13,493)	-	(145)	(9,940)
Including: Impairment losses on receivables and others	(428)	(386)	(1,500)	(3,758)	(269)	43	(6,298)
Foreign exchange gains/(losses)	4	(80)	662	(138)	(41)	(287)	120
General and administrative expenses	(21,274)	(682)	(47,677)	(13,650)	(13,066)	12,472	(83,877)
Changes in insurance premium reserves	-	(230)	-	-	-	-	(230)
Interest expenses on non-banking operations	(8,628)	(1,446)	-	(17,801)	(179)	3,708	(24,346)
Including: Financial costs	(5,533)	(837)	-	(16,684)	(179)	3,767	(19,466)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(3,095)	(609)	-	(1,117)	-	(59)	(4,880)
Other expenses	(31,979)	(679)	(259)	(13,833)	(3,841)	10,953	(39,638)
Total expenses	(317,750)	(318,933)	(221,606)	(64,488)	(17,396)	28,427	(911,746)
Profit before tax	70,586	8,818	57,718	(16,629)	2,938	(3,314)	120,117
Income tax	2,805	140	(11,263)	(2,893)	191	177	(10,843)
Profit for the year	73,391	8,958	46,455	(19,522)	3,129	(3,137)	109,274
- Attributable to owners of the parent	72,598	8,918	26,925	(20,747)	2,054	(4,083)	85,665

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5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2023 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Asset management	Technology business	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	316,898	47,827	317,991	119,676	27,725	(26,040)	804,077
Balances with the Central Bank and statutory deposits for insurance operations	10,573	4,320	270,976	-	5	5	285,879
Accounts receivable	4,650	224	-	29,356	1,747	(341)	35,636
Insurance contract assets	-	3	-	-	-	-	3
Reinsurance contract assets	6,066	17,454	-	-	-	(1,305)	22,215
Finance lease receivable	-	-	-	180,674	-	-	180,674
Loans and advances to customers	-	-	3,320,110	-	-	(1,988)	3,318,122
Financial assets at fair value through profit or loss	1,049,278	137,743	450,293	149,211	7,821	8,701	1,803,047
Financial assets at amortized cost	166,712	167,956	772,467	189,477	976	(54,235)	1,243,353
Debt financial assets at fair value through other comprehensive income	2,399,977	16,348	161,931	50,762	-	7,990	2,637,008
Equity financial assets at fair value through other comprehensive income	251,417	20,138	6,214	46	49	(12,987)	264,877
Investments in associates and joint ventures	140,452	26,859	-	62,507	78,112	(49,053)	258,877
Others	307,410	37,151	287,134	83,402	22,012	(7,460)	729,649
Segment assets	4,653,433	476,023	5,587,116	865,111	138,447	(136,713)	11,583,417

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2023 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Asset management	Technology business	Other businesses and elimination	Total
Due to banks and other financial institutions	41,197	1,828	725,633	277,985	645	(83,570)	963,718
Assets sold under agreements to repurchase	90,788	34,603	58,152	57,396	-	864	241,803
Accounts payable	6,292	168	-	1,863	830	(295)	8,858
Insurance contract liabilities	3,899,625	261,153	-	-	-	(977)	4,159,801
Reinsurance contract liabilities	-	53	-	-	-	-	53
Customer deposits and payables to brokerage customers	51,587	-	3,458,287	64,797	-	(40,132)	3,534,539
Bonds payable	57,101	10,543	728,328	165,253	-	2,782	964,007
Others	113,125	42,257	144,388	186,784	21,210	(26,090)	481,674
Segment liabilities	4,259,715	350,605	5,114,788	754,078	22,685	(147,418)	10,354,453
Segment equity	393,718	125,418	472,328	111,033	115,762	10,705	1,228,964
- Attributable to owners of the parent	326,411	124,647	244,777	92,836	97,250	13,090	899,011
Other segment information:							
Capital expenditures	5,784	859	4,672	1,611	518	(350)	13,094
Depreciation and amortization	10,560	1,497	6,324	1,156	1,739	(619)	20,657
Total other non-cash expenses charged to consolidated results	1,850	505	59,094	17,251	269	102	79,071

Other information of life and health insurance segment subject to general model as at 31 December 2023 is as follows:

Other segment information (in RMB million)	Life and health insurance
Accumulated changes in the fair value and credit risks provision of debt financial assets at fair value through other comprehensive income, net of tax	74,638
Accumulated insurance finance expenses for insurance contracts issued in other comprehensive income that may be reclassified subsequently to profit or loss, net of tax	(93,119)

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5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows:

(in RMB million)	Life and health insurance (Restated)	Property and casualty insurance (Restated)	Banking	Asset management	Technology business	Other businesses and elimination (Restated)	Total (Restated)
Insurance revenue	232,194	294,222	-	-	-	(435)	525,981
Interest revenue from banking operations	-	-	228,878	-	-	(94)	228,784
Fees and commission revenue from non-insurance operations	-	-	37,754	11,296	-	(3,068)	45,982
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	2,768	287	-	(3,055)	-
Interest revenue from non-banking operations	93,368	7,961	-	15,760	595	(1,751)	115,933
Including: Inter-segment interest revenue from non-banking operations	203	71	-	2,139	87	(2,500)	-
Investment income	(14,946)	1,849	14,529	1,398	(2,112)	(3,029)	(2,311)
Including: Inter-segment investment income	2,255	197	(8)	152	59	(2,655)	-
Including: Operating lease income from investment properties	7,321	393	46	50	-	(1,632)	6,178
Share of profits and losses of associates and joint ventures	4,344	620	-	5,419	4,196	(4,414)	10,165
Other revenues and other gains	24,229	1,152	544	33,922	19,864	(19,059)	60,652
Including: Inter-segment other revenues	10,045	27	18	3,217	5,666	(18,973)	-
Including: Non-operating gains	159	103	64	10	8	15	359
Total revenue	339,189	305,804	281,705	67,795	22,543	(31,850)	985,186

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance (Restated)	Property and casualty insurance (Restated)	Banking	Asset management	Technology business	Other businesses and elimination (Restated)	Total (Restated)
Insurance service expenses	(137,256)	(284,978)	-	-	-	13	(422,221)
Allocation of reinsurance premiums paid	(3,480)	(12,284)	-	-	-	845	(14,919)
Less: Amount recovered from reinsurer	2,184	8,861	-	-	-	(440)	10,605
Net insurance finance expenses for insurance contracts issued	(94,786)	(5,151)	-	-	-	4	(99,933)
Less: Net reinsurance finance income for reinsurance contracts held	81	490	-	-	-	(7)	564
Interest expenses on banking operations	-	-	(98,748)	-	-	1,060	(97,688)
Fees and commission expenses on non-insurance operations	-	-	(7,546)	(2,432)	-	50	(9,928)
Net impairment losses on financial assets and other assets	(628)	(32)	(71,306)	(9,352)	(600)	(2)	(81,920)
Including: Loan impairment losses, net	-	-	(64,168)	-	-	-	(64,168)
Including: Impairment losses on investment assets	(570)	19	(6,766)	(6,021)	38	-	(13,300)
Including: Impairment losses on receivables and others	(58)	(51)	(372)	(3,331)	(638)	(2)	(4,452)
Foreign exchange gains/(losses)	(447)	(252)	4,548	(614)	34	(125)	3,144
General and administrative expenses	(12,631)	(657)	(51,114)	(13,755)	(13,543)	11,885	(79,815)
Changes in insurance premium reserves	-	(78)	-	-	-	-	(78)
Interest expenses on non-banking operations	(4,448)	(1,305)	-	(19,017)	(321)	2,393	(22,698)
Including: Financial costs	(2,016)	(870)	-	(18,176)	(321)	2,489	(18,894)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(2,432)	(435)	-	(841)	-	(96)	(3,804)
Other expenses	(20,023)	(540)	(286)	(14,378)	(3,896)	11,159	(27,964)
Total expenses	(271,434)	(295,926)	(224,452)	(59,548)	(18,326)	26,835	(842,851)
Profit before tax	67,755	9,878	57,253	8,247	4,217	(5,015)	142,335
Income tax	7,750	234	(11,737)	(4,444)	636	43	(7,518)
Profit for the year	75,505	10,112	45,516	3,803	4,853	(4,972)	134,817
- Attributable to owners of the parent	74,501	10,066	26,380	2,292	3,614	(5,845)	111,008

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5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance (Restated)	Property and casualty insurance (Restated)	Banking	Asset management	Technology business	Other businesses and elimination (Restated)	Total (Restated)
Cash and amounts due from banks and other financial institutions	336,212	59,688	236,412	130,915	24,076	(12,462)	774,841
Balances with the Central Bank and statutory deposits for insurance operations	10,171	4,263	281,115	-	5	5	295,559
Accounts receivable	8,239	117	-	25,975	2,344	(557)	36,118
Reinsurance contract assets	5,374	16,474	-	-	-	(1,233)	20,615
Finance lease receivable	-	-	-	186,858	-	-	186,858
Loans and advances to customers	-	-	3,242,258	-	-	(4,204)	3,238,054
Financial assets at fair value through profit or loss	870,375	119,936	446,133	180,050	10,752	13,273	1,640,519
Financial assets at amortized cost	127,624	150,655	731,850	169,245	811	(56,150)	1,124,035
Debt financial assets at fair value through other comprehensive income	2,215,809	9,587	172,233	94,669	-	8,492	2,500,790
Equity financial assets at fair value through other comprehensive income	261,484	21,772	6,380	6	49	(24,920)	264,771
Investments in associates and joint ventures	138,842	26,000	-	82,103	78,487	(44,639)	280,793
Others	289,381	39,495	205,133	97,126	25,268	(9,416)	646,987
Segment assets	4,263,511	447,987	5,321,514	966,947	141,792	(131,811)	11,009,940

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance (Restated)	Property and casualty insurance (Restated)	Banking	Asset management	Technology business	Other businesses and elimination (Restated)	Total (Restated)
Due to banks and other financial institutions	39,386	4,366	656,586	293,553	3,428	(74,231)	923,088
Assets sold under agreements to repurchase	178,291	24,593	13,303	55,139	-	411	271,737
Accounts payable	6,985	185	-	2,653	1,025	(499)	10,349
Insurance contract liabilities	3,424,203	247,871	-	-	-	(897)	3,671,177
Reinsurance contract liabilities	-	105	-	-	-	-	105
Customer deposits and payables to brokerage customers	52,465	-	3,352,266	73,363	-	(46,095)	3,431,999
Bonds payable	41,916	10,487	692,075	179,223	-	7,397	931,098
Others	136,877	41,842	172,604	224,146	23,591	(14,669)	584,391
Segment liabilities	3,880,123	329,449	4,886,834	828,077	28,044	(128,583)	9,823,944
Segment equity	383,388	118,538	434,680	138,870	113,748	(3,228)	1,185,996
- Attributable to owners of the parent	317,494	117,799	222,956	117,143	94,937	(1,138)	869,191
Other segment information:							
Capital expenditures	7,077	1,204	6,170	2,992	1,681	(1,694)	17,430
Depreciation and amortization	9,650	1,624	6,535	1,273	1,950	(730)	20,302
Total other non-cash expenses charged to consolidated results	628	32	71,306	9,352	600	2	81,920

Other information of life and health insurance segment subject to general model as at 31 December 2022 is as follows:

Other segment information (in RMB million)	Life and health insurance (Restated)
Accumulated changes in the fair value and credit risks provision of debt financial assets at fair value through other comprehensive income, net of tax	37,378
Accumulated insurance finance expenses for insurance contracts issued in other comprehensive income that may be reclassified subsequently to profit or loss, net of tax	(28,830)

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6. INSURANCE REVENUE

(in RMB million)	2023	2022 (Restated)
Insurance contracts not measured under the premium allocation approach		
Insurance revenue relating to the changes in the liability for remaining coverage		
Amount of contractual service margin recognized in profit or loss	77,864	83,460
Change in the risk adjustment for non-financial risk	7,224	7,426
Expected insurance service expenses incurred in the period	85,516	93,387
Others	(7)	(118)
Amortization of insurance acquisition cash flows	48,218	47,078
Subtotal	218,815	231,233
Insurance contracts measured under the premium allocation approach	317,625	294,748
	536,440	525,981

(in RMB million)	2023	2022 (Restated)
Contracts under the fair value approach	19,824	20,793
Contracts under the modified retrospective approach	160,400	329,355
Other contracts	356,216	175,833
	536,440	525,981

7. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2023	2022
Interest revenue from banking operations		
Due from the Central Bank	3,844	3,715
Due from and placements with banks and other financial institutions and financial assets purchased under reverse repurchase agreements	8,776	4,795
Loans and advances to customers	183,807	188,282
Financial investments	31,125	31,992
Subtotal	227,552	228,784
Interest expenses on banking operations		
Due to the Central Bank	4,101	3,860
Due to and placements from banks and other financial institutions and assets sold under agreements to repurchase	12,539	8,054
Customer deposits	74,927	66,304
Bonds payable	17,038	19,470
Subtotal	108,605	97,688
Net interest income from banking operations	118,947	131,096

8. INTEREST REVENUE FROM NON-BANKING OPERATIONS

(in RMB million)	2023	2022 (Restated)
Financial assets at amortized cost	33,202	30,082
Debt financial assets at fair value through other comprehensive income	85,301	85,851
	118,503	115,933

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2023	2022
Fees and commission revenue from non-insurance operations		
Brokerage commission	9,045	6,541
Underwriting commission	960	618
Trust service fees	939	1,544
Fees and commission from the banking business	31,532	34,986
Others	3,330	2,293
Subtotal	45,806	45,982
Fees and commission expenses on non-insurance operations		
Brokerage commission	2,392	2,238
Fees and commission on the banking business	5,612	7,546
Others	769	144
Subtotal	8,773	9,928
Net fees and commission income from non-insurance operations	37,033	36,054

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10. INVESTMENT INCOME

(in RMB million)	2023	2022 (Restated)
Net investment income	92,296	90,598
Realized gains/(losses)	(49,933)	(55,973)
Unrealized gains/(losses)	(9,039)	(36,936)
Total investment income	33,324	(2,311)

(1) NET INVESTMENT INCOME

(in RMB million)	2023	2022 (Restated)
Financial assets at fair value through profit or loss	67,259	68,602
Equity financial assets at fair value through other comprehensive income	18,131	15,818
Operating lease income from investment properties	6,906	6,178
	92,296	90,598

(2) REALIZED GAINS/(LOSSES)

(in RMB million)	2023	2022 (Restated)
Financial instruments at fair value through profit or loss	(53,184)	(58,221)
Debt financial assets at fair value through other comprehensive income	599	(243)
Financial assets at amortized cost	(506)	(273)
Derivative financial instruments	(43)	1,471
Gains on disposals of loans and advances at fair value through other comprehensive income	2,403	3,255
Precious metal transactions investment gains	410	15
Investment in subsidiaries, associates and joint ventures	388	(1,977)
	(49,933)	(55,973)

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2023	2022 (Restated)
Financial assets at fair value through profit or loss		
Bonds	8,497	(4,079)
Funds	(3,850)	(20,277)
Stocks	(5,286)	8,229
Wealth management investments, debt schemes and other investments	(10,760)	(22,598)
Financial liabilities at fair value through profit or loss	2,295	418
Derivative financial instruments	65	1,371
	(9,039)	(36,936)

11. OTHER REVENUES AND OTHER GAINS

(in RMB million)	2023	2022 (Restated)
Sales revenue	27,413	20,316
Expressway toll fee	899	844
Annuity management fee	1,558	1,535
Management fee and consulting fee income	7,017	9,609
Finance lease income	16,592	16,650
Others	15,325	11,698
	68,804	60,652

12. INSURANCE SERVICE EXPENSES

(in RMB million)	2023	2022 (Restated)
Claims and other expenses	309,810	301,042
Amortization of insurance acquisition cash flows	120,708	113,210
Losses on onerous contracts and reversal of those losses	9,660	7,969
	440,178	422,221

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(in RMB million)	2023	2022 (Restated)
Accounts receivable	152	(23)
Loans and advances to customers	62,833	64,168
Debt financial assets at fair value through other comprehensive income	476	168
Financial assets at amortized cost	7,719	3,472
Finance lease receivable	697	1,763
Placements with banks and other financial institutions	(1,485)	2,175
Credit commitments	3,689	5,758
Due from banks and other financial institutions	(1,512)	1,502
Others	5,175	1,570
	77,744	80,553

14. NET IMPAIRMENT LOSSES ON OTHER ASSETS

(in RMB million)	2023	2022 (Restated)
Investments in associates and joint ventures	864	928
Others	463	439
	1,327	1,367

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15. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

(in RMB million)	2023	2022 (Restated)
General and administrative expenses (Note 15.(2))	83,877	79,815
Other expenses (Note 15.(3))	39,638	27,964
Net impairment losses on financial assets (Note 13)	77,744	80,553
Net impairment losses on other assets (Note 14)	1,327	1,367

(2) GENERAL AND ADMINISTRATIVE EXPENSES

(in RMB million)	2023	2022 (Restated)
Employee costs	80,768	75,798
Including: Wages, salaries and bonuses	61,505	57,802
Retirement benefits, social security contributions and welfare benefits	17,364	16,169
Property and equipment costs	20,702	20,864
Including: Depreciation of property and equipment	7,486	6,932
Amortization of intangible assets	2,509	2,133
Depreciation of right-of-use assets	4,736	5,839
Operation expenses and regulatory charges	59,184	56,710
Administrative costs	2,979	3,626
Taxes and surcharges	3,665	3,414
Others	8,657	7,702
Including: Audit fee	125	95
	175,955	168,114
Less: Expenses directly attributable to insurance contracts		
Insurance acquisition cash flows recognized in liabilities for remaining coverage	(55,377)	(53,763)
Amounts recognized in insurance service expenses	(36,701)	(34,536)
	(92,078)	(88,299)
	83,877	79,815

(3) OTHER EXPENSES

(in RMB million)	2023	2022 (Restated)
Cost of sales	14,827	9,284
Depreciation of investment properties	4,692	3,645
Interest expenses on finance lease operations	7,150	6,824
Others	12,969	8,211
	39,638	27,964

16. INCOME TAX

(in RMB million)	2023	2022 (Restated)
Current income tax		
Charge for the year	15,577	26,481
Adjustments in respect of current income tax of previous years	2,122	1,162
Deferred income tax	(6,856)	(20,125)
	10,843	7,518

Certain subsidiaries enjoy tax preferential treatments. These subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate of the Group for 2023 was 25%.

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2022: 25%) is as follows:

(in RMB million)	2023	2022 (Restated)
Profit before tax	120,117	142,335
Tax at the applicable tax rate of 25% (2022: 25%)	30,029	35,584
Expenses not deductible for tax	3,343	3,989
Income not subject to tax	(32,250)	(31,232)
Adjustments in respect of current income tax of previous years	2,122	1,162
Others	7,599	(1,985)
Income tax per consolidated income statement	10,843	7,518

Taxes for taxable income attained from outside of the PRC are measured at the tax rates under local and PRC law, regulations and conventions. The income tax credited by the Group is verified by official tax bureau.

17. DIVIDENDS

(in RMB million)	2023	2022
2022 final dividend declared in 2023 – RMB1.50 (2021 final dividend declared in 2022 – RMB1.50) per ordinary share (i)	27,161	27,161
2023 interim dividend – RMB0.93 (2022 interim dividend – RMB0.92) per ordinary share (ii)	16,840	16,659

- (i) On 15 March 2023, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for 2022, agreeing to declare a cash dividend in the amount of RMB1.50 (tax inclusive) per share. The total amount of the cash dividend for 2022 was RMB27,161 million (tax inclusive).
- On 12 May 2023, the above profit distribution plan was approved by the shareholders of the Company at the annual general meeting.
- (ii) On 29 August 2023, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for Interim Dividend of 2023, and declared an interim cash dividend of RMB0.93 (tax inclusive) per share. The total amount of the cash dividend was RMB16,840 million (tax inclusive).
- (iii) On 21 March 2024, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for 2023, and declared a final cash dividend of 2023 in the amount of RMB1.50 (tax inclusive) per share. Pursuant to the *Shanghai Stock Exchange's Guidelines for Self-regulation of Listed Companies No.7 – Repurchase of Shares* and other applicable regulations, the Company's A shares in the Company's repurchased securities account after trading hours on the record date of A shareholders for the final dividend will not be entitled to the final dividend distribution. The actual total amount of final dividend payment is subject to the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders. The total amount of the final dividend payment for 2023 is RMB27,161,462,992.50 (tax inclusive) based on the total share capital of 18,210,234,607 shares less the 102,592,612 A shares of the Company in the repurchased securities account as at 31 December 2023, which was not recognized as a liability as at 31 December 2023.

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18. EARNINGS PER SHARE

(1) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group.

	2023	2022 (Restated)
Profit attributable to owners of the parent (in RMB million)	85,665	111,008
Weighted average number of ordinary shares in issue (million shares)	17,717	17,454
Basic earnings per share (in RMB)	4.84	6.36
<i>Weighted average number of ordinary shares in issue (million shares)</i>		
	2023	2022
Issued ordinary shares as at 1 January	18,280	18,280
Weighted average number of shares held by the Key Employee Share Purchase Plan	(26)	(22)
Weighted average number of shares held by the Long-term Service Plan	(331)	(234)
Weighted average number of shares held by the consolidated assets management schemes (i)	(33)	(406)
Weighted average number of the treasury shares cancelled	(39)	-
Weighted average number of shares held by the treasury share	(134)	(164)
Weighted average number of ordinary shares in issue	17,717	17,454

(i) As at 31 December 2023, no shares (31 December 2022: 261 million) were held by the consolidated assets management schemes.

(2) DILUTED

Diluted earnings per share was computed by dividing the adjusted profit attributable to owners of the parent based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The shares granted by the Company under the Key Employee Share Purchase Plan (Note 38) and Long-term Service Plan (Note 39) have a potential dilutive effect on the earnings per share.

	2023	2022 (Restated)
Earnings (in RMB million)		
Profit attributable to owners of the parent	85,665	111,008
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	17,717	17,454
Adjustments for:		
Assumed vesting of Key Employee Share Purchase Plan	26	22
Assumed vesting of Long-term Service Plan	331	234
Weighted average number of ordinary shares for diluted earnings per share in issue (million shares)	18,074	17,710
Diluted earnings per share (in RMB)	4.74	6.27

19. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Cash on hand	3,690	4,165
Term deposits	259,756	284,645
Due from banks and other financial institutions	319,924	352,110
Placements with banks and other financial institutions	220,707	133,921
	804,077	774,841

Details of placements with banks and other financial institutions are as follows:

(in RMB million)	31 December 2023	31 December 2022
Measured at amortized cost		
Placements with banks	68,410	64,520
Placements with other financial institutions	153,229	68,952
Gross	221,639	133,472
Less: Provision for impairment losses	(932)	(2,328)
Net	220,707	131,144
Measured at fair value through other comprehensive income		
Placements with other financial institutions	-	2,777
Total	220,707	133,921

As at 31 December 2023, the Group has no placement with banks and other financial institutions measured at fair value through other comprehensive income (31 December 2022: the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB91 million).

As at 31 December 2023, cash and amounts due from banks and other financial institutions of RMB7,961 million (31 December 2022: RMB10,919 million) were restricted from use.

As at 31 December 2023, cash and amounts due from overseas amounted to RMB30,224 million (31 December 2022: RMB60,616 million).

20. BALANCES WITH THE CENTRAL BANK

(in RMB million)	31 December 2023	31 December 2022
Statutory reserve deposits with the Central Bank for banking operations	227,324	240,380
Statutory reserve deposits with the Central Bank for banking operations - RMB	225,304	234,851
Statutory reserve deposits with the Central Bank for banking operations - foreign currencies	2,020	5,529
Surplus reserve deposits with the Central Bank	43,450	40,467
Fiscal deposits with the Central Bank	202	268
	270,976	281,115

In accordance with relevant regulations, subsidiaries of the Group engaged in bank operations are required to place mandatory reserve deposits with the People's Bank of China for customer deposits in both local currency and foreign currencies. As at 31 December 2023, the mandatory deposits are calculated at 7.0% (31 December 2022: 7.5%) of customer deposits denominated in RMB and 4.0% (31 December 2022: 6.0%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day-to-day operations.

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21. FINANCIAL ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

Classified by collateral:

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Bonds	156,011	84,920
Bills	8,787	2,676
Stocks and others	3,112	4,059
Gross	167,910	91,655
Less: Provision for impairment losses	(250)	(141)
Net	167,660	91,514

22. DERIVATIVE FINANCIAL INSTRUMENTS

(in RMB million)	31 December 2023			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,956,299	14,070	2,587,657	12,718
Currency forwards and swaps	1,228,639	27,015	1,218,587	27,780
Gold derivative instruments	20,804	702	25,476	1,999
Stock index options	27,999	1,255	2,469	145
Stock index swaps	7,993	333	9,372	128
Others	15,508	1,603	2,493	1,761
	5,257,242	44,978	3,846,054	44,531

(in RMB million)	31 December 2022			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,819,447	11,893	2,102,061	10,062
Currency forwards and swaps	992,397	15,602	1,146,546	23,498
Gold derivative instruments	36,240	1,049	43,741	3,172
Stock index options	17,143	146	2,233	88
Stock index swaps	3,718	160	7,669	776
Others	48,074	428	20,277	2,142
	4,917,019	29,278	3,322,527	39,738

23. FINANCE LEASE RECEIVABLE

(in RMB million)	31 December 2023	31 December 2022
Finance lease receivables, net of unrealized financial gains	185,658	192,444
Less: Provision for impairment losses	(4,984)	(5,586)
	180,674	186,858

The Group's finance lease receivables are the net amount offsetting the unrealized financial gains.

As at 31 December 2023, finance lease receivables with an amount of RMB17,207 million (31 December 2022: RMB24,052 million) were pledged as collateral for long-term and short-term borrowings.

24. LOANS AND ADVANCES TO CUSTOMERS

(1) ANALYSED BY CORPORATE AND INDIVIDUAL

(in RMB million)

31 December 2023

31 December 2022

Measured at amortized cost

Corporate customers		
Loans	973,872	945,687
Individual customers		
Mortgage loans	303,568	284,443
Credit card receivables	514,092	578,691
Consumer loans	545,291	602,247
Business loans	614,768	582,009
Gross	2,951,591	2,993,077
Add: Interest receivable	9,954	11,016
Less: Provision for impairment losses	(97,353)	(97,919)
Net	2,864,192	2,906,174

Measured at fair value through other comprehensive income

Corporate customers		
Loans	239,131	134,333
Discounted bills	214,799	197,547
Subtotal	453,930	331,880
Carrying amount	3,318,122	3,238,054

As at 31 December 2023, discounted bills with a carrying amount of RMB26 million (31 December 2022: RMB211 million) were pledged for amounts due to the Central Bank.

As at 31 December 2023, the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income was RMB2,692 million (31 December 2022: RMB3,277 million), refer to Note 24.(6).

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24. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYSED BY INDUSTRY

(in RMB million)	31 December 2023	31 December 2022
Loans and advances to customers		
Agriculture, husbandry and fishery	3,575	3,124
Mining	17,821	18,899
Manufacturing	200,675	183,192
Energy	37,527	33,091
Transportation and communication	59,744	51,441
Wholesaling and retailing	151,160	124,729
Real estate	255,322	283,484
Social service, technology, culture and sanitary industries	246,241	219,219
Construction	52,760	45,868
Individual customers	1,977,719	2,047,390
Others	402,977	314,520
Gross	3,405,521	3,324,957
Add: Interest receivable	9,954	11,016
Less: Provision for impairment losses	(97,353)	(97,919)
Carrying amount	3,318,122	3,238,054

(3) ANALYSED BY TYPE OF COLLATERAL HELD

(in RMB million)	31 December 2023	31 December 2022
Unsecured	1,315,512	1,283,638
Guaranteed	226,971	221,241
Secured by collateral		
Secured by mortgages	1,313,001	1,316,244
Secured by monetary assets	335,238	306,287
Subtotal	3,190,722	3,127,410
Discounted bills	214,799	197,547
Gross	3,405,521	3,324,957
Add: Interest receivable	9,954	11,016
Less: Provision for impairment losses	(97,353)	(97,919)
Carrying amount	3,318,122	3,238,054

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS

(in RMB million)	31 December 2023				Total
	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured	22,378	12,372	404	127	35,281
Guaranteed	1,115	1,056	19	4	2,194
Secured by collateral					
Secured by mortgages	13,584	4,714	1,223	34	19,555
Secured by monetary assets	1,504	1,109	258	-	2,871
	38,581	19,251	1,904	165	59,901

24. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS (CONTINUED)

(in RMB million)	31 December 2022				Total
	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured	25,934	14,983	343	78	41,338
Guaranteed	91	87	595	262	1,035
Secured by collateral					
Secured by mortgages	12,318	5,639	827	-	18,784
Secured by monetary assets	623	708	607	3	1,941
	38,966	21,417	2,372	343	63,098

Past due loans refer to the loans with either principal or interest being past due by one day or more.

(5) ANALYSED BY REGION

(in RMB million)	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Eastern	780,270	22.91%	708,410	21.31%
Southern	706,021	20.73%	649,810	19.54%
Western	335,842	9.86%	310,665	9.34%
Northern	559,056	16.42%	489,810	14.73%
Head office	991,440	29.11%	1,136,487	34.18%
Overseas	32,892	0.97%	29,775	0.90%
Gross	3,405,521	100.00%	3,324,957	100.00%
Add: Interest receivable	9,954		11,016	
Less: Loan allowance	(97,353)		(97,919)	
Carrying amount	3,318,122		3,238,054	

(6) LOAN IMPAIRMENT PROVISION

(in RMB million)	2023	2022
Measured at amortized cost		
As at 1 January	97,919	89,256
Charge for the year	62,973	61,837
Write-off and transfer during the year	(80,727)	(65,136)
Recovery of loans written off previously	17,779	11,942
Unwinding of discount of impairment provisions recognized as interest income	(83)	(45)
Others	(508)	65
As at 31 December	97,353	97,919
Measured at fair value through other comprehensive income		
As at 1 January	3,277	946
(Recover)/charge for the year	(140)	2,331
Write-off and transfer during the year	(445)	-
As at 31 December	2,692	3,277
As at 31 December	100,045	101,196

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25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Bonds		
Government bonds	200,566	135,150
Finance bonds	307,378	290,788
Corporate bonds	78,485	81,142
Funds	475,511	517,951
Stocks	156,514	83,995
Preferred shares	22,929	23,164
Unlisted equity investments	127,304	133,295
Debt schemes	72,237	60,698
Wealth management investments	258,313	238,092
Other investments	103,810	76,244
Total	1,803,047	1,640,519
Listed	316,044	198,459
Unlisted	1,487,003	1,442,060
	1,803,047	1,640,519

26. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Bonds		
Government bonds	892,641	767,761
Finance bonds	32,113	32,047
Corporate bonds	47,433	53,131
Debt schemes	14,196	16,102
Wealth management investments	117,172	147,424
Other investments	186,775	148,373
Gross	1,290,330	1,164,838
Less: Provisions for impairment losses	(46,977)	(40,803)
Net	1,243,353	1,124,035
Listed	62,757	61,208
Unlisted	1,180,596	1,062,827
	1,243,353	1,124,035

27. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Bonds		
Government bonds	1,973,152	1,733,996
Finance bonds	352,063	380,170
Corporate bonds	75,772	78,393
Debt schemes	108,515	114,289
Margin accounts receivable	-	49,126
Wealth management investments	127,506	144,816
Total	2,637,008	2,500,790
Listed	364,740	375,826
Unlisted	2,272,268	2,124,964
	2,637,008	2,500,790

As at 31 December 2023, the total provision for impairment losses recognized in debt financial assets at fair value through other comprehensive income is RMB8,818 million (31 December 2022: RMB8,557 million).

28. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity financial assets at fair value through other comprehensive income comprise the following individual investments:

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Stocks	177,686	174,047
Preferred shares	81,893	85,784
Other equity investments	5,298	4,940
Total	264,877	264,771
Listed	259,579	259,831
Unlisted	5,298	4,940
	264,877	264,771

For the equity investments which are not held for trading but for long-term investments, the Group has irrevocably elected to recognize them in this category at initial recognition.

In 2023, for the consideration of optimizing asset allocation and asset-liability management, the Group disposed of equity financial assets at fair value through other comprehensive income amounted to RMB21,956 million (2022: RMB27,224 million), and the net cumulative losses of RMB311 million (2022: net cumulative gains of RMB113 million) on disposal was transferred from other comprehensive income to retained profits.

The dividend income of equity financial assets at fair value through other comprehensive income recognized during the year are disclosed in Note 10.

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29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in RMB million)	2023							
	As at 1 January	Additional investment	Increase / (Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of provision in current year	Cash dividends in current year	Proportion of ordinary shares held by the Group (%) ^(a)
Associates								
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	309	-	(4)	305	(37)	-	-	23.88%
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	140	-	(140)	-	-	-	-	-
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	147	-	(147)	-	-	-	-	-
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	1,032	-	115	1,147	-	-	-	29.85%
Beijing-Shanghai High-Speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	9,489	-	4	9,493	-	-	16	59.14%
Massive Idea Investments Limited	1,131	-	(29)	1,102	-	-	-	36.66%
Guangzhou Jinglun Property Development Co., Ltd.	637	-	7	644	-	-	-	39.92%
Lufax Holding Ltd. ("Lufax Holding")	52,845	-	(380)	52,465	-	-	594	41.43%
Ping An Healthcare and Technology Co., Ltd. ("Ping An Health")	18,739	-	(66)	18,673	-	-	-	39.41%
HealthKconnect Medical and Health Technology Management Company Limited ("Ping An HealthKconnect")	2,988	-	248	3,236	-	-	-	29.55%
OneConnect Financial Technology Co., Ltd. ("OneConnect")	2,079	-	(166)	1,913	-	-	-	32.12%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,098	-	(106)	992	-	-	-	38.81%
ZhongAn Online P&C Insurance Co., Ltd. ("ZhongAn Online")	1,499	-	509	2,008	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,807	-	(39)	1,768	-	-	111	39.18%
China Yangtze Power Co., Ltd.	15,882	-	259	16,141	-	-	845	4.03%
China Traditional Chinese Medicine Holdings Co., Ltd.	2,790	-	115	2,905	-	-	28	11.94%
China Fortune Land Development Co., Ltd. ("China Fortune")	2,522	-	(782)	1,740	(9,820)	-	-	25.02%
China Jinmao Holding Group Co., Ltd.	7,139	-	(1,533)	5,606	(1,558)	-	58	13.18%
Ping An Consumer Finance Co., Ltd. ("Ping An Consumer Finance")	1,386	-	147	1,533	-	-	-	30.00%
Vivid Synergy Limited	10,070	-	146	10,216	-	-	-	29.85%
Shanghai Yibin Property Co., Ltd.	13,338	-	(9)	13,329	-	-	-	41.80%
Guangzhou Futures Exchange Co., Ltd.	465	-	30	495	-	-	-	15.00%
Others	38,047	412	(6,986)	31,473	(1,347)	(354)	2,689	
Subtotal	185,579	412	(8,807)	177,184	(12,762)	(354)	4,341	
Joint ventures								
Beijing Zhaotai Property Development Co., Ltd.	1,619	-	(341)	1,278	-	-	339	24.95%
Wuhan DAJT Property Development Co., Ltd.	468	-	(8)	460	-	-	-	49.81%
Founder Meiji Yasuda Life Insurance Co., Ltd.	2,795	867	(680)	2,982	(199)	(199)	-	33.75%
Others	90,332	976	(14,335)	76,973	(311)	(311)	2,925	
Subtotal	95,214	1,843	(15,364)	81,693	(510)	(510)	3,264	
Total	280,793	2,255	(24,171)	258,877	(13,272)	(864)	7,605	

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

(in RMB million)	2022							Proportion of ordinary shares held by the Group (%) ⁽¹⁾
	As at 1 January	Additional investment	Increase/(Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of provision in current year	Cash dividends in current year	
Associates								
Veolia Kunming	272	-	37	309	(37)	-	-	23.88%
Veolia Yellow River	158	-	(18)	140	(402)	-	-	48.76%
Veolia Liuzhou	93	-	54	147	(23)	-	-	44.78%
Shanxi Taichang	873	-	159	1,032	-	-	-	29.85%
Beijing-Shanghai Railway	9,318	-	171	9,489	-	-	89	39.18%
Massive Idea Investments Limited	1,074	-	57	1,131	-	-	-	36.66%
Guangzhou Jinglun Property Development Co., Ltd.	701	-	(64)	637	-	-	64	39.92%
Xuhui Holdings Co., Ltd.	4,336	-	(4,336)	-	-	(777)	31	-
Lufax Holding	51,564	-	1,281	52,845	-	-	3,250	41.44%
Ping An Health	18,922	-	(183)	18,739	-	-	-	39.41%
Ping An HealthKconnect	2,903	-	85	2,988	-	-	-	29.55%
OneConnect	2,259	52	(232)	2,079	-	-	-	32.12%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,570	-	(472)	1,098	-	-	102	38.81%
ZhongAn Online	1,735	-	(236)	1,499	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,830	-	(23)	1,807	-	-	-	39.18%
China Yangtze Power Co., Ltd.	15,684	-	198	15,882	-	-	807	4.34%
China Traditional Chinese Medicine Holdings Co., Ltd.	2,797	-	(7)	2,790	-	-	38	11.94%
China Fortune	3,621	-	(1,099)	2,522	(9,822)	-	-	25.02%
China Jinmao Holding Group Co., Ltd.	7,137	-	2	7,139	(1,558)	-	146	13.36%
Ping An Consumer Finance	1,330	-	56	1,386	-	-	-	30.00%
Vivid Synergy Limited	9,217	-	853	10,070	-	-	-	29.85%
Shanghai Yibin Property Co., Ltd.	13,345	-	(7)	13,338	-	-	-	41.80%
Guangzhou Futures Exchange Co., Ltd.	450	-	15	465	-	-	-	15.00%
Others	35,633	5,988	(3,574)	38,047	(1,156)	(151)	1,729	
Subtotal	186,822	6,040	(7,283)	185,579	(12,998)	(928)	6,256	
Joint ventures								
Yunnan Kunyu Highway Development Co., Ltd.	762	-	(762)	-	-	-	-	-
Beijing Zhaotai Property Development Co., Ltd.	1,632	-	(13)	1,619	-	-	-	24.95%
Wuhan DAJT Property Development Co., Ltd.	482	-	(14)	468	-	-	-	49.81%
Founder Meiji Yasuda Life Insurance Co., Ltd.	-	2,795	-	2,795	-	-	-	33.75%
Others	94,363	5,674	(9,705)	90,332	-	-	3,924	
Subtotal	97,239	8,469	(10,494)	95,214	-	-	3,924	
Total	284,061	14,509	(17,777)	280,793	(12,998)	(928)	10,180	

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29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The financial information summary of the Group's principal associates and joint ventures as at year end of 2023 are as follows:

(in RMB million)	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/(loss) in current year ⁽ⁱ⁾
Associates								
Ping An Health	China	Cayman	Online health care	Yes	16,520	3,253	4,674	(323)
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	8,068	5,121	3,668	(363)
Lufax Holding	China	Cayman	Financial technology	Yes	237,023	143,339	34,255	887

The financial information summary of the Group's principal associates and joint ventures as at year end of 2022 are as follows:

(in RMB million)	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/(loss) in current year ⁽ⁱ⁾
Associates								
Ping An Health	China	Cayman	Online health care	Yes	17,184	3,653	6,205	(636)
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	8,882	5,604	4,464	(872)
Lufax Holding	China	Cayman	Financial technology	Yes	349,263	254,476	58,116	8,699

The Group has no significant contingent liabilities relating to the associates and joint ventures listed above.

Note i: The proportion of ordinary shares, as shown in the above table, is the multiplication of the proportion of shares held in each holding layer.

Note ii: Net profit/(loss) refers to the net profit/(loss) attributable to shareholders of the parent company of Ping An Health, OneConnect and Lufax Holding respectively.

30. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	31 December 2023	31 December 2022
Ping An Life	6,760	6,760
Ping An Property & Casualty	4,200	4,200
Ping An Annuity	2,322	2,322
Ping An Health Insurance	1,100	940
Others	18	18
Subtotal	14,400	14,240
Less: Provision for impairment losses	(5)	(4)
Add: Interest receivable	508	208
Total	14,903	14,444

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the *Insurance Law* and relevant regulations issued by regulatory authorities based on 20% of the registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively. Statutory deposits for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies, insurance sales agency companies and insurance brokerage companies.

31. INVESTMENT PROPERTIES

(in RMB million)

	2023	2022
Cost		
As at 1 January	136,091	102,166
Acquisition of subsidiaries	11,081	25,799
Additions	2,379	3,536
Transfer (to)/from property and equipment, net	(1,716)	4,740
Disposals	(166)	(150)
As at 31 December	147,669	136,091
Accumulated depreciation		
As at 1 January	21,327	16,121
Acquisition of subsidiaries	911	507
Charge for the year	4,692	3,645
Transfer (to)/from property and equipment, net	(714)	1,058
Disposals	(1)	(4)
As at 31 December	26,215	21,327
Impairment losses		
As at 1 January	1	4
Charge for the year	48	-
Disposals	(1)	(3)
As at 31 December	48	1
Net carrying amount		
As at 31 December	121,406	114,763
As at 1 January	114,763	86,041
Fair value		
As at 31 December	162,654	154,690
As at 1 January	154,690	121,526

The fair value of the investment properties as at 31 December 2023 were estimated by the Group, based on valuation performed by independent valuers. It falls under level 3 in the fair value hierarchy.

The rental income arising from investment properties for the year 2023 amounted to RMB6,906 million (2022: RMB6,178 million), which is included in net investment income.

As at 31 December 2023, investment properties with a carrying amount of RMB11,613 million (31 December 2022: RMB19,411 million) were pledged as collateral for long-term and short-term borrowings with a carrying amount of RMB7,937 million (31 December 2022: RMB7,270 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB3,669 million as at 31 December 2023 (31 December 2022: RMB3,465 million).

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32. PROPERTY AND EQUIPMENT

(in RMB million)	2023					Total
	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	
Cost						
As at 1 January	12,970	48,953	26,544	2,236	2,718	93,421
Acquisitions of subsidiaries	-	-	15	-	-	15
Additions	128	210	1,843	70	2,228	4,479
Transfer from/(to) construction in progress	727	31	95	-	(853)	-
Transfer from investment properties, net	-	1,716	-	-	-	1,716
Disposals of subsidiaries	-	-	(2)	(3)	-	(5)
Disposals	(322)	(563)	(2,170)	(480)	(46)	(3,581)
As at 31 December	13,503	50,347	26,325	1,823	4,047	96,045
Accumulated depreciation						
As at 1 January	9,254	12,599	16,368	1,345	-	39,566
Acquisitions of subsidiaries	-	-	14	-	-	14
Charge for the year	1,432	1,935	4,309	132	-	7,808
Transfer from investment properties, net	-	714	-	-	-	714
Disposals of subsidiaries	-	-	(2)	(1)	-	(3)
Disposals	(172)	(249)	(1,853)	(352)	-	(2,626)
As at 31 December	10,514	14,999	18,836	1,124	-	45,473
Impairment losses						
As at 1 January	-	83	72	43	-	198
Charge for the year	-	18	29	-	-	47
Disposals	-	(34)	(40)	-	-	(74)
As at 31 December	-	67	61	43	-	171
Net carrying amount						
As at 31 December	2,989	35,281	7,428	656	4,047	50,401
As at 1 January	3,716	36,271	10,104	848	2,718	53,657

32. PROPERTY AND EQUIPMENT (CONTINUED)

	2022					
(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January	12,485	43,510	24,202	2,657	3,169	86,023
Acquisitions of subsidiaries	167	8,823	1,780	33	83	10,886
Additions	198	469	1,945	3	1,343	3,958
Transfer from/(to) construction in progress	655	450	120	1	(1,226)	-
Transfer to investment properties, net	-	(4,100)	-	-	(640)	(4,740)
Disposals of subsidiaries	-	-	(1)	-	-	(1)
Disposals	(535)	(199)	(1,502)	(458)	(11)	(2,705)
As at 31 December	12,970	48,953	26,544	2,236	2,718	93,421
Accumulated depreciation						
As at 1 January	8,550	12,150	13,832	1,549	-	36,081
Acquisitions of subsidiaries	-	-	1	-	-	1
Charge for the year	1,954	1,573	3,859	122	-	7,508
Transfer to investment properties, net	-	(1,058)	-	-	-	(1,058)
Disposals	(1,250)	(66)	(1,324)	(326)	-	(2,966)
As at 31 December	9,254	12,599	16,368	1,345	-	39,566
Impairment losses						
As at 1 January	-	81	66	37	-	184
Additions	-	2	6	6	-	14
As at 31 December	-	83	72	43	-	198
Net carrying amount						
As at 31 December	3,716	36,271	10,104	848	2,718	53,657
As at 1 January	3,935	31,279	10,304	1,071	3,169	49,758

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB523 million as at 31 December 2023 (31 December 2022: RMB558 million).

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33. INTANGIBLE ASSETS

(in RMB million)	2023						Total
	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	
Cost							
As at 1 January	44,338	5,129	37,130	15,082	10,056	15,965	127,700
Acquisitions of subsidiaries	-	-	1,138	-	-	1	1,139
Additions	127	-	823	-	18	1,476	2,444
Disposals of subsidiaries	-	-	-	-	-	(1)	(1)
Disposals	(58)	-	(350)	-	-	(158)	(566)
As at 31 December	44,407	5,129	38,741	15,082	10,074	17,283	130,716
Accumulated amortization							
As at 1 January	-	3,335	3,744	8,640	893	11,387	27,999
Acquisitions of subsidiaries	-	-	23	-	-	-	23
Charge for the year	-	189	918	754	97	1,412	3,370
Disposals of subsidiaries	-	-	-	-	-	(1)	(1)
Disposals	-	-	(39)	-	-	(53)	(92)
As at 31 December	-	3,524	4,646	9,394	990	12,745	31,299
Impairment losses							
As at 1 January	278	-	-	-	-	12	290
Additions	13	-	-	-	-	38	51
Disposals	-	-	-	-	-	(2)	(2)
As at 31 December	291	-	-	-	-	48	339
Net carrying amount							
As at 31 December	44,116	1,605	34,095	5,688	9,084	4,490	99,078
As at 1 January	44,060	1,794	33,386	6,442	9,163	4,566	99,411

33. INTANGIBLE ASSETS (CONTINUED)

(in RMB million)	2022						
	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January	23,233	5,129	26,268	15,082	9,987	13,571	93,270
Acquisitions of subsidiaries	-	-	8,857	-	-	1,045	9,902
Additions	21,105	-	2,358	-	69	1,786	25,318
Disposals	-	-	(353)	-	-	(437)	(790)
As at 31 December	44,338	5,129	37,130	15,082	10,056	15,965	127,700
Accumulated amortization							
As at 1 January	-	3,146	2,885	7,886	783	10,039	24,739
Acquisitions of subsidiaries	-	-	134	-	-	-	134
Charge for the year	-	189	761	754	110	1,357	3,171
Disposals	-	-	(36)	-	-	(9)	(45)
As at 31 December	-	3,335	3,744	8,640	893	11,387	27,999
Impairment losses							
As at 1 January	58	-	-	-	-	11	69
Additions	220	-	-	-	-	1	221
As at 31 December	278	-	-	-	-	12	290
Net carrying amount							
As at 31 December	44,060	1,794	33,386	6,442	9,163	4,566	99,411
As at 1 January	23,175	1,983	23,383	7,196	9,204	3,521	68,462

As at 31 December 2023, expressway operating rights with a carrying amount of RMB1,467 million (31 December 2022: RMB1,604 million) were pledged as collateral for long-term borrowings amounting to RMB157 million (31 December 2022: RMB260 million).

As at 31 December 2023, prepaid land premiums with a carrying amount of RMB981 million (31 December 2022: RMB1,485 million) were pledged as collateral for long-term borrowings amounting to RMB638 million (31 December 2022: RMB579 million).

As at 31 December 2023, the Group has no prepaid land premiums without title certificates (31 December 2022: RMB1,936 million).

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33. INTANGIBLE ASSETS (CONTINUED)

(I) GOODWILL

(in RMB million)	2023			As at 31 December
	As at 1 January	Increase	Decrease	
Ping An Bank	8,761	-	-	8,761
Shanghai Jahwa	2,502	-	-	2,502
Mayborn Group Limited	1,766	118	-	1,884
Ping An Securities	328	-	-	328
Ping An Commercial Property Investment	66	-	-	66
Beijing Shuangronghui Investment Co., Ltd.	134	-	-	134
Shanghai Gezhoubayangming Property Co., Ltd.	241	-	-	241
Ping An E-wallet	1,073	-	-	1,073
Autohome Inc.	5,265	-	-	5,265
TTP Car Inc.	2,438	-	-	2,438
New Founder Group	20,977	-	-	20,977
Other	787	9	(58)	738
Total	44,338	127	(58)	44,407
Less: Impairment losses	(278)	(13)	-	(291)
Net carrying amount	44,060	114	(58)	44,116

(in RMB million)	2022			As at 31 December
	As at 1 January	Increase	Decrease	
Ping An Bank	8,761	-	-	8,761
Shanghai Jahwa	2,502	-	-	2,502
Mayborn Group Limited	1,749	17	-	1,766
Ping An Securities	328	-	-	328
Ping An Commercial Property Investment	66	-	-	66
Beijing Shuangronghui Investment Co., Ltd.	134	-	-	134
Shanghai Gezhoubayangming Property Co., Ltd.	241	-	-	241
Ping An E-wallet	1,073	-	-	1,073
Autohome Inc.	5,265	-	-	5,265
TTP Car Inc.	2,438	-	-	2,438
New Founder Group	-	20,977	-	20,977
Other	676	111	-	787
Total	23,233	21,105	-	44,338
Less: Impairment losses	(58)	(220)	-	(278)
Net carrying amount	23,175	20,885	-	44,060

33. INTANGIBLE ASSETS (CONTINUED)

(I) GOODWILL (CONTINUED)

When assessing the impairment of goodwill, the main valuation technique used to determine the recoverable amount of the groups of assets (or groups of cash-generating units) are Fair Value Less Cost to Sell and Present Value of Future Cash Flows.

Fair value is based on the fair value of stocks issued in the public market or applicable valuation techniques. The present value of future cash flows is based on business plans approved by management covering a five-year period and a risk adjusted discount rate. Cash flows beyond that period have been extrapolated using a steady growth rate and terminal value. Discount rates used by the Group range from 10% to 17% (2022: from 10% to 17%) and growth rates, where applicable, range from 2% to 25% (2022: from 2% to 35%) for 2023.

The Group's right-of-use assets include the above prepaid land premiums and right-of-use assets disclosed in Note 34.

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

RIGHT-OF-USE ASSETS

(in RMB million)	2023		
	Buildings	Others	Total
Cost			
As at 1 January	19,721	9	19,730
Additions	3,919	4	3,923
Disposals	(7,979)	(1)	(7,980)
As at 31 December	15,661	12	15,673
Accumulated depreciation			
As at 1 January	7,146	4	7,150
Charge for the year	4,787	5	4,792
Disposals	(6,065)	(1)	(6,066)
As at 31 December	5,868	8	5,876
Impairment provision			
As at 1 January	-	-	-
Additions	3	-	3
As at 31 December	3	-	3
Net carrying amount			
As at 31 December	9,790	4	9,794
As at 1 January	12,575	5	12,580

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34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

RIGHT-OF-USE ASSETS (CONTINUED)

(in RMB million)	2022		Total
	Buildings	Others	
Cost			
As at 1 January	24,752	4	24,756
Additions	6,428	6	6,434
Disposals	(11,459)	(1)	(11,460)
As at 31 December	19,721	9	19,730
Accumulated depreciation			
As at 1 January	10,568	3	10,571
Charge for the year	5,980	2	5,982
Disposals	(9,402)	(1)	(9,403)
As at 31 December	7,146	4	7,150
Impairment provision			
As at 1 January	-	-	-
As at 31 December	-	-	-
Net carrying amount			
As at 31 December	12,575	5	12,580
As at 1 January	14,184	1	14,185

The Group's right-of-use assets include the above assets and prepaid land premiums disclosed in Note 33.

The amount recognized in the Consolidated Income Statement and the Consolidated Statement of Cash Flows for the year relating to the lease contracts are as follows:

(in RMB million)	2023	2022
Interest expense on lease liabilities	451	555
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	660	584
Total cash outflows for lease	6,107	7,044

35. OTHER ASSETS

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Other receivables	76,052	90,806
Foreclosed assets	1,804	2,070
Prepayments	2,211	3,927
Precious metals held for trading	10,043	16,834
Dividends receivable	378	1,060
Amounts in the processing clearance and settlement	39,036	29,680
Others	18,987	20,509
Gross	148,511	164,886
Less: Impairment provisions	(13,516)	(8,423)
Including: Other receivables	(9,530)	(5,056)
Foreclosed assets	(1,587)	(1,699)
Precious metals held for trading	(363)	(279)
Others	(2,036)	(1,389)
Net	134,995	156,463

36. SHARE CAPITAL

(million shares)	Domestic listed A shares, par value RMB1.00 per share	Overseas listed H shares, par value RMB1.00 per share	Total
31 December 2023	10,762	7,448	18,210
31 December 2022	10,832	7,448	18,280

In June 2023, the Company cancelled 70,006,803 A shares repurchased under the 2019 A Share Repurchase Plan, and the total share capital of the Company was changed from 18,280,241,410 shares to 18,210,234,607 shares.

37. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, the companies operating in insurance should make appropriations for general reserves based on 10% of net profit, the company operating in banking should make appropriations based on 1.5% of risk assets, the company operating in securities should make appropriations based on 10% of net profit, the companies operating in trust should make appropriations based on 5% of trust claim reserves, the companies operating in futures should make appropriations based on 10% of net profit, and the companies operating in fund should make appropriations based on 10% of fund management fees as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for dividend distribution or transfer to share capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

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37. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS (CONTINUED)

The Group's subsidiaries consolidated certain asset management schemes that were managed by third parties. These asset management schemes invested in the insurance index shares which included the Company's shares. As such the Group indirectly hold the Company's shares. The consideration paid by the consolidated asset management schemes in purchasing the Company's shares from the market, including any directly attributable incremental cost, is debited to "Share premium" under "Reserves". No gain or loss shall be recognized in profit or loss on the sale of those shares, the consideration received is credited to "Share premium" under "Reserves". As at 31 December 2023, these assets management schemes have been liquidated, there is no consolidated assets management scheme that holds shares of the Company (as at 31 December 2022, 261 million shares of the Company were held by these consolidated assets management schemes).

38. KEY EMPLOYEE SHARE PURCHASE PLAN

The Company has adopted a Key Employee Share Purchase Plan for the key employees (including executive directors and senior management) of the Company and its subsidiaries. Shares shall be vested and awarded to the key employees approved for participation in the plan, subject to the achievement of certain performance targets.

Movement of reserves relating to the Key Employee Share Purchase Plan is as follows:

(in RMB million)	Cost of shares held for Key Employee Share Purchase Plan	Value of employee services	Total
As at 1 January 2023	(1,137)	767	(370)
Purchased (i)	(694)	-	(694)
Share-based compensation expenses (ii)	-	609	609
Exercised	515	(515)	-
Expired	55	-	55
As at 31 December 2023	(1,261)	861	(400)

(in RMB million)	Cost of shares held for Key Employee Share Purchase Plan	Value of employee services	Total
As at 1 January 2022	(1,439)	984	(455)
Purchased (i)	(596)	-	(596)
Share-based compensation expenses (ii)	-	573	573
Exercised	790	(790)	-
Expired	108	-	108
As at 31 December 2022	(1,137)	767	(370)

(i) During the period from 16 March 2023 to 23 March 2023, 15,030,180 ordinary A shares were purchased from the market. The average price of shares purchased was RMB46.13 per share. The total purchasing cost was RMB694 million (transaction expenses included).

During the period from 18 March 2022 to 25 March 2022, 12,518,547 ordinary A shares were purchased from the market. The average price of shares purchased was RMB47.56 per share. The total purchasing cost was RMB596 million (transaction expenses included).

(ii) The share-based compensation expenses of the Key Employee Share Purchase Plan and the total value of employee services were RMB609 million during 2023 (2022: RMB573 million).

38. KEY EMPLOYEE SHARE PURCHASE PLAN (CONTINUED)

(iii) Movement of shares relating to the Key Employee Share Purchase Plan is as follows (refer to Note 54.(3) for details about directors):

Period of purchase	Average price of shares purchased	Type	Unvested as at 1 January 2023	Addition during the year ^[1]	Vested during the year ^[2]	Unvested as at 31 December 2023
From 24 February 2020 to 27 February 2020	RMB80.17 per share	Directors	394,275	-	394,275	-
		The five highest paid individuals	-	-	-	-
		Other employees	1,546,892	-	1,472,470	-
From 26 April 2021 to 29 April 2021	RMB73.13 per share	Directors	1,078,437	-	539,215	539,222
		The five highest paid individuals	-	-	-	-
		Other employees	4,051,091	-	1,935,297	1,937,251
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Directors	2,685,633	-	895,209	1,790,424
		The five highest paid individuals	-	-	-	-
		Other employees	9,832,121	-	3,021,866	6,045,353
From 16 March 2023 to 23 March 2023	RMB46.13 per share	Directors	-	2,675,673	-	2,675,673
		The five highest paid individuals	-	19,503	-	19,503
		Other employees	-	12,333,609	-	12,333,609

- [1] The closing price of the domestic listed A shares on the trading day before the period of purchase was RMB45.95 per share. The lock-up period of the relevant shares is from 25 March 2023 to 24 March 2024. One third of the shares under the Key Employee Share Purchase Plan will be unlocked each year and vested in batches to employees after the lock-up period according to rules of the Key Employee Share Purchase Plan, if employees achieve the requirements of the Company's performance indicators (including compliant operation indicators, risk management indicators, economic efficiency indicators, and social responsibility indicators).
- [2] The weighted average price of the domestic listed A shares on the trading day before the grant date was RMB53.83 per share.
- [3] From 1 January 2023 to 31 December 2023, the number of shares lapsed under the Key Employee Share Purchase Plan (excluding directors and the five highest paid individuals) reached 1,017,867; there was no share cancellation under the Key Employee Share Purchase Plan.
- [4] The relevant shares are locked for one year from the purchasing date; one third of the shares will be unlocked each year and vested in batches to employees after the lock-up period according to rules of the Key Employee Share Purchase Plan.

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39. LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Shares shall be vested and awarded to the employees participated in the Long-term Service Plan, subject to the confirmation of their applications made when they retire from the Company.

Movement of reserves relating to the Long-term Service Plan is as follows:

(in RMB million)	Cost of shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January 2023	(16,886)	970	(15,916)
Purchased (i)	(4,451)	-	(4,451)
Share-based compensation expenses (ii)	-	472	472
Exercised	13	(13)	-
As at 31 December 2023	(21,324)	1,429	(19,895)

(in RMB million)	Cost of shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January 2022	(12,465)	662	(11,803)
Purchased (i)	(4,439)	-	(4,439)
Share-based compensation expenses (ii)	-	326	326
Exercised	18	(18)	-
As at 31 December 2022	(16,886)	970	(15,916)

- (i) From 16 March 2023 to 23 March 2023, 96,608,364 ordinary A shares were purchased from the market. The average price of shares purchased was RMB46.06 per share. The total purchasing cost was RMB4,451 million (transaction expenses included).
- From 18 March 2022 to 25 March 2022, 93,314,482 ordinary A shares were purchased from the market. The average price of shares purchased was RMB47.56 per share. The total purchasing cost was RMB4,439 million (transaction expenses included).
- (ii) The share-based compensation expenses and the total value of employee services of the Long-term Service Plan were RMB472 million during 2023 (2022: RMB326 million).

39. LONG-TERM SERVICE PLAN (CONTINUED)

(iii) Movement of shares relating to the Long-term Service Plan is as follows (refer to Note 54.(3) for details about directors):

Period of purchase	Average price of shares purchased	Type	Unvested as at 1 January 2023	Addition during the year ^[1]	Vested during the year ^[2]	Unvested as at 31 December 2023
From 7 May 2019 to 14 May 2019	RMB79.10 per share	Directors	884,666	-	-	695,095
		The five highest paid individuals	44,233	-	-	44,233
		Other employees	53,188,568	-	96,599	53,281,540
From 24 February 2020 to 28 February 2020	RMB80.15 per share	Directors	873,264	-	-	686,136
		The five highest paid individuals	43,662	-	-	43,662
		Other employees	48,749,253	-	53,640	48,882,741
From 26 April 2021 to 29 April 2021	RMB72.92 per share	Directors	959,784	-	-	754,116
		The five highest paid individuals	27,970	-	-	27,970
		Other employees	56,378,508	-	8,070	56,576,106
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Directors	1,471,562	-	-	1,156,227
		The five highest paid individuals	23,124	-	-	23,124
		Other employees	91,818,990	-	6,071	92,128,254
From 16 March 2023 to 23 March 2023	RMB46.06 per share	Directors	-	1,302,305	-	976,729
		The five highest paid individuals	-	35,812	-	35,812
		Other employees	-	95,270,247	805	95,595,018

- [1] The closing price of the domestic listed A shares on the trading day before the period of purchase was RMB45.95 per share. Shares shall be vested and awarded to the employees when they retire from the Company, and the number of shares eligible for vesting is determined according to their performance.
- [2] The weighted average price of the domestic listed A shares on the trading day before the grant date was RMB49.17 per share.
- [3] From 1 January 2023 to 31 December 2023, there was no share lapse or cancellation under the Long-term Service Plan.
- [4] Shares shall be vested and awarded to the employees participating in the Long-term Service Plan, subject to the confirmation of their applications made and the payment of relevant taxes when they retire from the Company.

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40. TREASURY SHARES

(in RMB million)	31 December 2022	Additions	Disposals	31 December 2023
Treasury shares	10,996	-	(5,995)	5,001

As at 31 December 2023, 102,592,612 uncanceled A shares had been purchased from the Shanghai Stock Exchange by centralized bidding (31 December 2022: 172,599,415 shares). The total repurchasing cost was RMB5,001 million (31 December 2022: RMB10,996 million) (transaction expenses included).

41. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2023	31 December 2022
Deposits from other banks and financial institutions	526,452	457,688
Due to the Central Bank	208,783	191,916
Short-term borrowings	93,322	121,945
Long-term borrowings	135,161	151,539
	963,718	923,088

42. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2023	31 December 2022
Bonds	228,250	262,798
Others	13,553	8,939
	241,803	271,737

As at 31 December 2023, bonds with a carrying amount of RMB171,868 million (31 December 2022: RMB168,705 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collaterals are restricted from trading during the period of the repurchase transactions.

As at 31 December 2023, the carrying amount of bonds deposited in the collateral pool was RMB304,409 million (31 December 2022: RMB321,996 million). The collaterals are restricted from trading during the period of the repurchase transactions. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds and/or bonds transferred under new pledged repurchase transactions with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transactions into a collateral pool.

43. INSURANCE CONTRACT ASSETS AND LIABILITIES

(1) THE ANALYSIS OF LIABILITIES FOR REMAINING COVERAGE AND LIABILITIES FOR INCURRED CLAIMS IS AS FOLLOWS:

(in RMB million)	2023								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Net insurance contract liabilities as at 1 January	3,356,921	5,606	60,285	3,422,812	114,066	5,395	124,676	4,228	248,365
Including: Insurance contract liabilities	3,356,921	5,606	60,285	3,422,812	114,066	5,395	124,676	4,228	248,365
Insurance revenue	(218,815)	-	-	(218,815)	(317,625)	-	-	-	(317,625)
Incurred claims and other expenses	-	(3,516)	97,347	93,831	-	(5,200)	251,567	2,798	249,165
Amortization of insurance acquisition cash flows	48,218	-	-	48,218	72,490	-	-	-	72,490
Losses on onerous contracts and reversal of those losses	-	4,081	-	4,081	-	5,579	-	-	5,579
Changes to liabilities for incurred claims	-	-	(7,630)	(7,630)	-	-	(23,040)	(2,516)	(25,556)
Insurance service expenses	48,218	565	89,717	138,500	72,490	379	228,527	282	301,678
Insurance service result	(170,597)	565	89,717	(80,315)	(245,135)	379	228,527	282	(15,947)
Insurance finance expenses	288,799	161	247	289,207	2,566	18	2,840	100	5,524
Total changes in the statement of comprehensive income	118,202	726	89,964	208,892	(242,569)	397	231,367	382	(10,423)
Investment components	(216,298)	-	216,298	-	(6,843)	-	6,843	-	-
Premiums received	612,322	-	-	612,322	349,777	-	-	-	349,777
Insurance acquisition cash flows	(45,806)	-	-	(45,806)	(73,582)	-	-	-	(73,582)
Claims and other expenses paid	-	-	(302,075)	(302,075)	-	-	(228,934)	-	(228,934)
Other cash flows	624	-	-	624	(18,280)	-	-	-	(18,280)
Total cash flows	567,140	-	(302,075)	265,065	257,915	-	(228,934)	-	28,981
Other movements	(821)	-	(1,673)	(2,494)	(150)	-	(1,251)	1	(1,400)
Net insurance contract liabilities as at 31 December	3,825,144	6,332	62,799	3,894,275	122,419	5,792	132,701	4,611	265,523
Including: Insurance contract liabilities	3,825,144	6,332	62,799	3,894,275	122,427	5,792	132,696	4,611	265,526
Insurance contract assets	-	-	-	-	(8)	-	5	-	(3)

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43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(1) THE ANALYSIS OF LIABILITIES FOR REMAINING COVERAGE AND LIABILITIES FOR INCURRED CLAIMS IS AS FOLLOWS (CONTINUED):

(in RMB million)	2022 (Restated)								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Net insurance contract liabilities as at									
1 January	3,065,997	6,746	46,816	3,119,559	107,342	3,014	107,427	3,528	221,311
Including: Insurance contract liabilities	3,065,997	6,746	46,816	3,119,559	107,342	3,014	107,427	3,528	221,311
Insurance revenue	(231,233)	-	-	(231,233)	(294,748)	-	-	-	(294,748)
Incurred claims and other expenses	-	(3,960)	108,581	104,621	-	(2,955)	216,043	2,471	215,559
Amortization of insurance acquisition cash flows	47,078	-	-	47,078	66,132	-	-	-	66,132
Losses on onerous contracts and reversal of those losses	-	2,639	-	2,639	-	5,330	-	-	5,330
Changes to liabilities for incurred claims	-	-	(7,209)	(7,209)	-	-	(10,069)	(1,860)	(11,929)
Insurance service expenses	47,078	(1,321)	101,372	147,129	66,132	2,375	205,974	611	275,092
Insurance service result	(184,155)	(1,321)	101,372	(84,104)	(228,616)	2,375	205,974	611	(19,656)
Insurance finance expenses	149,295	181	256	149,732	2,602	6	2,525	86	5,219
Total changes in the statement of comprehensive income	(34,860)	(1,140)	101,628	65,628	(226,014)	2,381	208,499	697	(14,437)
Investment components	(181,355)	-	181,355	-	(6,387)	-	6,387	-	-
Premiums received	553,591	-	-	553,591	324,519	-	-	-	324,519
Insurance acquisition cash flows	(39,751)	-	-	(39,751)	(68,584)	-	-	-	(68,584)
Claims and other expenses paid	-	-	(267,949)	(267,949)	-	-	(196,288)	-	(196,288)
Other cash flows	(4,639)	-	-	(4,639)	(16,580)	-	-	-	(16,580)
Total cash flows	509,201	-	(267,949)	241,252	239,355	-	(196,288)	-	43,067
Other movements	(2,062)	-	(1,565)	(3,627)	(230)	-	(1,349)	3	(1,576)
Net insurance contract liabilities as at									
31 December	3,356,921	5,606	60,285	3,422,812	114,066	5,395	124,676	4,228	248,365
Including: Insurance contract liabilities	3,356,921	5,606	60,285	3,422,812	114,066	5,395	124,676	4,228	248,365

43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(2) THE ANALYSIS BY MEASUREMENT COMPONENT OF CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH IS AS FOLLOWS:

(in RMB million)	2023			Total
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	
Net insurance contract liabilities as at 1 January	2,455,001	144,589	823,222	3,422,812
Including: Insurance contract liabilities	2,455,001	144,589	823,222	3,422,812
Contractual service margin recognized for services provided	-	-	(77,864)	(77,864)
Change in the risk adjustment for non-financial risk for risk expired	-	(7,174)	-	(7,174)
Experience adjustments	8,272	-	-	8,272
Changes that relate to current services	8,272	(7,174)	(77,864)	(76,766)
Contracts initially recognized in the period	(44,495)	3,055	42,547	1,107
Changes in estimates that adjust the contractual service margin	32,717	9,257	(41,974)	-
Changes in estimates that do not adjust the contractual service margin	2,803	171	-	2,974
Changes that relate to future services	(8,975)	12,483	573	4,081
Adjustments to liabilities for incurred claims	(7,194)	(436)	-	(7,630)
Changes that relate to past services	(7,194)	(436)	-	(7,630)
Insurance service result	(7,897)	4,873	(77,291)	(80,315)
Insurance finance expenses	254,534	9,166	25,507	289,207
Total changes in the statement of comprehensive income	246,637	14,039	(51,784)	208,892
Premiums received	612,322	-	-	612,322
Insurance acquisition cash flows	(45,806)	-	-	(45,806)
Claims and other expenses paid	(302,075)	-	-	(302,075)
Other cash flows	624	-	-	624
Total cash flows	265,065	-	-	265,065
Other movements	(2,494)	-	-	(2,494)
Net insurance contract liabilities as at 31 December	2,964,209	158,628	771,438	3,894,275
Including: Insurance contract liabilities	2,964,209	158,628	771,438	3,894,275

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43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(2) THE ANALYSIS BY MEASUREMENT COMPONENT OF CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH IS AS FOLLOWS (CONTINUED):

(in RMB million)	2022 (Restated)			Total
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	
Net insurance contract liabilities as at 1 January	2,099,128	140,880	879,551	3,119,559
Including: Insurance contract liabilities	2,099,128	140,880	879,551	3,119,559
Contractual service margin recognized for services provided	-	-	(83,460)	(83,460)
Change in the risk adjustment for non-financial risk for risk expired	-	(7,118)	-	(7,118)
Experience adjustments	11,044	-	-	11,044
Changes that relate to current services	11,044	(7,118)	(83,460)	(79,534)
Contracts initially recognized in the period	(45,965)	4,694	42,126	855
Changes in estimates that adjust the contractual service margin	41,507	733	(42,240)	-
Changes in estimates that do not adjust the contractual service margin	1,693	91	-	1,784
Changes that relate to future services	(2,765)	5,518	(114)	2,639
Adjustments to liabilities for incurred claims	(6,800)	(409)	-	(7,209)
Changes that relate to past services	(6,800)	(409)	-	(7,209)
Insurance service result	1,479	(2,009)	(83,574)	(84,104)
Insurance finance expenses	116,769	5,718	27,245	149,732
Total changes in the statement of comprehensive income	118,248	3,709	(56,329)	65,628
Premiums received	553,591	-	-	553,591
Insurance acquisition cash flows	(39,751)	-	-	(39,751)
Claims and other expenses paid	(267,949)	-	-	(267,949)
Other cash flows	(4,639)	-	-	(4,639)
Total cash flows	241,252	-	-	241,252
Other movements	(3,627)	-	-	(3,627)
Net insurance contract liabilities as at 31 December	2,455,001	144,589	823,222	3,422,812
Including: Insurance contract liabilities	2,455,001	144,589	823,222	3,422,812

43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(3) THE EFFECT ON THE MEASUREMENT COMPONENTS OF INSURANCE CONTACTS ARISING FROM THE INITIAL RECOGNITION OF CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH THAT WERE INITIALLY RECOGNIZED IN THE PERIOD IS AS FOLLOWS:

(in RMB million)	2023		
	Onerous contracts	Others	Total
Insurance acquisition cash flows	2,874	46,203	49,077
Other cash outflows	14,135	287,540	301,675
Estimates of the present value of future cash outflows	17,009	333,743	350,752
Estimates of the present value of future cash inflows	(16,412)	(378,835)	(395,247)
Risk adjustment for non-financial risk	510	2,545	3,055
Contractual service margin	-	42,547	42,547
Losses recognized on initial recognition	1,107	-	1,107

(in RMB million)	2022 (Restated)		
	Onerous contracts	Others	Total
Insurance acquisition cash flows	2,117	40,840	42,957
Other cash outflows	11,397	241,883	253,280
Estimates of the present value of future cash outflows	13,514	282,723	296,237
Estimates of the present value of future cash inflows	(13,021)	(329,181)	(342,202)
Risk adjustment for non-financial risk	362	4,332	4,694
Contractual service margin	-	42,126	42,126
Losses recognized on initial recognition	855	-	855

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43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(4) THE ANALYSIS OF CONTRACTUAL SERVICE MARGIN FOR CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH IS AS FOLLOWS:

(in RMB million)	2023			Total
	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	
Contractual service margin as at 1 January	124,149	659,970	39,103	823,222
Changes that relate to current services				
Contractual service margin recognized for services provided	(9,247)	(59,365)	(9,252)	(77,864)
Changes that relate to future services				
Contracts initially recognized in the period	-	-	42,547	42,547
Changes in estimates that adjust the contractual service margin	(3,436)	(36,372)	(2,166)	(41,974)
Insurance service result	(12,683)	(95,737)	31,129	(77,291)
Insurance finance expenses	1,083	22,393	2,031	25,507
Total changes in the statement of comprehensive income	(11,600)	(73,344)	33,160	(51,784)
Contractual service margin as at 31 December	112,549	586,626	72,263	771,438

43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(4) THE ANALYSIS OF CONTRACTUAL SERVICE MARGIN FOR CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH IS AS FOLLOWS (CONTINUED):

(in RMB million)	2022 (Restated)			
	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Total
Contractual service margin as at 1 January	138,713	739,694	1,144	879,551
Changes that relate to current services				
Contractual service margin recognized for services provided	(10,148)	(68,752)	(4,560)	(83,460)
Changes that relate to future services				
Contracts initially recognized in the period	-	-	42,126	42,126
Changes in estimates that adjust the contractual service margin	(5,590)	(36,333)	(317)	(42,240)
Insurance service result	(15,738)	(105,085)	37,249	(83,574)
Insurance finance expenses	1,174	25,361	710	27,245
Total changes in the statement of comprehensive income	(14,564)	(79,724)	37,959	(56,329)
Contractual service margin as at 31 December	124,149	659,970	39,103	823,222

As at 31 December 2023, the Group expects that 61% (31 December 2022: 60%) of the contractual service margin will be recognized in profit or loss within the next 10 years.

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43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(5) THE ANALYSIS OF INSURANCE FINANCE EXPENSES/(INCOME) IS AS FOLLOWS:

(in RMB million)	2023		Total
	Insurance contracts not measured under the premium allocation approach	Insurance contracts measured under the premium allocation approach	
Insurance finance expenses/(income)			
Changes in fair value of underlying items of contracts with direct participation features	150,691	-	150,691
Interest accreted to insurance contracts using locked-in rate and effect of changes in financial assumptions	138,506	5,524	144,030
Foreign exchange gains	10	-	10
Total	289,207	5,524	294,731
Represented by:			
Amounts recognized in profit or loss	118,436	5,523	123,959
Amounts recognized in other comprehensive income	170,771	1	170,772

(in RMB million)	2022 (Restated)		Total
	Insurance contracts not measured under the premium allocation approach	Insurance contracts measured under the premium allocation approach	
Insurance finance expenses/(income)			
Changes in fair value of underlying items of contracts with direct participation features	66,843	-	66,843
Interest accreted to insurance contracts using locked-in rate and effect of changes in financial assumptions	82,902	5,219	88,121
Foreign exchange losses	(13)	-	(13)
Total	149,732	5,219	154,951
Represented by:			
Amounts recognized in profit or loss	94,709	5,224	99,933
Amounts recognized in other comprehensive income	55,023	(5)	55,018

43. INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(6) THE COMPOSITION OF THE UNDERLYING ITEMS FOR CONTRACTS WITH DIRECT PARTICIPATION FEATURES AND THEIR FAIR VALUES ARE AS FOLLOWS:

(in RMB million)	2023	2022 (Restated)
Financial assets at fair value through profit or loss	517,595	456,174
Debt financial assets at fair value through other comprehensive income	1,484,003	1,411,309
Equity financial assets at fair value through other comprehensive income	187,127	193,884
Others	102,325	94,263
	2,291,050	2,155,630

(7) THE RECONCILIATION OF CUMULATIVE AMOUNTS INCLUDED IN OTHER COMPREHENSIVE INCOME FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RELATED TO THE GROUPS OF CONTRACTS TO WHICH THE GROUP APPLIED THE MODIFIED RETROSPECTIVE APPROACH OR THE FAIR VALUE APPROACH AS AT 1 JANUARY 2022, IS PROVIDED IN THE TABLE BELOW.

(in RMB million)	2023	2022 (Restated)
Carrying amount as at 1 January	53,463	39,553
Changes in fair value	83,169	17,411
Amounts reclassified to profit or loss	991	(481)
Amounts reclassified to retained profits	3,601	1,617
Income tax	(21,940)	(4,637)
Carrying amount as at 31 December	119,284	53,463

44. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2023	31 December 2022
Current and savings accounts		
Corporate customers	868,022	842,380
Individual customers	290,352	297,141
Term deposits		
Corporate customers	1,321,068	1,415,106
Individual customers	938,713	751,544
Subtotal	3,418,155	3,306,171
Payables to brokerage customers		
Individual customers	90,301	96,810
Corporate customers	26,083	29,018
Subtotal	116,384	125,828
Total	3,534,539	3,431,999

As at 31 December 2023, bonds classified as financial assets carried at amortized costs with a carrying amount of RMB31,059 million (31 December 2022: RMB22,945 million) were pledged as main collaterals for term deposit with the Central Bank.

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45. BONDS PAYABLE

The information of the Group's main bonds payable is as follows:

(in RMB million)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value	Issued year	Interest type	Coupon rate (per annum)	31 December 2023	31 December 2022
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	2,474	2019	Fixed	3.00%-3.45%	2,513	2,518
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	1,840	2020	Fixed	3.60%-3.70%	1,869	2,799
Ping An Financial Leasing	Corporate bonds	None	4 years	End of the second year	718	2020	Fixed	3.00%-3.10%	729	731
Ping An Financial Leasing	Corporate bonds	None	2-4 years	End of the second year	2,400	2021	Fixed	3.85%-4.40%	2,437	3,155
Ping An Financial Leasing	Corporate bonds	None	3-5 years	End of the third year	1,700	2021	Fixed	3.89%-4.08%	1,726	1,730
Ping An Financial Leasing	Corporate bonds	None	3-4 years	End of the second year	8,800	2022	Fixed	3.09%-3.65%	8,937	8,957
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	1,500	2022	Fixed	3.33%-3.80%	1,523	1,527
Ping An Financial Leasing	Corporate bonds	None	2 years	End of the first year	3,200	2022	Fixed	2.50%-3.15%	3,250	3,257
Ping An Financial Leasing	Corporate bonds	None	4 years	End of the second year	5,600	2023	Fixed	3.37%-4.35%	5,687	-
Ping An Financial Leasing	Corporate bonds	None	2 years	End of the first year	3,500	2023	Fixed	2.75%-3.62%	3,554	-
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	2,710	2018	Fixed	4.20%-4.30%	-	2,758
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	629	2019	Fixed	3.70%	639	640
Ping An Financial Leasing	Private corporate bonds	None	4 years	End of the second year	2,700	2019	Fixed	4.10%-4.18%	-	2,748
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	30,000	2019	Fixed	4.55%	30,907	30,908
Ping An Bank	Financial bonds	None	3 years	None	30,000	2020	Fixed	2.30%	-	30,414
Ping An Bank	Financial bonds	None	3 years	None	20,000	2021	Fixed	3.45%	20,630	20,629
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	30,000	2021	Fixed	3.69%	30,153	30,151
Ping An Bank	Financial bonds	None	3 years	None	20,000	2022	Fixed	2.45%	20,098	20,099
Ping An Bank	Financial bonds	None	3 years	None	5,000	2022	Fixed	2.45%	5,020	5,020
Ping An Bank	Financial bonds	None	3 years	None	5,000	2022	Fixed	2.45%	5,020	5,020
Ping An Bank	Financial bonds	None	3 years	None	20,000	2022	Fixed	2.45%	20,069	20,070
Ping An Bank	Financial bonds	None	3 years	None	30,000	2023	Fixed	2.77%	30,598	-
Ping An Life	Capital supplementary bonds	None	10 years	End of the fifth year	20,000	2020	Fixed	First 5 years: 3.58% Next 5 years: 4.58% (if not redeemed)	20,873	20,767
Ping An Property & Casualty	Capital supplementary bonds	None	10 years	End of the fifth year	10,000	2019	Fixed	First 5 years: 4.64% Next 5 years: 5.64% (if not redeemed)	10,543	10,487
Ping An Securities	Corporate bonds	None	5 years	End of the third year	100	2018	Fixed	3.00%	-	100

45. BONDS PAYABLE (CONTINUED)

The information of the Group's main bonds payable is as follows (Continued):

(in RMB million)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value	Issued year	Interest type	Coupon rate (per annum)	31 December 2023	31 December 2022
Ping An Securities	Corporate bonds	None	5 years	End of the third year	1,500	2020	Fixed	3.40%	-	1,548
Ping An Securities	Private corporate bonds	None	3 years	None	3,000	2020	Fixed	3.19%	-	3,077
Ping An Securities	Corporate bonds	None	3 years	None	4,000	2020	Fixed	3.58%	-	4,062
Ping An Securities	Corporate bonds	None	3 years	None	2,550	2020	Fixed	3.70%	-	2,566
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2021	Fixed	3.40%	3,060	3,059
Ping An Securities	Corporate bonds	None	3 years	None	2,400	2021	Fixed	3.48%	2,446	2,445
Ping An Securities	Corporate bonds	None	3 years	None	1,200	2021	Fixed	3.50%	1,222	1,221
Ping An Securities	Corporate bonds	None	2 years	None	2,000	2021	Fixed	3.35%	-	2,034
Ping An Securities	Corporate bonds	None	3 years	None	1,800	2021	Fixed	3.25%	1,826	1,825
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2021	Fixed	3.05%	3,035	3,034
Ping An Securities	Corporate bonds	None	5 years	None	2,000	2021	Fixed	3.47%	2,025	2,024
Ping An Securities	Corporate bonds	None	3 years	None	2,600	2021	Fixed	3.37%	2,617	2,616
Ping An Securities	Private corporate bonds	None	2 years	None	2,000	2021	Fixed	3.25%	-	2,009
Ping An Securities	Private corporate bonds	None	2 years	None	1,500	2021	Fixed	3.20%	-	1,501
Ping An Securities	Private corporate bonds	None	2 years	None	1,500	2022	Fixed	3.07%	1,544	1,544
Ping An Securities	Corporate bonds	None	3 years	None	2,300	2022	Fixed	3.00%	2,349	2,348
Ping An Securities	Corporate bonds	None	5 years	None	500	2022	Fixed	3.42%	512	512
Ping An Securities	Subordinated corporate bonds	None	3 years	None	1,900	2022	Fixed	3.10%	1,937	1,936
Ping An Securities	Subordinated corporate bonds	None	5 years	None	1,100	2022	Fixed	3.56%	1,124	1,124
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2022	Fixed	2.80%	3,035	3,034
Ping An Securities	Corporate bonds	None	9 months	None	2,000	2022	Fixed	1.95%	-	2,015
Ping An Securities	Corporate bonds	None	3 years	None	500	2022	Fixed	2.75%	505	505
Ping An Securities	Corporate bonds	None	5 years	None	1,000	2022	Fixed	3.22%	1,012	1,011
Ping An Securities	Corporate bonds	None	3 years	None	2,500	2022	Fixed	2.65%	2,518	2,518
Ping An Securities	Corporate bonds	None	6 months	None	500	2022	Fixed	2.80%	-	501
Ping An Securities	Corporate bonds	None	5 years	None	1,800	2023	Fixed	3.60%	1,855	-
Ping An Securities	Corporate bonds	None	3 years	None	1,200	2023	Fixed	3.33%	1,234	-
Ping An Securities	Corporate bonds	None	5 years	None	750	2023	Fixed	3.60%	772	-
Ping An Securities	Corporate bonds	None	3 years	None	500	2023	Fixed	3.39%	514	-
Ping An Securities	Corporate bonds	None	3 years	None	1,000	2023	Fixed	3.15%	1,021	-
Ping An Securities	Corporate bonds	None	2 years	None	2,000	2023	Fixed	3.02%	2,041	-
Ping An Securities	Corporate bonds	None	3 years	None	1,000	2023	Fixed	3.03%	1,018	-
Ping An Securities	Corporate bonds	None	2 years	None	1,500	2023	Fixed	2.90%	1,526	-
Ping An Securities	Corporate bonds	None	3 years	None	2,000	2023	Fixed	2.95%	2,031	-
Ping An Securities	Corporate bonds	None	2 years	None	1,000	2023	Fixed	2.78%	1,015	-

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45. BONDS PAYABLE (CONTINUED)

The information of the Group's main bonds payable is as follows (Continued):

(in RMB million)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value	Issued year	Interest type	Coupon rate (per annum)	31 December 2023	31 December 2022
Ping An Securities	Corporate bonds	None	5 years	None	1,500	2023	Fixed	3.25%	1,521	-
Ping An Securities	Corporate bonds	None	3 years	None	500	2023	Fixed	2.95%	506	-
Ping An Securities	Corporate bonds	None	3 years	None	1,500	2023	Fixed	3.00%	1,504	-
Ping An Securities	Corporate bonds	None	3 years	None	800	2023	Fixed	3.00%	800	-
Ping An Securities	Corporate bonds	None	2 years	None	1,200	2023	Fixed	2.98%	1,200	-
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	750	2019	Fixed	4.40%	766	765
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	940	2019	Fixed	4.30%	957	957
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	244	2016	Fixed	3.28%	-	245
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	120	2019	Fixed	3.85%	-	121
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	3.40%	-	2,046
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	150	2020	Fixed	4.00%	153	3,063
Ping An Financial Technology	Private corporate bonds	None	3 years	End of the second year	950	2020	Fixed	3.60%	-	956
Lianxin Investment	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	5.40%	-	2,003
Lianxin Investment	Private corporate bonds	None	3 years	End of the second year	1,000	2021	Fixed	4.50%	-	1,031
Founder Securities	Corporate bonds	None	2 years	None	1,000	2022	Fixed	3.49%	1,026	1,025
Founder Securities	Corporate bonds	None	366 days	None	800	2022	Fixed	3.18%	-	817
Founder Securities	Corporate bonds	None	2 years	None	700	2022	Fixed	3.40%	716	716
Founder Securities	Corporate bonds	None	2 years	None	600	2022	Fixed	3.18%	611	611
Founder Securities	Corporate bonds	None	3 years	None	1,000	2022	Fixed	2.95%	1,007	1,007
Founder Securities	Corporate bonds	None	2 years	None	700	2022	Fixed	2.75%	703	702
Founder Securities	Corporate bonds	None	3 years	None	1,300	2022	Fixed	2.94%	1,305	1,304
Founder Securities	Corporate bonds	None	2 years	None	400	2022	Fixed	4.30%	400	400
Founder Securities	Corporate bonds	None	2 years	None	1,600	2023	Fixed	3.56%	1,648	-
Founder Securities	Subordinated corporate bonds	None	3 years	None	1,200	2023	Fixed	4.10%	1,234	-
Founder Securities	Subordinated corporate bonds	None	2 years	None	1,500	2023	Fixed	3.68%	1,534	-
Founder Securities	Subordinated corporate bonds	None	3 years	None	500	2023	Fixed	3.80%	511	-
Founder Securities	Corporate bonds	None	3 years	None	3,000	2023	Fixed	3.23%	3,035	-
Founder Securities	Corporate bonds	None	3 years	None	500	2023	Fixed	3.28%	504	-
Founder Securities	Corporate bonds	None	3 years	None	3,000	2023	Fixed	3.50%	3,016	-
Founder Securities	Corporate bonds	None	2 years	None	2,000	2023	Fixed	3.14%	2,005	-
Founder Securities	Corporate bonds	None	2 years	None	2,000	2023	Fixed	3.20%	2,000	-

45. BONDS PAYABLE (CONTINUED)

The information of the Group's main bonds payable is as follows (continued):

As at 31 December 2023, the original terms of interbank certificates of deposit and certificates of deposit issued by Ping An Bank, but unmatured were from 3 months to 1 year, and the annual interest rates were from 2.22% to 5.32% (31 December 2022: the original terms were from 1 month to 1 year, and the annual interest rates were from 1.65% to 3.01%). The carrying amount was RMB565,833 million (31 December 2022: RMB529,764 million).

As at 31 December 2023, the original terms of short-term financial bonds issued by Ping An Securities, but unmatured were from 91 days to 274 days, and the annual interest rates were from 2.20% to 2.79% (31 December 2022: the original terms were from 92 days to 365 days, and the annual interest rates were from 1.84% to 2.66%). The carrying amount was RMB16,107 million (31 December 2022: RMB11,109 million).

As at 31 December 2023, the original terms of short-term financial bonds issued by Ping An Financial Leasing, but unmatured were from 120 days to 365 days, and the annual interest rates were from 2.16% to 3.40% (31 December 2022: the original terms were from 63 days to 365 days, and the annual interest rates were from 2.64% to 4.10%). The carrying amount was RMB12,745 million (31 December 2022: RMB3,970 million).

As at 31 December 2023, there is no unmatured short-term financial bond issued by Ping An Real Estate (31 December 2022: the original term was 210 days, the annual interest rate was 3.38%, and the carrying amount was RMB1,520 million).

As at 31 December 2023, the original terms of short-term financial bonds issued by Founder Securities, but unmatured were from 140 days to 365 days, and the annual interest rates were from 2.70% to 3.40% (31 December 2022: the original terms were from 175 days to 365 days, and the annual interest rates were from 3.05% to 4.20%). The carrying amount was RMB7,711 million (31 December 2022: RMB8,999 million).

As at 31 December 2023, the original terms of income certificates issued by Ping An Securities, but unmatured were from 14 days to 90 days, and the annual interest rates were from 2.30% to 5.10% (31 December 2022: the original term was 14 days, and the annual interest rates were from 4.48% to 5.11%). The carrying amount was RMB122 million (31 December 2022: RMB81 million).

As at 31 December 2023, the original terms of income certificates issued by Founder Securities, but unmatured were from 366 days to 733 days, and the annual interest rates were from 3.00% to 4.40% (31 December 2022: the original terms were from 366 days to 733 days, and the annual interest rates were from 3.20% to 4.45%). The carrying amount was RMB7,262 million (31 December 2022: RMB5,569 million).

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46. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)

31 December 2023

31 December 2022
(Restated)

Deferred tax assets	101,337	89,321
Deferred tax liabilities	(14,148)	(14,217)

The deferred tax assets are analysed as follows:

(in RMB million)	2023					As at 31 December	Temporary difference as at 31 December
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December		
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	5,668	589	-	6	6,263	(25,052)	
Fair value adjustments on financial assets at fair value through other comprehensive income	2,087	-	(1,414)	91	764	(3,056)	
Insurance contract liabilities	41,897	(16,152)	43,589	-	69,334	(277,336)	
Impairment provisions	53,815	1,016	101	-	54,932	(219,728)	
Others	19,940	17,870	(1,038)	(97)	36,675	(146,700)	
	123,407	3,323	41,238	-	167,968	(671,872)	

(in RMB million)	2022 (Restated)					As at 31 December	Temporary difference as at 31 December
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December		
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	1,018	4,650	-	-	5,668	(22,672)	
Fair value adjustments on financial assets at fair value through other comprehensive income	3,181	-	(1,098)	4	2,087	(8,348)	
Insurance contract liabilities	39,215	(11,474)	14,156	-	41,897	(167,588)	
Impairment provisions	48,307	6,018	(510)	-	53,815	(215,260)	
Others	7,764	11,629	128	419	19,940	(79,760)	
	99,485	10,823	12,676	423	123,407	(493,628)	

46. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analysed as follows:

(in RMB million)	2023					
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(2,606)	(542)	-	-	(3,148)	12,592
Fair value adjustments on financial assets at fair value through other comprehensive income	(28,669)	-	(35,654)	-	(64,323)	257,292
Intangible assets-core deposits	(1,610)	188	-	-	(1,422)	5,688
Intangible assets valuation premium from acquisition of Autohome Inc.	(1,884)	39	-	-	(1,845)	7,380
Assets valuation premium from disposal of subsidiaries	(3,615)	-	-	-	(3,615)	14,460
Others	(9,919)	3,848	(81)	(274)	(6,426)	25,704
	(48,303)	3,533	(35,735)	(274)	(80,779)	323,116

(in RMB million)	2022 (Restated)					
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(10,552)	7,952	-	(6)	(2,606)	10,424
Fair value adjustments on financial assets at fair value through other comprehensive income	(22,404)	-	(6,265)	-	(28,669)	114,676
Intangible assets-core deposits	(1,799)	189	-	-	(1,610)	6,442
Intangible assets valuation premium from acquisition of Autohome Inc.	(1,923)	39	-	-	(1,884)	7,536
Assets valuation premium from disposal of subsidiaries	(3,615)	-	-	-	(3,615)	14,460
Others	(8,508)	1,122	73	(2,606)	(9,919)	39,676
	(48,801)	9,302	(6,192)	(2,612)	(48,303)	193,214

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46. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2023, unrecognized tax losses of the Group were RMB53,158 million (31 December 2022: RMB38,697 million).

The following table shows unrecognized tax losses based on its expected expiry date:

(in RMB million)	31 December 2023	31 December 2022
2023	-	2,992
2024	5,855	5,864
2025	7,261	7,077
2026	7,267	6,041
2027	11,572	16,723
2028	21,203	-
	53,158	38,697

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

(in RMB million)	31 December 2023		31 December 2022 (Restated)	
	Offsetting	Net	Offsetting	Net
Deferred tax assets	(66,631)	101,337	(34,086)	89,321
Deferred tax liabilities	66,631	(14,148)	34,086	(14,217)

47. OTHER LIABILITIES

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Other payables	168,866	195,705
Payables to non-controlling interests of consolidated structured entities	10,207	22,260
Salaries and welfare payable	49,771	47,723
Other tax payable	8,571	9,886
Contingency provision	18,795	15,401
Insurance guarantee fund	1,000	1,161
Provision payables	5,140	5,781
Accruals	10,638	11,538
Deferred income	1,765	1,909
Contract liabilities	5,345	6,382
Finance lease deposits	10,035	15,232
Others	66,892	83,710
	357,025	416,688

48. FIDUCIARY ACTIVITIES

(in RMB million)

	31 December 2023	31 December 2022 (Restated)
Assets under trust schemes	650,133	537,178
Assets under annuity investments and annuity schemes	750,293	669,251
Assets under asset management schemes	1,800,776	1,848,567
Entrusted loans of banking operations	155,382	178,386
Entrusted investments of banking operations	1,013,060	886,840
	4,369,644	4,120,222

49. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

Type of insurance risk

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance contract liabilities. This could occur due to any of the following factors:

- (i) Occurrence risk - the possibility that the number of insured events will differ from those expected.
- (ii) Severity risk - the possibility that the cost of the events will differ from those expected.
- (iii) Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The insurance business of the Group mainly comprises long-term life insurance contracts, property and casualty and short-term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyles and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Type of insurance risk (Continued)

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

Assumptions and sensitivities

(a) Long-term life insurance contracts

Assumptions

Significant judgements are required in determining and choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long-term life insurance contracts.

Sensitivities

The Group has measured the impact on long-term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- (i) a 10% increase in mortality, morbidity, accident rates, etc. (a 10% increase in mortality rates of annuity policies before the payment period, a 10% decrease in the payment period);
- (ii) a 10% increase or decrease in policy lapse rates (depends on which situation results in the unfavourable changes in fulfilment cash flows by insurance product); and
- (iii) a 5% increase in maintenance expense rates.

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(a) Long-term life insurance contracts (Continued)

Sensitivities (continued)

(in RMB million)	31 December 2023				
	Change in assumptions	Increase/(decrease) in profit before tax		Increase/(decrease) in equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Mortality, morbidity, accident rates, etc.	+10%	(8,017)	(7,487)	(15,369)	(14,486)
Policy lapse rates	+/-10%	(1,794)	(1,775)	(3,611)	(3,562)
Maintenance expense rates	+5%	(477)	(474)	(706)	(702)

(in RMB million)	31 December 2022 (Restated)				
	Change in assumptions	Increase/(decrease) in profit before tax		Increase/(decrease) in equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Mortality, morbidity, accident rates, etc.	+10%	(7,665)	(7,077)	(13,300)	(12,654)
Policy lapse rates	+/-10%	(1,567)	(1,566)	(2,831)	(2,755)
Maintenance expense rates	+5%	(479)	(479)	(638)	(638)

(b) Property and casualty and short-term life insurance contracts

Assumptions

The principal assumptions underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) Property and casualty and short-term life insurance contracts (Continued)

Sensitivities

The liabilities for incurred claims of property and casualty and short-term life insurance are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the liabilities for incurred claims are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of gross liabilities for incurred claims of property and casualty insurance and short-term life insurance by the accident year and reconciliation with the aggregate carrying amount:

(in RMB million)	2019	2020	2021	2022	2023	Total
Estimates of undiscounted cumulative claims:						
As at the end of accident year	172,726	196,080	223,617	226,604	257,451	
One year later	168,835	188,032	217,423	216,105		
Two years later	163,992	185,344	211,506			
Three years later	162,360	179,704				
Four years later	160,563					
Estimated cumulative claims	160,563	179,704	211,506	216,105	257,451	1,025,329
Cumulative claims paid	(158,827)	(175,433)	(199,786)	(190,811)	(168,451)	(893,308)
Subtotal						132,021
Prior year adjustments, unallocated loss adjustment expenses, risk adjustment for non-financial risk and effect of discounting						11,366
Total gross liabilities for incurred claims						143,387

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) Property and casualty and short-term life insurance contracts (Continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net liabilities for incurred claims of property and casualty insurance and short-term life insurance by the accident year and reconciliation with the aggregate carrying amount:

(in RMB million)	2019	2020	2021	2022	2023	Total
Estimates of undiscounted cumulative claims:						
As at the end of accident year	162,307	184,805	205,113	211,821	244,937	
One year later	158,421	176,760	200,356	202,307		
Two years later	153,834	174,567	194,925			
Three years later	152,464	169,280				
Four years later	150,790					
Estimated cumulative claims	150,790	169,280	194,925	202,307	244,937	962,239
Cumulative claims paid	(149,622)	(165,854)	(187,025)	(180,831)	(163,979)	(847,311)
Subtotal						114,928
Prior year adjustments, unallocated loss adjustment expenses, risk adjustment for non-financial risk and effect of discounting						11,126
Net liabilities for incurred claims						126,054
Amounts recoverable on incurred claims						17,333
Total gross liabilities for incurred claims						143,387

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) Property and casualty and short-term life insurance contracts (Continued)

Sensitivities (continued)

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in the average claim costs alone results in a similar percentage change in liabilities for incurred claims:

(in RMB million)	Change in assumptions	31 December 2023			
		Increase/(decrease) in profit before tax		Increase/(decrease) in equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Average claim costs					
Property and casualty insurance	+5%	(6,551)	(5,759)	(6,551)	(5,759)
Short-term life insurance	+5%	(618)	(543)	(618)	(543)

(in RMB million)	Change in assumptions	31 December 2022 (Restated)			
		Increase/(decrease) in profit before tax		Increase/(decrease) in equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Average claim costs					
Property and casualty insurance	+5%	(6,251)	(5,467)	(6,251)	(5,467)
Short-term life insurance	+5%	(648)	(538)	(648)	(538)

(c) Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance contract assets or liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group sets limitation to its position of foreign currency, monitors the size of foreign currency position, and limits the foreign currency position within the threshold set by utilizing hedging strategy.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency-denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

(in RMB million)	Change in variables	31 December 2023		31 December 2022 (Restated)	
		Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax
USD	+5%	2,528	4,304	1,292	2,745
HKD	+5%	(320)	209	484	1,185
Other currencies	+5%	449	821	397	774
		2,657	5,334	2,173	4,704
USD	-5%	(2,528)	(4,304)	(1,292)	(2,745)
HKD	-5%	320	(209)	(484)	(1,185)
Other currencies	-5%	(449)	(821)	(397)	(774)
		(2,657)	(5,334)	(2,173)	(4,704)

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (Continued)

The main monetary assets and liabilities of the Group and non-monetary assets and liabilities measured at fair value are analysed as follows by currency:

(in RMB million)	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	719,538	70,282	8,074	6,183	804,077
Balances with the Central Bank and statutory deposits for insurance operations	282,634	2,830	415	-	285,879
Financial assets purchased under reverse repurchase agreements	167,660	-	-	-	167,660
Accounts receivable	35,555	1	-	80	35,636
Insurance contract assets	3	-	-	-	3
Reinsurance contract assets	19,218	2,565	432	-	22,215
Finance lease receivable	180,674	-	-	-	180,674
Loans and advances to customers	3,170,396	84,875	31,833	31,018	3,318,122
Financial assets at fair value through profit or loss	1,688,592	92,046	4,786	17,623	1,803,047
Financial assets at amortized cost	1,202,740	36,037	1,223	3,353	1,243,353
Debt financial assets at fair value through other comprehensive income	2,605,544	29,574	1,876	14	2,637,008
Equity financial assets at fair value through other comprehensive income	261,926	345	2,606	-	264,877
Other assets	103,979	1,244	2,239	182	107,644
	10,438,459	319,799	53,484	58,453	10,870,195
Liabilities					
Due to banks and other financial institutions	883,796	64,555	3,892	11,475	963,718
Financial liabilities at fair value through profit or loss	47,645	974	-	-	48,619
Assets sold under agreements to repurchase	237,017	4,786	-	-	241,803
Accounts payable	8,858	-	-	-	8,858
Insurance contract liabilities	4,152,100	6,844	832	25	4,159,801
Reinsurance contract liabilities	53	-	-	-	53
Customer deposits and payables to brokerage customers	3,337,590	166,007	13,407	17,535	3,534,539
Bonds payable	939,205	24,258	544	-	964,007
Other liabilities	272,251	4,582	854	58	277,745
	9,878,515	272,006	19,529	29,093	10,199,143
Net position of foreign currency		47,793	33,955	29,360	111,108
Notional amount of foreign exchange derivative financial instruments		38,294	(29,779)	(12,936)	(4,421)
		86,087	4,176	16,424	106,687
Off-balance sheet credit commitments	1,914,722	20,232	2,764	9,251	1,946,969

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (Continued)

The main monetary assets and liabilities of the Group and non-monetary assets and liabilities measured at fair value are analysed as follows by currency (continued):

(in RMB million)	31 December 2022 (Restated)				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	647,573	112,157	8,758	6,353	774,841
Balances with the Central Bank and statutory deposits for insurance operations	289,046	6,116	397	-	295,559
Financial assets purchased under reverse repurchase agreements	91,514	-	-	-	91,514
Accounts receivable	36,016	1	-	101	36,118
Reinsurance contract assets	18,955	1,242	418	-	20,615
Finance lease receivable	186,858	-	-	-	186,858
Loans and advances to customers	3,048,119	124,470	37,780	27,685	3,238,054
Financial assets at fair value through profit or loss	1,516,727	96,929	9,131	17,732	1,640,519
Financial assets at amortized cost	1,072,439	46,441	2,356	2,799	1,124,035
Debt financial assets at fair value through other comprehensive income	2,472,746	26,773	1,271	-	2,500,790
Equity financial assets at fair value through other comprehensive income	258,239	688	5,844	-	264,771
Other assets	112,160	4,449	1,589	267	118,465
	9,750,392	419,266	67,544	54,937	10,292,139
Liabilities					
Due to banks and other financial institutions	803,396	92,228	12,567	14,897	923,088
Financial liabilities at fair value through profit or loss	81,784	2,787	-	88	84,659
Assets sold under agreements to repurchase	266,869	4,868	-	-	271,737
Accounts payable	10,349	-	-	-	10,349
Insurance contract liabilities	3,667,025	3,353	775	24	3,671,177
Reinsurance contract liabilities	105	-	-	-	105
Customer deposits and payables to brokerage customers	3,169,278	242,914	13,817	5,990	3,431,999
Bonds payable	901,191	29,907	-	-	931,098
Other liabilities	317,192	3,198	527	619	321,536
	9,217,189	379,255	27,686	21,618	9,645,748
Net position of foreign currency		40,011	39,858	33,319	113,188
Notional amount of foreign exchange derivative financial instruments		14,888	(16,161)	(17,841)	(19,114)
		54,899	23,697	15,478	94,074
Off-balance sheet credit commitments	1,790,679	25,879	1,003	9,399	1,826,960

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and security investment funds classified as equity financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, and related insurance contracts with direct participation features.

The above financial instruments and insurance contracts are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group manages price risks through balanced asset allocation, dynamic portfolio management and diversification of investments, etc.

The analysis below is performed for a 10% increase or decrease in equity prices with all other variables held constant, for the financial instruments and insurance contracts, showing the pre-tax impact on the Group's profit and equity.

(in RMB million)	Equity prices	31 December 2023		31 December 2022 (Restated)	
		Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Financial instruments	+10%	30,668	48,436	24,653	42,057
Insurance contracts	+10%	(11,872)	(24,839)	(9,895)	(22,825)
		18,796	23,597	14,758	19,232
Financial instruments	-10%	(30,668)	(48,436)	(24,653)	(42,057)
Insurance contracts	-10%	11,871	24,837	9,866	22,796
		(18,797)	(23,599)	(14,787)	(19,261)

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk

The interest rate risks facing the Group mainly comes from the insurance segment and the banking segment.

The insurance segment

Interest rate risk of the Group's insurance segment is the risk that the value/future cash flows of a financial instrument (mainly include debt investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income) will fluctuate because of changes in market interest rates, and the value of insurance contract liabilities will fluctuate because of changes in market interest rates (discount rate). Since most markets do not have assets of sufficient tenor to match insurance contract liabilities, an uncertainty arises around the reinvestment of maturing assets.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's interest rate risk policy requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities by maintaining an appropriate mix of fixed and variable rate instruments. The Group manages the interest rate risk by extending assets duration, repricing products and adjusting the business structure to match the term structure and to match the cost and benefit.

The analysis below is performed for a 10 basis points decrease or increase in interest rates with all other variables held constant, for the financial instruments and life insurance contracts/reinsurance contracts, showing the pre-tax impact on the Group's profit and equity.

(in RMB million)	Interest rate	31 December 2023		31 December 2022 (Restated)	
		Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Financial instruments	-10bps	2,349	35,669	1,547	30,390
Insurance contracts, net of reinsurance contracts held	-10bps	(1,142)	(40,733)	(912)	(33,933)
		1,207	(5,064)	635	(3,543)
Financial instruments	+10bps	(2,349)	(35,669)	(1,547)	(30,390)
Insurance contracts, net of reinsurance contracts held	+10bps	1,116	40,304	880	33,582
		(1,233)	4,635	(667)	3,192

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (Continued)

The banking segment

Interest rate risks of the Group's banking segment mainly consist of transaction account interest rate risk and bank account interest rate risk.

Transaction account interest rate risk arises from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss for the year. The Group mainly manages the interest rate risk of transaction account by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Group.

Bank account interest rate risk arises from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. The Group manages bank account interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analysing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk.

In respect of the financial assets and liabilities at fair value through profit or loss of the Group's banking segment, the interest rate risk arising from this portfolio is not significant. For other financial assets and liabilities, the Group mainly uses a gap analysis to measure and control the related interest rate risk. As at 31 December 2023 and 31 December 2022, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) were as follows. The analysis of the net interest income is based on the effect of a reasonable possible change in interest rates on the net interest income before tax for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) held at the balance sheet date. The analysis of equity is based on the effect of a reasonable possible change in interest rates on the equity before tax, which calculated by revaluing the year end portfolio of fixed-rate financial assets at fair value through other comprehensive income.

(in RMB million)	Interest rate	31 December 2023		31 December 2022	
		Increase/ (decrease) in net interest income	Increase/ (decrease) in equity	Increase/ (decrease) in net interest income	Increase/ (decrease) in equity
Financial assets and liabilities	-50bps	2,105	1,540	2,891	1,697
Financial assets and liabilities	+50bps	(2,105)	(1,540)	(2,891)	(1,697)

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, reinsurance arrangement with reinsurers, policy loans, margin financing, financial guarantee contracts and loan commitments, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

(a) Credit risk management

Credit risk of banking business

The banking business of the Group has formulated a set of credit management processes and internal control mechanisms, so as to carry out the whole process management of credit business. Credit management procedures for its corporate and individual loans of comprise credit origination, credit review, credit approval, disbursement, post credit management. In addition, the banking business of the Group has formulated procedure manuals for credit management, which clarifies the duties of each part in the credit management processes, effectively monitoring credit risk and enhancing credit compliance.

Credit risks arising from credit commitments are similar to those of loans and advances. Therefore, financial guarantees and loan commitments are also subject to the same application, post credit management and collateral requirements as loan and advances business.

Credit risk of investment business

As to debt investment, the Group rates these investments by internal credit rating policies, selects counterparties with high credit quality and sets strict entry criteria.

The Group's debt investment mainly includes domestic government bonds, the Central Bank bills, financial institution bonds, corporate bonds and debt investment schemes, wealth management investments, etc. The Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

Credit risk of insurance business

The Group evaluated the credit rating of the reinsurance companies before signing the reinsurance contracts, and chose the reinsurance companies with higher credit quality to reduce the credit risk.

The limits of policy loans are based on the cash values of valid insurance policies, with appropriate discounts, and the validity periods of policy loans are within the validity periods of insurance policies. The credit risk associated with policy loans did not have material impact on the Group's consolidated financial statements.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss

The Group formulates the credit losses of financial assets at amortized cost, debt financial assets at FVOCI, finance lease receivable and other financial assets, as well as loan commitment and financial guarantee contracts using expected credit loss models according to IFRS 9 requirements.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

- (i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- (ii) Probability of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- (iii) Loss Given Default (LGD): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factor being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the financial instruments have SICR after initial recognition, the Group considers the 30 days past due as one of criteria of SICR, in accordance with the standard.

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- (i) The debtor has overdue more than 90 days after the contract payment date;
- (ii) Internal credit rating is default grade;
- (iii) The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- (iv) The debtor has significant financial difficulties;
- (v) The debtor is likely to go bankrupt or other financial restructuring;
- (vi) The active market for financial assets disappears.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward looking adjustment model by establishing a pool of macroeconomic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product (GDP) accumulated year on year percentage change, customer price index (CPI) year on year percentage change, purchasing manager's index (PMI) and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

During the reporting period, the Group adjusted the predicted values of forward-looking economic indicators by statistical analysis and also considered the range of possible outcomes represented by each scenario, to determine the final macroeconomic scenarios and weights for measuring the relevant expected credit loss. The impact of these economic indicators on PD and LGD varies to different businesses. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results. Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Forward-looking information (Continued)

In 2023, the key macroeconomic assumptions used by the Group to estimate expected credit losses in different macroeconomic scenarios include GDP accumulated year on year percentage change, CPI year on year percentage change, PMI and other macroeconomic variables. For the GDP accumulated year on year percentage change, the average predictive value in the base scenario in year 2024 is about 5%, and is 0.49 percentage upper in the upside scenario while 0.4 percentage lower in the downside scenario. The average predictive value in the base scenario in year 2025 is about 4.79%, and is 0.46 percentage upper in the upside scenario while 0.48 percentage lower in the downside scenario.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

The Group has the highest weight of the base scenario, and the weight of the base scenario is slightly higher than the sum of the weight of other base scenarios. The banking business of the Group assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario reduced by 10%, the Group's ECL impairment provision on 31 December 2023 would be reduced by RMB1,982 million (31 December 2022: RMB1,177 million); if the weight of the downside scenario increased by 10% and the weight of the base scenarios reduced by 10%, the Group's ECL impairment provision would be increased by RMB1,236 million (31 December 2022: RMB1,144 million).

In 2023, the Group's management has also taken into account and consequently charged provision for losses for situations such as the external environment that are not reflected in the model, thus further increasing the risk offsetting capacity.

Credit exposure

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements. The Group also assumes credit risk due to credit commitments and financial guarantee contracts. The details are disclosed in Note 57.(2).

Please refer to Note 24.(2) and (5) for an analysis of concentration of loans and advances by industry and geographical region.

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Policies are established regarding to the selection of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- (i) for policy loans, collaterals are cash value of policies;
- (ii) for reverse repurchase transactions, collaterals are quoted securities;
- (iii) for commercial loans, collaterals are real estate properties, inventories, equity investments and trade receivables, etc.;
- (iv) for retail lending loans to individuals, collaterals are residential properties mortgages.

Management monitors the market value of the collateral, and requires additional collateral when needed according to contracts, when assessing the adequacy of impairment.

It is the Group's policy to dispose collateral orderly. The proceeds are used to repay all or part of the outstanding balance. Generally, the Group would not use the collateralised assets for business purpose.

Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has renegotiated the contract terms with borrowers as a result of the deterioration in their financial position or of their inability to make payments when due. Concessions are given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. As at 31 December 2023, the Group's restructured loans and advances to customers was RMB32,030 million (31 December 2022: RMB17,107 million).

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

Carrying amount (in RMB million)	31 December 2023			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	804,077	-	-	804,077
Balances with the Central Bank and statutory deposits for insurance operations	285,879	-	-	285,879
Financial assets purchased under reverse repurchase agreements	167,073	200	387	167,660
Accounts receivable	35,528	46	62	35,636
Finance lease receivable	175,988	4,021	665	180,674
Loans and advances to customers	3,219,967	83,167	14,988	3,318,122
Financial assets at amortized cost	1,187,863	16,505	38,985	1,243,353
Debt financial assets at fair value through other comprehensive income	2,631,520	3,564	1,924	2,637,008
Other assets	95,640	676	10,887	107,203
Subtotal	8,603,535	108,179	67,898	8,779,612
Credit commitments	1,932,131	4,621	320	1,937,072
Total	10,535,666	112,800	68,218	10,716,684

Carrying amount (in RMB million)	31 December 2022 (Restated)			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	774,841	-	-	774,841
Balances with the Central Bank and statutory deposits for insurance operations	295,559	-	-	295,559
Financial assets purchased under reverse repurchase agreements	91,109	-	405	91,514
Accounts receivable	35,909	169	40	36,118
Finance lease receivable	179,398	6,695	765	186,858
Loans and advances to customers	3,152,071	74,444	11,539	3,238,054
Financial assets at amortized cost	1,071,718	15,145	37,172	1,124,035
Debt financial assets at fair value through other comprehensive income	2,497,506	1,000	2,284	2,500,790
Other assets	114,610	271	2,591	117,472
Subtotal	8,212,721	97,724	54,796	8,365,241
Credit commitments	1,826,854	6,193	147	1,833,194
Total	10,039,575	103,917	54,943	10,198,435

The Group closely monitors collateral of credit-impaired financial assets.

As at 31 December 2023, the fair value of collateral of credit-impaired loans and advances to customers is RMB13,940 million (31 December 2022: RMB16,747 million). The fair value of collateral of credit-impaired financial assets at amortized cost is RMB6,074 million (31 December 2022: RMB10,311 million).

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors:

(in RMB million)		2023						
Gross carrying amount	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs	31 December
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Loans and advances to customers	Stage 1	3,205,464	170,692	(106,821)	434	-	-	3,269,769
	Stage 2	91,725	(21,507)	106,821	-	(69,424)	-	107,615
	Stage 3	38,784	(1,098)	-	(434)	69,424	(68,585)	38,091
	Total	3,335,973	148,087	-	-	-	(68,585)	3,415,475
Financial assets at amortized cost	Stage 1	1,079,637	132,684	(19,967)	(254)	-	-	1,192,100
	Stage 2	18,518	(515)	19,967	-	(18,323)	-	19,647
	Stage 3	66,683	(6,018)	-	254	18,323	(659)	78,583
	Total	1,164,838	126,151	-	-	-	(659)	1,290,330
Debt financial assets at fair value through other comprehensive income	Stage 1	2,497,506	136,763	(2,564)	(185)	-	-	2,631,520
	Stage 2	1,000	-	2,564	-	-	-	3,564
	Stage 3	2,284	(545)	-	185	-	-	1,924
	Total	2,500,790	136,218	-	-	-	-	2,637,008

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)		2023							
Impairment provision	Stage	1 January	Net increase/ (decrease) (Note 1)	Charge/ (recover) for the year (Note 2)	Stages transfers			Write-offs	31 December
					Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Loans and advances to customers	Stage 1	56,531	24,435	(22,272)	(6,782)	408	-	-	52,320
	Stage 2	17,357	(3,870)	20,752	6,782	-	(16,566)	-	24,455
	Stage 3	27,308	4,197	44,192	-	(408)	16,566	(68,585)	23,270
	Total	101,196	24,762	42,672	-	-	-	(68,585)	100,045
Financial assets at amortized cost	Stage 1	7,919	620	(3,645)	(635)	(22)	-	-	4,237
	Stage 2	3,373	10	638	635	-	(1,514)	-	3,142
	Stage 3	29,511	(816)	10,026	-	22	1,514	(659)	39,598
	Total	40,803	(186)	7,019	-	-	-	(659)	46,977
Debt financial assets at fair value through other comprehensive income	Stage 1	3,175	(393)	(425)	(140)	(53)	-	-	2,164
	Stage 2	227	-	602	140	-	-	-	969
	Stage 3	5,155	(235)	712	-	53	-	-	5,685
	Total	8,557	(628)	889	-	-	-	-	8,818

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular update of inputs to models.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors (continued):

(in RMB million)		2022 (Restated)						
		Stages transfers						
Gross carrying amount	Stage	1 January	Net increase/(decrease) (Note)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December
Loans and advances to customers	Stage 1	2,992,010	340,539	(126,378)	(707)	-	-	3,205,464
	Stage 2	44,549	(14,009)	126,378	-	(65,193)	-	91,725
	Stage 3	33,672	(986)	-	707	65,193	(59,802)	38,784
	Total	3,070,231	325,544	-	-	-	(59,802)	3,335,973
Financial assets at amortized cost	Stage 1	1,032,672	76,829	(26,700)	(3,164)	-	-	1,079,637
	Stage 2	10,075	(2,141)	26,700	-	(16,116)	-	18,518
	Stage 3	51,180	(3,613)	-	3,164	16,116	(164)	66,683
	Total	1,093,927	71,075	-	-	-	(164)	1,164,838
Debt financial assets at fair value through other comprehensive income	Stage 1	2,259,808	237,643	55	-	-	-	2,497,506
	Stage 2	2,871	(1,432)	(55)	-	(384)	-	1,000
	Stage 3	2,647	(723)	-	-	384	(24)	2,284
	Total	2,265,326	235,488	-	-	-	(24)	2,500,790

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)		2022 (Restated)							
		Stages transfers							
Impairment provision	Stage	1 January	Net increase/(decrease) (Note 1)	Charge/(recover) for the year (Note 2)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December
Loans and advances to customers	Stage 1	53,285	20,225	(11,847)	(5,185)	53	-	-	56,531
	Stage 2	10,088	(1,117)	26,245	5,185	-	(23,044)	-	17,357
	Stage 3	26,829	2,631	34,659	-	(53)	23,044	(59,802)	27,308
	Total	90,202	21,739	49,057	-	-	-	(59,802)	101,196
Financial assets at amortized cost	Stage 1	5,556	2,210	6,191	(4,577)	(1,461)	-	-	7,919
	Stage 2	1,237	(107)	281	4,577	-	(2,615)	-	3,373
	Stage 3	22,888	(366)	3,077	-	1,461	2,615	(164)	29,511
	Total	29,681	1,737	9,549	-	-	-	(164)	40,803
Debt financial assets at fair value through other comprehensive income	Stage 1	3,056	190	(86)	15	-	-	-	3,175
	Stage 2	221	(67)	107	(15)	-	(19)	-	227
	Stage 3	5,505	(28)	178	-	-	19	(519)	5,155
	Total	8,782	95	199	-	-	-	(519)	8,557

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular update of inputs to models.

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as “low risk”, “medium risk”, “high risk” and “default” according to the internal rating scale. “Low risk” means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. “Medium risk” means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. “High risk” means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of “default” are consistent with those of “credit-impaired”.

The following table contains an analysis of the credit risk grading of loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income. The carrying amount of financial assets below also represents the Group’s maximum exposure to credit risk on these assets:

Loans and advances to customers

(in RMB million)	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Credit grade				
Low risk	1,754,904	7,777	-	1,762,681
Medium risk	1,488,318	41,077	-	1,529,395
High risk	26,547	58,761	-	85,308
Default	-	-	38,091	38,091
Gross carrying amount	3,269,769	107,615	38,091	3,415,475
Loss allowance	(49,802)	(24,448)	(23,103)	(97,353)
Carrying amount	3,219,967	83,167	14,988	3,318,122

(in RMB million)	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Credit grade				
Low risk	1,777,535	4,945	-	1,782,480
Medium risk	1,426,465	34,864	-	1,461,329
High risk	1,464	51,916	-	53,380
Default	-	-	38,784	38,784
Gross carrying amount	3,205,464	91,725	38,784	3,335,973
Loss allowance	(53,393)	(17,281)	(27,245)	(97,919)
Carrying amount	3,152,071	74,444	11,539	3,238,054

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Financial assets at amortized cost

(in RMB million)	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Low risk	1,137,714	-	-	1,137,714
Medium risk	40,564	5,316	-	45,880
High risk	13,822	14,331	-	28,153
Default	-	-	78,583	78,583
Gross carrying amount	1,192,100	19,647	78,583	1,290,330
Impairment provision	(4,237)	(3,142)	(39,598)	(46,977)
Carrying amount	1,187,863	16,505	38,985	1,243,353

(in RMB million)	31 December 2022 (Restated)			
	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Low risk	1,002,370	-	-	1,002,370
Medium risk	65,555	2,925	-	68,480
High risk	11,712	14,101	-	25,813
Default	-	1,492	66,683	68,175
Gross carrying amount	1,079,637	18,518	66,683	1,164,838
Impairment provision	(7,919)	(3,373)	(29,511)	(40,803)
Carrying amount	1,071,718	15,145	37,172	1,124,035

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Debt financial assets at fair value through other comprehensive income

(in RMB million)	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Low risk	2,574,907	-	-	2,574,907
Medium risk	53,509	1,000	-	54,509
High risk	3,104	2,564	-	5,668
Default	-	-	1,924	1,924
Carrying amount	2,631,520	3,564	1,924	2,637,008

(in RMB million)	31 December 2022 (Restated)			
	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Low risk	2,450,027	-	-	2,450,027
Medium risk	32,994	1,000	-	33,994
High risk	14,485	-	-	14,485
Default	-	-	2,284	2,284
Carrying amount	2,497,506	1,000	2,284	2,500,790

(4) LIQUIDITY RISK

Liquidity risk is the risk of not having access to sufficient funds or being unable to realize an asset in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. When surrender, withdrawal or other forms of early termination happens, the Group determines the amounts that are payable on demand to policyholders in accordance with the terms of insurance contracts, which are usually the unearned premiums or the cash values of the relevant part of contracts, after deducting the applicable early termination fees. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The banking business of the Group is exposed to potential liquidity risk. The Group utilizes multiple regulatory methods, establish comprehensive liquidity risk management framework, effectively recognize, measure, monitor and control liquidity risk, maintain sufficient liquidity level to satisfy various funds requirement and to face adverse market status. In case of monitoring liquidity risks effectively, the Group pays attention to the funds resources and diversified utilization, keeps relatively high liquidity assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various benchmarks for management of liquidity risk, the Group compares the expected results against the ones derived from stress tests, critically assesses the potential impact to the future liquidity risk, and formulates remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, and maintaining stable deposits, etc.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities, insurance contract liabilities and reinsurance contract liabilities of the Group based on undiscounted contractual cash flows/expected cash flows:

(in RMB million)	31 December 2023						Total
	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and amounts due from banks and other financial institutions	-	269,825	235,400	116,808	177,595	108	799,736
Balances with the Central Bank and statutory deposits for insurance operations	227,230	43,746	648	1,610	13,650	-	286,884
Financial assets purchased under reverse repurchase agreements	-	728	161,088	5,356	622	-	167,794
Accounts receivable	-	277	7,695	18,493	9,804	461	36,730
Insurance contract assets	-	-	(1)	8	(3)	-	4
Reinsurance contract assets	-	-	3,112	7,244	9,396	37,733	57,485
Finance lease receivable	-	1,854	29,223	72,867	99,471	640	204,055
Loans and advances to customers	-	12,050	835,038	955,224	1,246,550	718,242	3,767,104
Financial assets at fair value through profit or loss	971,867	11,631	39,357	96,894	457,670	354,002	1,931,421
Financial assets at amortized cost	-	21,212	112,933	231,570	520,938	657,214	1,543,867
Debt financial assets at fair value through other comprehensive income	-	809	54,303	179,775	694,082	3,150,720	4,079,689
Equity financial assets at fair value through other comprehensive income	264,877	-	-	-	-	-	264,877
Other assets	-	75,107	25,703	24,523	4,580	1,298	131,211
	1,463,974	437,239	1,504,499	1,710,372	3,234,355	4,920,418	13,270,857
Due to banks and other financial institutions	-	285,004	363,817	256,511	70,989	1,628	977,949
Financial liabilities at fair value through profit or loss	120	2,190	44,337	1,857	146	-	48,650
Assets sold under agreements to repurchase	-	-	236,229	5,700	-	-	241,929
Accounts payable	-	3,815	713	3,560	768	2	8,858
Insurance contract liabilities	-	-	73,294	60,148	3,474	8,465,604	8,602,520
Reinsurance contract liabilities	-	-	-	82	100	-	182
Customer deposits and payables to brokerage customers	-	1,296,804	744,754	577,390	992,925	-	3,611,873
Bonds payable	-	-	300,756	436,516	216,078	41,389	994,739
Lease liabilities	-	225	1,022	3,048	6,897	367	11,559
Other liabilities	-	48,248	45,562	47,915	89,733	14,209	245,667
	120	1,636,286	1,810,484	1,392,727	1,381,110	8,523,199	14,743,926
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(8)	552	(376)	(119)	45	94
Derivative financial instruments settled on a gross basis							
Cash inflow	-	3,344	1,146,342	1,047,088	235,881	-	2,432,655
Cash outflow	-	(4,303)	(1,146,911)	(1,050,180)	(235,306)	-	(2,436,700)
	-	(959)	(569)	(3,092)	575	-	(4,045)

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

(in RMB million)	31 December 2022 (Restated)						Total
	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and amounts due from banks and other financial institutions	-	300,236	160,910	130,437	180,290	9	771,882
Balances with the Central Bank and statutory deposits for insurance operations	240,279	40,836	598	1,618	13,577	-	296,908
Financial assets purchased under reverse repurchase agreements	-	905	85,849	5,412	-	-	92,166
Accounts receivable	-	6,239	7,303	16,156	7,447	1	37,146
Reinsurance contract assets	-	-	783	9,831	8,291	50,965	69,870
Finance lease receivable	-	2,055	32,166	81,560	93,346	494	209,621
Loans and advances to customers	-	16,163	734,127	991,547	1,208,446	811,056	3,761,339
Financial assets at fair value through profit or loss	892,336	15,394	40,912	156,246	394,406	246,982	1,746,276
Financial assets at amortized cost	-	23,361	101,005	212,871	501,325	546,966	1,385,528
Debt financial assets at fair value through other comprehensive income	-	1,149	79,815	246,178	684,115	3,004,409	4,015,666
Equity financial assets at fair value through other comprehensive income	264,771	-	-	-	-	-	264,771
Other assets	-	69,351	29,775	32,111	7,031	1,176	139,444
	1,397,386	475,689	1,273,243	1,883,967	3,098,274	4,662,058	12,790,617
Due to banks and other financial institutions	-	280,241	351,876	217,595	86,734	1,544	937,990
Financial liabilities at fair value through profit or loss	260	2,231	76,451	3,434	2,501	-	84,877
Assets sold under agreements to repurchase	-	-	267,495	4,065	330	-	271,890
Accounts payable	-	4,387	1,152	4,204	612	-	10,355
Insurance contract liabilities	-	-	59,480	51,194	(75,153)	8,013,239	8,048,760
Reinsurance contract liabilities	-	-	210	(14)	(55)	(19)	122
Customer deposits and payables to brokerage customers	-	1,284,564	805,516	593,162	824,090	-	3,507,332
Bonds payable	-	-	232,385	448,189	241,987	42,764	965,325
Lease liabilities	-	259	1,232	3,959	8,678	539	14,667
Other liabilities	-	61,261	38,291	66,424	101,343	15,746	283,065
	260	1,632,943	1,834,088	1,392,212	1,191,067	8,073,813	14,124,383
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(38)	(100)	(456)	604	11	21
Derivative financial instruments settled on a gross basis							
Cash inflow	-	8,006	1,277,050	762,245	129,244	-	2,176,545
Cash outflow	-	(8,885)	(1,281,920)	(767,601)	(129,054)	-	(2,187,460)
	-	(879)	(4,870)	(5,356)	190	-	(10,915)

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the credit commitments of the Group:

(in RMB million)	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2023						
Credit commitments	198,948	297,947	572,672	445,350	432,052	1,946,969
31 December 2022						
Credit commitments	93,804	203,173	679,558	486,699	363,726	1,826,960

Management expects the credit commitments will not be entirely used during the commitment period.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match the maturity and interest rates of assets and liabilities. Under the current constraints of the shortage of long-term interest rate bond market, however, the Group does not have sufficient long-duration assets for investment to match the duration of insurance and investment contract liabilities. As permitted by law regulations and market conditions, the Group actively invests in preferred stocks and other broad-term duration assets, and continuously improves the allocation of long-duration assets, considering the requirements for asset-liability duration matching and revenue-cost matching.

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. Operational risk in this context includes legal risk, but does not include strategic risk and reputational risk. The Group is exposed to many types of operational risks in the conduct of its business. The Group manages operational risk by establishing and continuously improving risk management framework, formalizing policies and standards, using management tools and reporting mechanism, strengthening staff education and training.

(7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale, products of insurance business, and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group computes solvency margin ratios and recognizes, assesses and manages related risks in accordance with the *Regulatory Rules on Solvency of Insurance Companies (II)*, the *Notice on the Implementation of Regulatory Rules on Solvency of Insurance Companies (II)*, and the *National Financial Regulatory Administration's Circular on Improving Regulatory Standards for Solvency of Insurance Companies*. The Group was compliant with the requirements of regulatory authorities for solvency margin ratios as of December 31, 2023.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2023		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	1,320,654	415,458	102,875
Actual capital	1,714,110	770,771	126,230
Minimum capital	823,985	395,780	60,734
Core solvency margin ratio	160.3%	105.0%	169.4%
Comprehensive solvency margin ratio	208.0%	194.7%	207.8%

	31 December 2022		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	1,363,413	495,845	101,193
Actual capital	1,783,772	877,807	125,337
Minimum capital	819,568	399,557	56,976
Core solvency margin ratio	166.4%	124.1%	177.6%
Comprehensive solvency margin ratio	217.6%	219.7%	220.0%

The banking business subsidiary measures the capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional). According to the requirements, risk weighted assets for credit risk is measured by Weighted Approach, risk weighted assets for market risk is measured by Standardised Approach, and risk weighted assets for operation risk is measured by the Basic Indicator Approach.

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49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The banking operation's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

	31 December 2023	31 December 2022
Core Tier 1 capital adequacy ratio	9.22%	8.64%
Tier 1 capital adequacy ratio	10.90%	10.40%
Capital adequacy ratio	13.43%	13.01%

(8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of beneficiary notes or trust units to investors. Refer to Note 3.(8) for the Group's consolidation consideration related to structured entities.

The following table also shows the size, the Group's funding and the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

31 December 2023 (in RMB million)	Unconsolidated structured entities			
	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	21,639	3,917	3,917	Investment income and service fee
Assets management products managed by affiliated entities	2,685,824	234,915	234,915	Investment income and service fee
Assets management products managed by third parties	Note 1	580,243	580,243	Investment income
Wealth management products managed by affiliated entities	1,013,060	10,358	10,358	Investment income and service fee
Wealth management products managed by third parties	Note 1	5,702	5,702	Investment income

49. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES (CONTINUED)

31 December 2022 (Restated) (in RMB million)	Unconsolidated structured entities			
	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	43,748	3,856	3,856	Investment income and service fee
Assets management products managed by affiliated entities	2,643,426	257,681	257,681	Investment income and service fee
Assets management products managed by third parties	Note 1	616,070	616,070	Investment income
Wealth management products managed by affiliated entities	886,840	9,075	9,075	Investment income and service fee
Wealth management products managed by third parties	Note 1	7,228	7,228	Investment income

Note 1: These assets management products and wealth management products are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are recorded as wealth management investments under FVPL, FVOCI and AC, and beneficial right under trust schemes under assets purchased under reverse repurchase agreements.

The unconsolidated structured entities held by the Group included the trust plans consolidated by Lufax Holding.

50. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, term deposits, bonds, funds, stocks, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc.

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

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying amount and fair value of the Group's major financial instruments by classification:

	Carrying amount		Fair value	
	31 December 2023	31 December 2022 (Restated)	31 December 2023	31 December 2022 (Restated)
<i>(in RMB million)</i>				
Financial assets				
Cash and amounts due from banks and other financial institutions	804,077	774,841	804,077	774,841
Balances with the Central Bank and statutory deposits for insurance operations	285,879	295,559	285,879	295,559
Financial assets purchased under reverse repurchase agreements	167,660	91,514	167,660	91,514
Accounts receivable	35,636	36,118	35,636	36,118
Derivative financial assets	44,978	29,278	44,978	29,278
Finance lease receivable	180,674	186,858	180,674	186,858
Loans and advances to customers	3,318,122	3,238,054	3,318,122	3,238,054
Financial assets at fair value through profit or loss	1,803,047	1,640,519	1,803,047	1,640,519
Financial assets at amortized cost	1,243,353	1,124,035	1,272,437	1,142,252
Debt financial assets at fair value through other comprehensive income	2,637,008	2,500,790	2,637,008	2,500,790
Equity financial assets at fair value through other comprehensive income	264,877	264,771	264,877	264,771
Other assets	107,203	117,472	107,203	117,472
Financial liabilities				
Due to banks and other financial institutions	963,718	923,088	963,718	923,088
Financial liabilities at fair value through profit or loss	48,619	84,659	48,619	84,659
Derivative financial liabilities	44,531	39,738	44,531	39,738
Assets sold under agreements to repurchase	241,803	271,737	241,803	271,737
Accounts payable	8,858	10,349	8,858	10,349
Customer deposits and payables to brokerage customers	3,534,539	3,431,999	3,534,539	3,431,999
Bonds payable	964,007	931,098	962,802	927,784
Other liabilities	213,717	269,338	213,717	269,338

Fair value of financial instruments not carried at fair value

The following describes the methods and assumptions used to determine fair value of financial instruments measured at amortized cost.

Financial instruments for which fair value approximates to carrying amount

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, adjustment is also made to reflect the subsequent changes in the market rate after initial recognition.

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

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments not carried at fair value (Continued)

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for financial products with similar credit risk and maturity. For quoted debts issued, the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main quoted market price used for financial assets held by the Group is the current closing price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds;

Level 2: either directly (such as price) or indirectly (such as calculated based on price) other than quoted prices included within Level 1 that are observable for the asset or liability. This valuation method maximizes the use of observable market data and minimizes the use of unobservable inputs;

Level 3: inputs which are based on parameters other than observable market data (unobservable inputs).

The level of fair value measurement is determined by the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

Valuation methods for Level 2 and Level 3 financial instruments

For Level 2 financial instruments, valuations are generally using observable market inputs, or recent quoted market prices. The valuation providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from public valuation service providers. The fair value of debt investments denominated in RMB is determined based upon the valuation results by the CCDC. All significant inputs are observable in the market.

For Level 3 financial instruments, the consideration of being classified as Level 3 is mainly based on the significance of the unobservable factors to the overall fair value measurement.

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(in RMB million)	31 December 2023			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	8,963	576,971	495	586,429
Funds	289,307	182,657	3,547	475,511
Stocks	155,131	1,269	114	156,514
Wealth management investments, debt schemes and other investments	1,519	416,420	166,654	584,593
	454,920	1,177,317	170,810	1,803,047
Derivative financial assets				
Interest rate swaps	-	14,070	-	14,070
Currency forwards and swaps	-	27,015	-	27,015
Others	-	3,575	318	3,893
	-	44,660	318	44,978
Debt financial assets at fair value through other comprehensive income				
Bonds	11,101	2,389,281	605	2,400,987
Wealth management investments, debt schemes and other investments	-	232,180	3,841	236,021
	11,101	2,621,461	4,446	2,637,008
Equity financial assets at fair value through other comprehensive income				
Stocks	177,673	-	13	177,686
Preferred shares	-	81,893	-	81,893
Other equity investments	-	2,021	3,277	5,298
	177,673	83,914	3,290	264,877
Loans and advances to customers measured at fair value through other comprehensive income	-	453,930	-	453,930
Total financial assets	643,694	4,381,282	178,864	5,203,840
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	12,718	-	12,718
Currency forwards and swaps	-	27,780	-	27,780
Others	-	3,973	60	4,033
	-	44,471	60	44,531
Placements from banks and other financial institutions measured at fair value through profit or loss	2,792	-	-	2,792
Financial liabilities at fair value through profit or loss	2,780	43,965	1,874	48,619
Total financial liabilities	5,572	88,436	1,934	95,942

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued):

(in RMB million)	31 December 2022 (Restated)			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	9,491	496,725	864	507,080
Funds	309,260	203,987	4,704	517,951
Stocks	82,343	1,154	498	83,995
Wealth management investments, debt schemes and other investments	134	333,878	197,481	531,493
	401,228	1,035,744	203,547	1,640,519
Derivative financial assets				
Interest rate swaps	-	11,893	-	11,893
Currency forwards and swaps	-	15,602	-	15,602
Others	-	1,718	65	1,783
	-	29,213	65	29,278
Debt financial assets at fair value through other comprehensive income				
Bonds	6,426	2,185,367	766	2,192,559
Wealth management investments, debt schemes and other investments	-	257,845	50,386	308,231
	6,426	2,443,212	51,152	2,500,790
Equity financial assets at fair value through other comprehensive income				
Stocks	174,046	1	-	174,047
Preferred shares	-	85,784	-	85,784
Other equity investments	-	1,949	2,991	4,940
	174,046	87,734	2,991	264,771
Placements with banks and other financial institutions measured at fair value through other comprehensive income				
	-	2,777	-	2,777
Loans and advances to customers measured at fair value through other comprehensive income				
	-	331,880	-	331,880
Total financial assets	581,700	3,930,560	257,755	4,770,015
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	10,062	-	10,062
Currency forwards and swaps	-	23,498	-	23,498
Others	-	6,128	50	6,178
	-	39,688	50	39,738
Placements from banks and other financial institutions measured at fair value through profit or loss				
	4,111	-	-	4,111
Financial liabilities at fair value through profit or loss	2,747	78,093	3,819	84,659
Total financial liabilities	6,858	117,781	3,869	128,508

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments not recorded at fair value but for which fair value is disclosed by level of the fair value hierarchy:

(in RMB million)	31 December 2023			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at amortized cost	383	1,107,349	164,705	1,272,437
Total	383	1,107,349	164,705	1,272,437
Financial liabilities				
Bonds payable	22,088	940,714	-	962,802
Total	22,088	940,714	-	962,802

(in RMB million)	31 December 2022 (Restated)			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at amortized cost	170	1,007,389	134,693	1,142,252
Total	170	1,007,389	134,693	1,142,252
Financial liabilities				
Bonds payable	19,599	907,886	299	927,784
Total	19,599	907,886	299	927,784

Financial assets and liabilities for which fair value approximates carrying amount are not included in the above disclosure.

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

(in RMB million)	2023	2022 (Restated)
Financial assets at fair value through profit or loss		
As at 1 January	203,547	201,032
Additions	27,022	65,906
Disposals	(43,476)	(61,689)
Transfers into Level 3	758	859
Transfers from Level 3	(2,232)	(192)
Total gains/losses		
Losses through profit or loss	(14,809)	(2,369)
As at 31 December	170,810	203,547
Debt financial assets at fair value through other comprehensive income		
As at 1 January	51,152	61,234
Purchase	-	2,204
Disposals	(209)	(8,916)
Issue	-	546,191
Settlement	(49,132)	(551,693)
Transfers into Level 3	2,779	-
Total gains/losses		
Losses/gains through profit or loss	(43)	2,759
Losses through other comprehensive income	(101)	(627)
As at 31 December	4,446	51,152
Equity financial assets at fair value through other comprehensive income		
As at 1 January	2,991	2,559
Additions	554	784
Disposals	(270)	-
Total gains/losses		
Gains/losses through other comprehensive income	15	(352)
As at 31 December	3,290	2,991

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The gains or losses of level 3 financial instruments included in the income statement for the year are presented as follows:

(in RMB million)	2023		Total
	Realized gains	Unrealized gains	
Financial assets at fair value through profit or loss	1,377	(16,186)	(14,809)
Debt financial assets at fair value through other comprehensive income	-	(43)	(43)
	1,377	(16,229)	(14,852)

(in RMB million)	2022		Total
	Realized gains	Unrealized gains	
Financial assets at fair value through profit or loss	2,394	(4,763)	(2,369)
Debt financial assets at fair value through other comprehensive income	2,759	-	2,759
	5,153	(4,763)	390

Transfers

For the year ended 31 December 2023 and the year ended 31 December 2022, there were no significant transfers between Level 1 and Level 2 fair value measurements.

51. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset and retained control of the asset, the Group continues to recognize the financial asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. In other cases where the transferred financial assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

The Group's subsidiaries, Ping An Bank and Ping An Financial Leasing, entered into loan securitization transactions. The Group may retain risks or rewards in the securitization business which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognized on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognized.

51. TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Other transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require the counterparties to provide additional or return collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties that did not qualify for derecognition or continuing involvement and their associated financial liabilities:

(in RMB million)	31 December 2023		31 December 2022	
	Carrying amount of transferred or continuing involvement financial assets	Carrying amount of associated liabilities	Carrying amount of transferred or continuing involvement financial assets	Carrying amount of associated liabilities
Repurchase transactions	3,235	2,918	1,070	998
Assets securitization	1,487	1,487	2,115	2,115

52. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2023	31 December 2022 (Restated)
Cash		
Cash and amounts due from banks and other financial institutions		
Cash on hand	3,690	4,165
Term deposits	20,158	11,357
Due from banks and other financial institutions	169,477	240,091
Placements with banks and other financial institutions	80,373	58,175
Balances with the Central Bank	43,432	40,450
Subtotal	317,130	354,238
Cash equivalents		
Bonds	3,995	5,225
Financial assets purchased under reverse repurchase agreements	159,347	84,739
Subtotal	163,342	89,964
Total	480,472	444,202

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53. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

(in RMB million)	2023	2022 (Restated)
Profit before tax	120,117	142,335
Adjustments for:		
Depreciation of investment properties	4,692	3,645
Depreciation of property and equipment	7,808	7,508
Amortization of intangible assets	3,370	3,171
Depreciation of right-of-use assets	4,792	5,982
Amortization of long-term deferred expenses	591	47
Gains on disposal of investment properties, property and equipment, intangible assets and other long-term assets	(563)	(311)
Investment income and interest revenue from non-banking operations	(156,452)	(151,374)
Fair value losses/(gains) on investments at fair value through profit or loss	9,039	36,936
Interest expenses on non-banking operations	24,346	22,698
Foreign exchange gains/(losses)	(120)	(3,144)
Net impairment losses of financial assets and other assets	79,071	81,920
Operating profit before working capital changes	96,691	149,413
Changes in operating assets and liabilities:		
Changes in balances with the Central Bank and statutory deposits	12,661	(18,183)
Changes in amounts due from banks and other financial institutions	(97,449)	(59,251)
Changes in reinsurance contract assets/liabilities	(1,332)	(570)
Changes in account receivable	330	(3,529)
Changes in inventories	1,576	706
Changes in loans and advances to customers	(165,754)	(332,746)
Changes in assets purchased under agreements to resell of banking and securities business	(506)	588
Changes in other assets	69,876	(51,021)
Changes in due to banks and other financial institutions	90,799	127,431
Changes in customer deposits and payables to brokerage customers	111,984	380,410
Changes in insurance contract assets/liabilities	317,849	275,281
Changes in assets sold under agreements to repurchase of banking and securities business	51,034	(25,252)
Changes in other liabilities	(100,698)	62,146
Cash generated from operations	387,061	505,423
Less: Current income tax charged for the year	(17,699)	(27,643)
Changes in income tax payable	(8,959)	(1,004)
Net cash flows from operating activities	360,403	476,776

53. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) NET DEBT RECONCILIATION:

This section sets out an analysis of net debt and movements in net debt of current year.

(in RMB million)	Short-term borrowings	Long-term borrowings	Bonds payable	Total
As at 1 January 2023	108,500	61,045	910,237	1,079,782
Cash flows	(29,377)	(12,194)	11,453	(30,118)
Foreign exchange adjustments	94	111	206	411
Other non-cash movements	-	-	22,852	22,852
As at 31 December 2023	79,217	48,962	944,748	1,072,927

54. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) KEY MANAGEMENT PERSONNEL COMPRISE THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The summary of compensation of key management personnel for the year is as follows:

(in RMB million)	2023	2022
Salaries and other short-term employee benefits after tax	63	66
Individual income tax	40	42

The estimated amount of total compensation has been provided in the Group's 2023 financial statements. The final remunerations of the Company's full-time directors, supervisors and senior management are being recognized, and will be disclosed after recognition in accordance with applicable rules.

Parts of the performance-based remunerations of the Company's senior management will be deferred and paid over a period of 3 years in accordance with the *Code of Corporate Governance of Banking and Insurance Institutions* and the *Guidelines for Insurance Companies' Remuneration Management (Trial)*. The deferred, unpaid parts are included in the total remunerations received by the Company's senior management from the Company during the Reporting Period.

(2) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS

(in RMB million)	2023	2022
Salaries and other short-term employee benefits after tax	29	26
Individual income tax	20	17

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54. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of every director and supervisor is set out below:

For the year ended 31 December 2023:

(in RMB thousand)	2023								Total	Individual income tax
	Fees	Salaries	Discretionary bonuses(i)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking		
Ma Mingzhe (iii)	-	2,853	725	2	7	-	-	-	3,587	2,513
Xie Yonglin	-	3,743	-	34	53	80	-	-	3,910	2,797
Cai Fangfang	-	3,000	469	34	49	68	-	-	3,620	2,242
Yao Jason Bo (iv)	378	1,802	-	-	9	14	-	-	2,203	1,449
Tan Sin Yin	-	5,708	1,702	-	33	43	-	-	7,486	5,520
Soopakij Chearavanont	548	-	-	-	-	-	-	-	548	142
Yang Xiaoping	548	-	-	-	-	-	-	-	548	142
He Jianfeng (v)	500	-	-	-	-	-	-	-	500	130
Cai Xun (vi)	548	-	-	-	-	-	-	-	548	142
Ouyang Hui (vii)	304	-	-	-	-	-	-	-	304	77
Ng Sing Yip	548	-	-	-	-	-	-	-	548	142
Chu Yiyun	548	-	-	-	-	-	-	-	548	142
Liu Hong	548	-	-	-	-	-	-	-	548	142
Ng Kong Ping Albert	548	-	-	-	-	-	-	-	548	142
Jin Li	548	-	-	-	-	-	-	-	548	142
Wang Guangqian (viii)	244	-	-	-	-	-	-	-	244	66
Michael Guo (ix)	-	1,506	641	-	9	16	-	-	2,172	1,358
Sun Jianyi	-	2,130	1,940	2	7	-	-	-	4,079	2,930
Wang Zhiliang	-	1,383	735	34	15	75	-	-	2,242	1,191
Zhu Xinrong (x)	548	-	-	-	-	-	-	-	548	142
Liew Fui Kiang (xi)	548	-	-	-	-	-	-	-	548	142
Hung Ka Hai Clement (xii)	548	-	-	-	-	-	-	-	548	142

54. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2022:

(in RMB thousand)	2022								Total	Individual income tax
	Fees	Salaries	Discretionary bonuses(i)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking		
Ma Mingzhe (iii)	-	2,850	1,099	2	8	-	-	-	3,959	2,821
Xie Yonglin	-	4,091	233	31	49	79	-	-	4,483	2,966
Tan Sin Yin	-	5,708	2,500	-	25	42	-	-	8,275	6,172
Yao Jason Bo (iv)	-	5,708	1,246	-	21	42	-	-	7,017	5,146
Cai Fangfang	-	3,000	769	31	46	68	-	-	3,914	2,602
Soopakij Chearavanont	520	-	-	-	-	-	-	-	520	110
Yang Xiaoping	520	-	-	-	-	-	-	-	520	110
He Jianfeng (v)	255	-	-	-	-	-	-	-	255	65
Cai Xun (vi)	255	-	-	-	-	-	-	-	255	65
Ouyang Hui (vii)	535	-	-	-	-	-	-	-	535	115
Ng Sing Yip	520	-	-	-	-	-	-	-	520	110
Chu Yiyun	510	-	-	-	-	-	-	-	510	130
Liu Hong	503	-	-	-	-	-	-	-	503	127
Ng Kong Ping Albert	520	-	-	-	-	-	-	-	520	110
Jin Li	510	-	-	-	-	-	-	-	510	130
Huang Wei (xiii)	248	-	-	-	-	-	-	-	248	62
Sun Jianyi	-	2,130	1,940	2	8	-	-	-	4,080	2,930
Wang Zhiliang	-	1,201	464	111	13	70	-	-	1,859	787
Gu Liji (xiv)	270	-	-	-	-	-	-	-	270	67
Zhang Wangjin (xv)	287	-	-	-	-	-	-	-	287	51
Huang Baokui (xvi)	270	-	-	-	-	-	-	-	270	67
Zhu Xinrong (x)	234	-	-	-	-	-	-	-	234	58
Liew Fui Kiang (xi)	236	-	-	-	-	-	-	-	236	57
Hung Ka Hai Clement (xii)	236	-	-	-	-	-	-	-	236	57

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

54. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(i) Other non-monetary benefits include the Key Employee Share Purchase Plan and the Long-Term Service Plan

The participation of the Company's directors and supervisors in the Key Employee Share Purchase Plan is as follows:

Period of purchase	Average price of shares purchased	Name	Unvested as at 1 January 2023	Addition during the year	Vested during the year	Unvested as at 31 December 2023
From 24 February 2020 to 27 February 2020	RMB80.17 per share	Ma Mingzhe	100,000	-	100,000	-
		Xie Yonglin	119,705	-	119,705	-
		Cai Fangfang	39,901	-	39,901	-
		Yao Jason Bo	59,853	-	59,853	-
		Tan Sin Yin	74,816	-	74,816	-
		Wang Zhiliang	2,495	-	2,495	-
From 26 April 2021 to 29 April 2021	RMB73.13 per share	Ma Mingzhe	333,334	-	166,666	166,668
		Xie Yonglin	307,643	-	153,821	153,822
		Cai Fangfang	109,365	-	54,682	54,683
		Yao Jason Bo	153,111	-	76,555	76,556
		Tan Sin Yin	174,984	-	87,491	87,493
		Wang Zhiliang	5,468	-	2,734	2,734
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Ma Mingzhe	777,593	-	259,197	518,396
		Xie Yonglin	741,021	-	247,007	494,014
		Cai Fangfang	264,074	-	88,024	176,050
		Yao Jason Bo	447,689	-	149,229	298,460
		Tan Sin Yin	455,256	-	151,752	303,504
		Wang Zhiliang	17,445	-	5,815	11,630
From 16 March 2023 to 23 March 2023	RMB46.13 per share	Ma Mingzhe	-	832,946	-	832,946
		Xie Yonglin	-	798,619	-	798,619
		Cai Fangfang	-	302,440	-	302,440
		Yao Jason Bo	-	205,441	-	205,441
		Tan Sin Yin	-	536,227	-	536,227
		Wang Zhiliang	-	15,546	-	15,546

54. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(i) Other non-monetary benefits include the Key Employee Share Purchase Plan and the Long-Term Service Plan (continued)

The participation of the Company's directors and supervisors in the Long-term Service Plan is as follows:

Period of purchase	Average price of shares purchased	Name	Unvested as at 1 January 2023	Addition during the year	Vested during the year	Unvested as at 31 December 2023
From 7 May 2019 to 14 May 2019	RMB79.10 per share	Ma Mingzhe	252,762	-	-	252,762
		Xie Yonglin	189,571	-	-	189,571
		Cai Fangfang	126,381	-	-	126,381
		Yao Jason Bo	126,381	-	-	126,381
		Tan Sin Yin	189,571	-	-	-
		Sun Jianyi	126,381	-	-	126,381
		Wang Zhiliang	12,638	-	-	12,638
From 24 February 2020 to 28 February 2020	RMB80.15 per share	Ma Mingzhe	249,504	-	-	249,504
		Xie Yonglin	187,128	-	-	187,128
		Cai Fangfang	124,752	-	-	124,752
		Yao Jason Bo	124,752	-	-	124,752
		Tan Sin Yin	187,128	-	-	-
		Wang Zhiliang	18,712	-	-	18,712
From 26 April 2021 to 29 April 2021	RMB72.92 per share	Ma Mingzhe	274,224	-	-	274,224
		Xie Yonglin	205,668	-	-	205,668
		Cai Fangfang	137,112	-	-	137,112
		Yao Jason Bo	137,112	-	-	137,112
		Tan Sin Yin	205,668	-	-	-
		Wang Zhiliang	13,985	-	-	13,985
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Ma Mingzhe	420,446	-	-	420,446
		Xie Yonglin	315,335	-	-	315,335
		Cai Fangfang	210,223	-	-	210,223
		Yao Jason Bo	210,223	-	-	210,223
		Tan Sin Yin	315,335	-	-	-
		Wang Zhiliang	23,124	-	-	23,124
From 16 March 2023 to 23 March 2023	RMB46.06 per share	Ma Mingzhe	-	434,102	-	434,102
		Xie Yonglin	-	325,576	-	325,576
		Cai Fangfang	-	217,051	-	217,051
		Tan Sin Yin	-	325,576	-	-
		Wang Zhiliang	-	23,875	-	23,875

- (ii) Discretionary bonuses for the Group's executive directors and senior management are determined on the bonus scheme approved by the Board of Directors and the personal performance of senior management.
- (iii) MA Mingzhe is the Founder, Chairman (Executive Director) of the Company.
- (iv) Yao Jason Bo was re-designated from an Executive Director to a Non-executive Director of the Company on 26 April 2023.
- (v) He Jianfeng was appointed as a Non-executive Director of the Company on 1 July 2022.
- (vi) Cai Xun was appointed as a Non-executive Director of the Company on 1 July 2022.
- (vii) Ouyang Hui resigned as an Independent Non-executive Director on 20 July 2023 since his term of office exceed six years.
- (viii) Wang Guangqian was appointed as an Independent Non-executive Director of the Company on 20 July 2023.
- (ix) Michael Guo took office as a Co-CEO of the Company on 27 September 2023 and as a Senior Vice President of the Company on 20 December 2023. Pursuant to Paragraph 24.5 of Appendix 16 to the SEHK Listing Rules, persons disclosed in this table include Mr. Michael Guo.

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

54. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

- (x) Zhu Xinrong was appointed as an Independent Supervisor of the Company on 18 July 2022.
- (xi) Liew Fui Kiang was appointed as an Independent Supervisor of the Company on 18 July 2022.
- (xii) Hung Ka Hai Clement was appointed as an Independent Supervisor of the Company on 18 July 2022.
- (xiii) Huang Wei ceased to be a Non-executive Director of the Company on 1 July 2022 due to the change of his personal work arrangements.
- (xiv) Gu Liji resigned as an Independent Supervisor on 18 July 2022 since his term of office exceed six years.
- (xv) Zhang Wangjin resigned as a Shareholder Representative Supervisor on 18 July 2022 due to personal work arrangements.
- (xvi) Huang Baokui resigned as an Independent Supervisor on 18 July 2022 since his term of office exceed six years.

55. FIVE HIGHEST PAID INDIVIDUALS

The total emoluments of the five highest paid individuals in the Group, except for key management personnel whose emoluments were reflected in Note 54, are as follows:

(in RMB million)	2023	2022
Salaries and other short-term employee benefits after tax	91	122

The number of five highest paid individuals in the Group whose emoluments after tax fell within the following bands is as follows:

	2023	2022
RMB5,000,001 – RMB10,000,000	2	1
RMB10,000,001 – RMB15,000,000	1	1
RMB15,000,001 – RMB20,000,000	-	-
RMB20,000,001 – RMB25,000,000	-	1
RMB25,000,001 – RMB30,000,000	-	-
RMB30,000,001 – RMB35,000,000	2	-
RMB35,000,001 – RMB40,000,000	-	2

The five highest paid individuals in the Group pay individual income tax in strict accordance with the local tax rules. The tax rate is between 15% and 45%.

56. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARE ARE AS SET OUT BELOW:

Name of related parties	Relationship with the Company
Charoen Pokphand Group Co., Ltd. ("CP Group")	Parent of shareholders
Shenzhen Investment Holdings Co., Ltd. ("SIHC")	Shareholder

As at 31 December 2023, CP Group indirectly held 5.84% (31 December 2022: 6.52%) equity interests in the Company and is the largest shareholder of the Company.

56. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) THE SUMMARY OF SIGNIFICANT MAJOR RELATED PARTY TRANSACTIONS IS AS FOLLOWS:

(in RMB million)	2023	2022
CP Group		
Premiums received	60	63
Claims paid	33	29
Rental revenue from	27	26
Interest expenses to	2	-
Other revenues from	5	-
Other expenses to	6	10
SIHC		
Rental revenue from	-	1
Premiums received	4	5
Claims paid	3	-
Interest revenue from	33	7
Interest expenses to	59	62
Other expenses to	6	2
Lufax Holding		
Interest revenue from	11	21
Interest expenses to	464	624
Other revenues from	1,998	2,948
Other expenses to	1,609	2,879
Ping An Health		
Interest expenses to	71	144
Other revenues from	578	440
Other expenses to	1,772	2,071
Ping An HealthKconnect		
Interest revenue from	28	32
Interest expenses to	51	27
Other revenues from	104	306
Other expenses to	9	47
OneConnect		
Interest revenue from	-	3
Interest expenses to	18	10
Other revenues from	1,407	1,708
Other expenses to	2,233	2,598

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For the year ended 31 December 2023

56. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) THE SUMMARY OF BALANCES OF THE GROUP WITH MAJOR RELATED PARTIES IS AS FOLLOWS:

(in RMB million)	31 December 2023	31 December 2022
CP Group		
Customer deposits	117	101
SIHC		
Customer deposits	2,657	3,266
Loans and advances to customers	745	590
Lufax Holding		
Customer deposits	10,880	14,316
Loans and advances to customers	-	821
Derivative financial liabilities	-	447
Accounts payable and other payables	2,698	4,457
Accounts receivable and other receivables	147	4,304
Ping An Health		
Customer deposits	2,704	4,083
Accounts payable and other payables	1,211	2,885
Accounts receivable and other receivables	93	82
Ping An HealthKconnect		
Customer deposits	667	1,286
Loans and advances to customers	871	818
Accounts payable and other payables	126	213
Accounts receivable and other receivables	177	5,289
OneConnect		
Customer deposits	785	788
Derivative financial assets	-	10
Derivative financial liabilities	38	56
Accounts payable and other payables	1,302	1,511
Accounts receivable and other receivables	866	1,110

In addition to transactions and balances stated above, the Group transferred 100% shareholding of Gem Alliance Limited to Lufax Holding, which issued convertible bonds amounting to USD1,953.8 million to the Group as the consideration in 2016, and pay interest to the Group every six months at an annual rate of 0.7375%. In December 2022, Lufax Holding entered into an amended and supplemental agreement with the Group pursuant to which the maturity date of 50% of the outstanding principal amount of the convertible bonds was extended from October 2023 to October 2026 and the remaining 50% outstanding principal amount was redeemed. As at 31 December 2023, the par value of these convertible bonds held by the Group amounted to USD976.9 million.

57. COMMITMENTS

(1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to investments and property development projects.

(in RMB million)	31 December 2023	31 December 2022
Contracted, but not provided for	9,751	10,031
Authorized, but not contracted for	6,469	9,517
	16,220	19,548

(2) CREDIT COMMITMENTS

(in RMB million)	31 December 2023	31 December 2022
Bank acceptances	744,855	703,902
Guarantees issued	92,852	111,005
Letters of credit issued	148,823	122,487
Subtotal	986,530	937,394
Unused limit of credit cards	960,439	889,566
Total	1,946,969	1,826,960
Credit risk weighted amounts of credit commitments	594,788	506,034

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

(3) INVESTMENT COMMITMENTS

The Group's investment commitments to associates and joint ventures are as follows:

(in RMB million)	31 December 2023	31 December 2022
Contracted but not provided for	7,839	11,784

58. EMPLOYEE BENEFITS

(1) PENSION

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by relevant government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

Notes to Consolidated Financial Statements

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58. EMPLOYEE BENEFITS (CONTINUED)

(2) HOUSING BENEFITS

The employees of the Group are entitled to participate in and make contributions to various government sponsored funds for housing purposes. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(3) MEDICAL BENEFITS

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(4) KEY EMPLOYEE SHARE PURCHASE PLAN

The Group has adopted a Key Employee Share Purchase Plan for the key employees of the Company and its subsidiaries. Refer to Note 38 for more details.

(5) LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Refer to Note 39 for more details.

59. CONTINGENT LIABILITIES

Owing to the nature of the insurance, bank and other related business, the Group is involved in contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigations and arbitrations. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any applicable legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

60. EVENTS AFTER THE REPORTING PERIOD

(1) PROFIT DISTRIBUTION

On 21 March 2024, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for 2023, and declared a final cash dividend of 2023 in the amount of RMB1.50 (tax inclusive) per share as disclosed in Note 17.

61. COMPARATIVE FIGURES

As stated in Note 2.(2), due to the adoption of IFRS 17, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2022 has been presented.

62. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(1) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(in RMB million)	31 December 2023	31 December 2022
Assets		
Cash and amounts due from banks and other financial institutions	20,627	31,324
Financial assets purchased under reverse repurchase agreements	2,440	1,770
Financial assets at fair value through profit or loss	9,070	8,452
Financial assets at amortized cost	30,654	1,214
Debt financial assets at fair value through other comprehensive income	8,000	8,531
Investments in subsidiaries and associates	238,113	236,919
Investment properties	1,055	1,020
Property and equipment	28	27
Intangible assets	995	995
Right-of-use assets	169	31
Other assets	456	11,335
Total assets	311,607	301,618
Equity and liabilities		
Equity		
Share capital	18,210	18,280
Reserves	139,075	144,503
Treasury shares	(5,001)	(10,996)
Retained profits	137,648	128,895
Total equity	289,932	280,682
Liabilities		
Due to banks and other financial institutions	20,011	19,417
Income tax payable	-	10
Lease liabilities	172	31
Other liabilities	1,492	1,478
Total liabilities	21,675	20,936
Total equity and liabilities	311,607	301,618

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2024 and was signed on its behalf.

MA Mingzhe
Director

XIE Yonglin
Director

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

62. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(2) RESERVE MOVEMENT OF THE COMPANY

For the year ended 31 December 2023							
(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January	128,737	215	2,992	12,164	395	128,895	273,398
Profit for the year	-	-	-	-	-	52,755	52,755
Other comprehensive income	-	32	7	-	-	-	39
Dividend declared	-	-	-	-	-	(44,002)	(44,002)
Employee Share Purchase Plan	-	-	456	-	-	-	456
Cancellation of repurchased shares	(5,925)	-	-	-	-	-	(5,925)
Others	-	-	2	-	-	-	2
As at 31 December	122,812	247	3,457	12,164	395	137,648	276,723

For the year ended 31 December 2022							
(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January	128,737	211	2,976	12,164	395	108,854	253,337
Profit for the year	-	-	-	-	-	63,861	63,861
Other comprehensive income	-	4	(36)	-	-	-	(32)
Dividend declared	-	-	-	-	-	(43,820)	(43,820)
Employee Share Purchase Plan	-	-	44	-	-	-	44
Others	-	-	8	-	-	-	8
As at 31 December	128,737	215	2,992	12,164	395	128,895	273,398

According to the Company's articles of association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used to offset prior year losses before allocations to such reserves.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 176 to 334, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Classification of financial assets at amortized cost

As at 31 December 2022, the Group's "financial assets at amortized cost" amounted to RMB3,004,502 million, representing 27% of total assets. We identified the classification of these debt instruments as a key audit matter as it requires complex management judgement in:

- Business model assessment: determining the Group's business model for managing these debt instruments.
- Solely payments of principal and interest ("SPPI") testing.

Relevant disclosures are included in Note 2.(12), Note 3.(2) and Note 28 to the consolidated financial statements.

We reviewed the Group's accounting policies in relation to the classification of financial assets at amortized cost, and understood the Group's methodologies and processes of business model assessment and SPPI testing.

We evaluated and tested the design and operating effectiveness of key controls over SPPI testing.

We evaluated the appropriateness of business model assessment for managing these debt instruments, and tested the supporting evidence.

We evaluated the design of SPPI testing logic and re-performed SPPI testing on a sampling basis by examining the contracts of these debt instruments.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers and financial assets at amortized cost

As at 31 December 2022, the Group's "loans and advances to customers" and "financial assets at amortized cost" represented 29% and 27% of total assets and the amounts of expected credit loss provision for "loans and advances to customers" and "financial assets at amortized cost" were RMB101,196 million and RMB44,827 million, respectively.

We identified the impairment assessment of "loans and advances to customers" and "financial assets at amortized cost" as a key audit matter, as it involves significant management judgements and assumptions.

The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:

- Significant increase in credit risk - The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for "loans and advances to customers" and "financial assets at amortized cost" with longer remaining periods to maturity.
- Models and parameters - Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.

We evaluated and tested the design and operating effectiveness of key controls over the approval process, post approval credit management, credit rating system, collateral monitoring, deferred principal and interest payments as well as impairment assessment of "loans and advances to customers" and "financial assets at amortized cost", including relevant data quality and information systems.

We adopted a risk-based sampling approach in our credit review procedures on "loans and advances to customers" and "financial assets at amortized cost". We assessed the debtors' repayment capacity and evaluated the Group's credit rating, taking into consideration post lending or investing investigation reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our internal experts, we evaluated and tested the important parameters of the expected credit loss model, management's significant judgements and related assumptions, mainly focusing on the following aspects.

- 1) Expected credit loss model:
 - In response to the macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk.
 - Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios.
 - Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Impairment assessment of loans and advances to customers and financial assets at amortized cost (continued)

- Forward-looking information - Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights.
- Individual impairment assessment - Identifying credit impaired “loans and advances to customers” and “financial assets at amortized cost” requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

Relevant disclosures are included in Note 2.(12), Note 3.(3), Note 26, Note 28 and Note 53.(3) to the consolidated financial statements.

How our audit addressed the key audit matter

- 2) Design and operating effectiveness of key controls:
 - Evaluated and tested the data and processes used to determine expected credit losses, including business data, internal credit rating data, macroeconomic data, as well as impairment system computational logic, inputs and interfaces among relevant systems.
 - Evaluated and tested key controls over expected credit loss models, including approval of model changes, ongoing monitoring of model performance, model validation and parameter calibration.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Valuation of insurance contract liabilities

As at 31 December 2022, the Group's significant life insurance contract liabilities (long-term life insurance policyholders' reserves) and non-life insurance contract liabilities (unearned premium reserves and claim reserves) amounted to RMB2,742,989 million, representing 28% of total liabilities. We identified the valuation of insurance contract liabilities as a key audit matter, as it requires significant estimates and judgements, and could be significantly impacted by the changes in actuarial assumptions.

The valuation of insurance contract liabilities involves significant judgement over uncertain future cash flows. Complex actuarial models and actuarial assumptions with highly judgemental nature are used to support the valuation of insurance contract liabilities. Key assumptions include mortality, morbidity, lapse rates, discount rates, expenses and loss ratios, etc.

Relevant disclosures are included in Note 2.(2), Note 2.(30), Note 3.(4), Note 48 and Note 53.(1) to the consolidated financial statements.

With the support of our internal experts, we performed the following audit procedures:

- Evaluated and tested the design and operating effectiveness of key controls over the valuation of insurance contract liabilities.
- Assessed key actuarial assumptions by comparing them to historical experience of the Group and industry data.
- Assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. Independently built models to perform recalculation on insurance contract liabilities of selected typical life insurance products; and performed independent recalculation on non-life insurance contract liabilities, and compared our results to the management record.
- Tested the completeness and accuracy of the underlying data used in the valuation of insurance contract liabilities.
- Evaluated the overall reasonableness of the insurance contract liabilities by performing movement analysis and assessing the impact of changes in assumptions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

To the shareholders of Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with limited liability)

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. Our report is made 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement 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.

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

We communicate with the Audit and Risk Management Committee 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 the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Management Committee, 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 *Benny Bing Yin Cheung*.

Ernst & Young
Certified Public Accountants

Hong Kong
15 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

(in RMB million)	Notes	2022	2021
Gross written premiums	6	769,633	760,843
Less: Premiums ceded to reinsurers		(21,967)	(30,208)
Net written premiums	6	747,666	730,635
Change in unearned premium reserves		(5,248)	9,298
Net earned premiums		742,418	739,933
Reinsurance commission revenue		6,150	5,908
Interest revenue from banking operations	7	228,784	213,439
Interest revenue from non-banking operations	8	124,276	125,474
Fees and commission revenue from non-insurance operations	9	45,982	51,524
Investment income	10	2,781	78,039
Share of profits and losses of associates and joint ventures		10,165	7,346
Other revenues and other gains/(losses)	11	60,795	66,012
Total revenue		1,221,351	1,287,675
Gross claims and policyholders' benefits	12	(645,263)	(638,866)
Less: Reinsurers' share of claims and policyholders' benefits	12	14,125	20,204
Claims and policyholders' benefits		(631,138)	(618,662)
Commission expenses on insurance operations		(70,380)	(80,711)
Interest expenses on banking operations	7	(97,688)	(92,071)
Fees and commission expenses on non-insurance operations	9	(9,928)	(9,940)
Net impairment losses on financial assets	13	(80,553)	(90,494)
Net impairment losses on other assets	14	(3,096)	(14,548)
Foreign exchange gains/(losses)		3,342	1,267
General and administrative expenses		(169,840)	(177,061)
Interest expenses on non-banking operations		(22,888)	(28,082)
Other expenses		(33,367)	(37,793)
Total expenses		(1,115,536)	(1,148,095)
Profit before tax	15	105,815	139,580
Income tax	16	1,617	(17,778)
Profit for the year		107,432	121,802
Attributable to:			
- Owners of the parent		83,774	101,618
- Non-controlling interests		23,658	20,184
		107,432	121,802
Earnings per share attributable to ordinary equity holders of the parent:		RMB	RMB
- Basic	18	4.80	5.77
- Diluted	18	4.73	5.72

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(in RMB million)	2022	2021
Profit for the year	107,432	121,802
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of debt instruments at fair value through other comprehensive income	(1,741)	2,094
Credit risks provision of debt instruments at fair value through other comprehensive income	1,483	2,076
Shadow accounting adjustments	310	(1,432)
Reserve from cash flow hedging instruments	(350)	(341)
Exchange differences on translation of foreign operations	3,914	(1,275)
Share of other comprehensive income of associates and joint ventures	35	117
Others	-	(171)
Items that will not be reclassified to profit or loss:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	6,255	(6,257)
Shadow accounting adjustments	(4,886)	4,256
Share of other comprehensive income of associates and joint ventures	59	(1,143)
Other comprehensive income for the year, net of tax	5,079	(2,076)
Total comprehensive income for the year	112,511	119,726
Attributable to:		
- Owners of the parent	88,097	99,281
- Non-controlling interests	24,414	20,445
	112,511	119,726

Consolidated Statement of Financial Position

As at 31 December 2022

(in RMB million)	Notes	31 December 2022	31 December 2021
Assets			
Cash and amounts due from banks and other financial institutions	19	770,751	584,995
Balances with the Central Bank	20	281,115	308,348
Financial assets purchased under reverse repurchase agreements	21	91,315	61,429
Premium receivables	22	72,280	79,834
Accounts receivable		36,118	26,628
Derivative financial assets	23	29,278	30,957
Reinsurers' share of insurance liabilities	24	24,969	26,852
Policy loans		188,765	178,298
Finance lease receivable	25	186,858	200,701
Loans and advances to customers	26	3,238,054	2,980,975
Financial assets at fair value through profit or loss	27	1,631,416	1,426,677
Financial assets at amortized cost	28	3,004,502	2,768,995
Debt financial assets at fair value through other comprehensive income	29	467,031	428,530
Equity financial assets at fair value through other comprehensive income	30	255,103	268,215
Investments in associates and joint ventures	31	280,793	284,061
Statutory deposits for insurance operations	32	14,444	12,606
Investment properties	33	114,763	86,041
Property and equipment	34	53,657	49,758
Intangible assets	35	99,411	68,462
Right-of-use assets	36	12,580	14,185
Deferred tax assets	50	92,846	65,360
Other assets	37	168,026	154,117
Policyholder account assets in respect of insurance contracts	38	19,467	31,847
Policyholder account assets in respect of investment contracts	38	3,626	4,155
Total assets		11,137,168	10,142,026
Equity and liabilities			
Equity			
Share capital	39	18,280	18,280
Reserves	40	255,730	234,186
Treasury shares	43	(10,996)	(9,895)
Retained profits	40	595,661	569,834
Equity attributable to owners of the parent		858,675	812,405
Non-controlling interests	40	316,623	265,318
Total equity		1,175,298	1,077,723

(in RMB million)	Notes	31 December 2022	31 December 2021
Liabilities			
Due to banks and other financial institutions	44	918,977	797,646
Financial liabilities at fair value through profit or loss		88,770	57,376
Derivative financial liabilities	23	39,738	35,049
Assets sold under agreements to repurchase	45	271,737	127,477
Accounts payable		10,349	6,663
Income tax payable		16,076	16,247
Insurance payables		153,508	150,767
Policyholder dividend payable		71,445	67,276
Customer deposits and payables to brokerage customers	46	3,431,999	3,002,049
Bonds payable	47	931,098	1,097,523
Insurance contract liabilities	48	3,567,749	3,261,354
Investment contract liabilities for policyholders	49	73,862	72,839
Lease liabilities	36	13,013	14,208
Deferred tax liabilities	50	14,217	13,605
Other liabilities	51	359,332	344,224
Total liabilities		9,961,870	9,064,303
Total equity and liabilities		11,137,168	10,142,026

The financial statements on pages 176 to 334 were approved and authorized for issue by the Board of Directors on 15 March 2023 and were signed on its behalf.

MA Mingzhe
Director

XIE Yonglin
Director

YAO Jason Bo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(in RMB million)	For the year ended 31 December 2022											
	Reserves											Total equity
	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits	Non-controlling interests	
As at 1 January	18,280	111,598	(36,413)	25,957	21,345	12,164	101,108	(1,573)	(9,895)	569,834	265,318	1,077,723
Profit for the year	-	-	-	-	-	-	-	-	-	83,774	23,658	107,432
Other comprehensive income for the year	-	-	5,504	(4,548)	(252)	-	-	3,619	-	-	756	5,079
Total comprehensive income for the year	-	-	5,504	(4,548)	(252)	-	-	3,619	-	83,774	24,414	112,511
Dividends declared (Note 17)	-	-	-	-	-	-	-	-	-	(43,820)	-	(43,820)
Appropriations to general reserves	-	-	-	-	-	-	13,996	-	-	(13,996)	-	-
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained profits	-	-	131	-	-	-	-	-	-	(131)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,585)	(6,585)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	42,437	42,437
Equity transactions with non-controlling interests	-	-	-	-	96	-	-	-	-	-	(2,959)	(2,863)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	916	916
Key Employee Share Purchase Plan (Note 41)	-	-	-	-	85	-	-	-	-	-	-	85
Long-term Service Plan (Note 42)	-	-	-	-	(4,113)	-	-	-	-	-	-	(4,113)
Acquisition of shares (Note 43)	-	-	-	-	-	-	-	-	(1,101)	-	-	(1,101)
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(7,164)	(7,164)
Others	-	6,497	-	-	529	-	-	-	-	-	246	7,272
As at 31 December	18,280	118,095	(30,778)	21,409	17,690	12,164	115,104	2,046	(10,996)	595,661	316,623	1,175,298

(in RMB million)	For the year ended 31 December 2021											
	Reserves											Total equity
	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits	Non-controlling interests	
As at 1 January	18,280	111,598	(33,923)	23,147	26,858	12,164	88,789	(362)	(5,995)	522,004	225,345	987,905
Profit for the year	-	-	-	-	-	-	-	-	-	101,618	20,184	121,802
Other comprehensive income for the year	-	-	(2,490)	2,810	(1,446)	-	-	(1,211)	-	-	261	(2,076)
Total comprehensive income for the year	-	-	(2,490)	2,810	(1,446)	-	-	(1,211)	-	101,618	20,445	119,726
Dividends declared (Note 17)	-	-	-	-	-	-	-	-	-	(41,469)	-	(41,469)
Appropriations to general reserves	-	-	-	-	-	-	12,319	-	-	(12,319)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(5,452)	(5,452)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	13,621	13,621
Equity transactions with non-controlling interests	-	-	-	-	(1,029)	-	-	-	-	-	3,085	2,056
Contributions from non-controlling interests	-	-	-	-	739	-	-	-	-	-	2,844	3,583
Key Employee Share Purchase Plan (Note 41)	-	-	-	-	(170)	-	-	-	-	-	-	(170)
Long-term Service Plan (Note 42)	-	-	-	-	(3,890)	-	-	-	-	-	-	(3,890)
Acquisition of shares	-	-	-	-	-	-	-	-	(3,900)	-	-	(3,900)
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	7,068	7,068
Others	-	-	-	-	283	-	-	-	-	-	(1,638)	(1,355)
As at 31 December	18,280	111,598	(36,413)	25,957	21,345	12,164	101,108	(1,573)	(9,895)	569,834	265,318	1,077,723

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(in RMB million)	Notes	2022	2021
Net cash flows from operating activities	57	485,905	90,116
Cash flows from investing activities			
Purchases of property and equipment, intangibles and other long-term assets		(8,871)	(12,186)
Proceeds from disposal of property and equipment, intangibles and other long-term assets, net		568	679
Proceeds from disposal of investments		1,967,313	2,016,480
Purchases of investments		(2,367,474)	(2,198,579)
Acquisition of subsidiaries, net		(37,620)	(366)
Disposal of subsidiaries, net		507	5,234
Interest received		148,496	168,173
Dividends received		76,974	60,234
Rentals received		6,178	4,620
Increase in policy loans, net		(10,120)	(16,356)
Net cash flows (used in)/from investing activities		(224,049)	27,933
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		3,104	14,383
Proceeds from bonds issued		773,258	1,252,176
Increase/(decrease) in assets sold under agreements to repurchase of insurance operations, net		118,446	(169,860)
Proceeds from borrowings		186,022	197,965
Repayment of borrowings		(1,206,226)	(1,335,187)
Interest paid		(28,209)	(45,887)
Dividends paid		(49,582)	(46,942)
Increase in insurance placements from banks and other financial institutions, net		2,266	4,300
Payment of acquisition of shares		(1,101)	(3,900)
Payment of shares purchased for Long-term Service Plan		(4,439)	(4,184)
Repayment of lease liabilities		(6,533)	(7,634)
Payment of redemption for other equity instruments by subsidiaries		(10,100)	(3,051)
Others		(7,565)	11,409
Net cash flows used in financing activities		(230,659)	(136,412)
Net increase/(decrease) in cash and cash equivalents		31,197	(18,363)
Net foreign exchange differences		8,569	(3,260)
Cash and cash equivalents at the beginning of the year		403,125	424,748
Cash and cash equivalents at the end of the year	56	442,891	403,125

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the “Company”) was registered in Shenzhen, the People’s Republic of China (the “PRC”) on 21 March 1988. The business scope of the Company includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, conducting insurance funds investment, domestic and overseas insurance and other business approved by regulators. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses.

The registered office address of the Company is 47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong Province, China.

These consolidated financial statements are presented in millions of Renminbi (“RMB”) unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (“IASB”), also comply with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the applicable disclosure requirements of the *Hong Kong Companies Ordinance*. They have been prepared under the historical cost convention, except for some financial instruments and insurance contract liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

To the extent that a topic is not covered explicitly by IFRSs, the IFRSs framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to refer to the accounting practices currently adopted by insurance companies reporting under Accounting Standards for Business Enterprises.

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting estimates

Significant judgement is required in determining the economic assumptions, e.g., discount rates/ investment return, and non-economic assumptions, e.g., mortality, morbidity, lapse rates, policy dividend, and expenses, used in the measurement of insurance contract liabilities for the long-term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2022 (mainly due to change of the benchmark yield curve for the measurement of insurance contract liabilities), and updated the estimate of future cash flows, with the result of changes in the long-term life insurance contract liabilities being recognized in profit or loss. Consequently, the long-term life insurance policyholders’ reserves were increased by RMB26,813 million as at 31 December 2022 and the profit before tax for the year ended 31 December 2022 was decreased by RMB26,813 million (the long-term life insurance policyholders’ reserves were increased by RMB22,566 million as at 31 December 2021 and the profit before tax for the year ended 31 December 2021 was decreased by RMB22,566 million).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) ISSUED BUT NOT YET EFFECTIVE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Group has not applied the following new standards, which have been issued but are not yet effective.

IFRS 17, *Insurance Contracts*, was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. In June 2020, the IASB published the revised version of IFRS 17, stating that IFRS 17 is effective for financial years beginning on or after 1 January 2023. On 9 December 2021, the IASB amended IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. The Group will adopt IFRS 17 on 1 January 2023. Compared with IFRS 4, IFRS 17 brings about significant changes on the following aspects:

Adjusting the recognition principles for insurance revenue and insurance service expenses. In accordance with IFRS 17, insurance revenue will be recognized over the coverage period based on the provision of services, and the investment component in insurance contracts will be excluded from profit or loss. As a result, revenue from long-term life insurance contracts will decrease significantly.

Investment component is an amount that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs.

Several amendments to the measurement of insurance contract liabilities. Main changes are as follows:

Revising measurement models for insurance contracts. Measurement methods include the general model, the variable fee approach, and the premium allocation approach by the nature of insurance contracts. The variable fee approach applies to long-term insurance contracts with direct participation features; the general model applies to other long-term insurance contracts; and the premium allocation approach applies to short-term insurance contracts.

Revising the measurement of contractual service margin (“CSM”). The effect of changes in fulfillment cash flows that relate to future service will be added to or deducted from the remaining CSM, while under the Group’s current accounting policies, the residual margin will be locked at inception and amortized over the coverage period. For insurance contracts subject to the variable fee approach, the insurer’s share of the change in the fair value of the underlying items and changes in other financial risks shall be regarded as changes in future service, for which the CSM shall be adjusted. Under IFRS 17, CSM will be more volatile.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) ISSUED BUT NOT YET EFFECTIVE STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

Revising the method for determining the discount rate of insurance contract liabilities. In accordance with IFRS 17, the discount rate will be based on observable current market interest rates reflecting the characteristics of the insurance contracts, and the “top-down” approach or the “bottom-up” approach may be used. The Group has chosen the “bottom-up” approach, and the discount rate assumption is determined based on the risk-free interest rate with consideration of the tax and liquidity premium. Under IFRS 4, for long-term life insurance and long-term health insurance contracts where the future insurance benefits are not impacted by investment returns on the underlying asset portfolio, and with consideration of the Cai Kuai [2017] No.637 issued by the former CIRC and other relevant regulations, the discount rate assumption is based on the “benchmark yield curve for the measurement of insurance contract liabilities” published by the China Central Depository & Clearing Co., Ltd. (“CCDC”), with consideration of the impact of the tax and liquidity premium. For insurance contracts where the future insurance benefits are impacted by investment returns on the underlying asset portfolio, the discount rates are determined based on expected future investment returns on the underlying asset portfolio backing those liabilities. Under the general model, the Group chose to recognize changes in insurance contract liabilities arising from changes in financial variables (including the discount rate) in other comprehensive income; Under the variable fee approach, the Group chose to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income, so that the insurance finance income or expenses recognised in profit or loss can exactly match the income or expenses included in profit or loss for the underlying items.

Methods for measuring CSM at the transition date. Under IFRS 17, if full retrospective application is impracticable for a group of insurance contracts at the transition date, we shall apply either the modified retrospective approach or the fair value approach to estimate the CSM. The CSMs of most of the Group’s contracts are measured under the modified retrospective approach, while those of the remaining contracts are measured under the fair value approach.

Redetermining the classifications of financial assets and optimizing the accounting match between assets and liabilities. Under IFRS 17, at the initial application date, the reporting entity may reassess the business models for managing financial assets and redetermine the classifications of financial assets held for activities related to insurance contracts. On the basis of the measurement of cash flows arising from performance of insurance contract liabilities linked to some debt investments measured at amortized cost, the Group reassessed the business model at the initial application date, and reclassified such debt investments measured at amortized cost as debt investments measured at fair value through other comprehensive income, to optimize the accounting match between insurance contract liabilities and related financial assets.

Optimizing the presentation of financial statements. IFRS 17 requires insurance companies to present the combination of rights and obligations arising from a group of insurance contracts or reinsurance contracts as a single insurance contract or reinsurance contract asset or liability in the statement of financial position. Accounting items such as policy loans and premium receivables shall no longer be presented separately. Moreover, IFRS 17 requires insurance companies to disaggregate the amounts recognized in profit or loss into the insurance service result and the investment service result according to profit drivers. This will make insurance companies’ sources of profit clearer and more transparent.

Except for IFRS 17, there are no amendments to IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) BUSINESS COMBINATIONS AND GOODWILL

Business combinations that are not under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full, unless the transaction provides evidence of an impairment of the transferred asset.

Total comprehensive income within a subsidiary is still attributed to the non-controlling interest even if it results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(7) STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans and asset funding plans, which are not controlled by the Group, are unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Debt investment plans are managed by affiliated or unaffiliated asset managers and its major investment objectives are infrastructure funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holders to agreed stake according to contractual terms in the respective trust products', debt investment plans', equity investment plans' and asset funding plans' income.

The Group holds beneficiary certificates in its trust products, debt investment plans, equity investment plans and asset funding plans.

(8) ASSOCIATES

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) ASSOCIATES (CONTINUED)

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize impairment losses on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment, as well as the gain on disposal of the associates, are recognized in profit or loss.

The results of associates are included in the Group's income statement to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(9) JOINT VENTURES

The Group has assessed the nature of its joint ventures and determined them to be joint ventures. The Group has rights to the net assets of these joint ventures. The Group's investments in its joint ventures are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 2.(8) for details of the equity method of accounting.

(10) FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss on change arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in profit or loss and other comprehensive income, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FOREIGN CURRENCIES (CONTINUED)

The functional currency of most of overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange differences on translation of foreign operations reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates for their functional and currencies ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

(11) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, current accounts with the Central Bank and short term highly liquid investments including assets purchased under reverse repurchase agreements and others which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(12) FINANCIAL ASSETS

Recognition

The Group shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

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

Classification and measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

- those to be measured at amortized cost ("AC");
- those to be measured at fair value through other comprehensive income ("FVOCI"); or
- those to be measured at fair value through profit or loss ("FVPL").

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The debt investments shall be classified as FVPL if the cash flows characteristics cannot pass the test on solely payments of principal and interest on the principal amount. Otherwise, the classification of debt investments will depend on the business model provided the fair value option is not elected. Investments in equity instruments are classified as FVPL in general, except those designated as at FVOCI.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Classification and measurement (Continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, etc. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the Group mainly include cash and amounts due from banks and other financial institution, balances with the Central Bank, accounts receivable, finance lease receivable, financial assets at AC, loans and advances to customers measured at AC, etc.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Such assets held by the Group mainly include debt financial assets at FVOCI and loans and advances to customers measured at FVOCI, etc.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. The gains or losses from fair value changes on the debt investments measured at FVPL are recognized in profit or loss. The Group also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows that are due to the entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI, and with the exposure arising from loan commitments and financial guarantee contracts that are not accounted for as “insurance contracts”. A number of significant judgements are required in measuring the expected credit loss (“ECL”), such as:

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

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a “three-stage” model expected credit loss models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognized into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group. The impairment provisions are measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition;

Stage 2: If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The impairment provisions are measured based on expected credit losses on a lifetime basis;

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. The impairment provisions are measured based on expected credit losses on lifetime basis.

For the financial instruments at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e., amortized cost) before adjusting for impairment provision using the effective interest method. For the financial instruments at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

The Group recognizes or reverses the impairment provision through profit or loss. For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial instruments and correspondingly reduce the accumulated changes in fair value included in the other comprehensive income reserves of equity.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment (Continued)

For account receivables, the Group refers to historical experience of credit loss, combines with current situation and forward-looking information, formulate the lifetime expected credit loss of the financial assets.

For loan commitments' the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

Derecognition

Financial assets are derecognized when:

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

When the equity financial assets measured at FVOCI are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained profits. When the other financial assets are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

(13) FINANCIAL LIABILITIES

At initial recognition, the Group classifies a financial liability at fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When a financial liability (or part of it) is extinguished, the Group derecognizes the financial liability (or part of it). The difference between the carrying amount of the derecognized liability and the consideration is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

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 other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

- (a) are incurred principally for the purpose of repurchasing in the near term;
- (b) on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) are derivatives (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

The above financial liabilities are subsequently measured at fair value. All the realized and unrealized gains/(losses) are recognized in profit or loss.

The Group may, at initial recognition, designate a financial liability as at fair value through profit or loss when one of the following criteria is met:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- (b) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel;
- (c) a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows.

Once designated as financial liabilities at fair value through profit or loss at initial recognition, the financial liabilities shall not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value. Any changes in fair value are recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognized in other comprehensive income. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

Other financial liabilities

The Group measures other financial liabilities subsequently at amortized cost, using the effective interest method. Other financial liabilities of the Group mainly include customer deposits and payables to brokerage customers, short-term borrowings, long-term borrowings and bonds payable, etc.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss, which incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group initially measures such contracts at fair value. The fair value at inception is likely to equal the premium received. This amount is recognized ratably over the period of the contract in fees and commission income. Subsequently, the liabilities arising from the financial guarantee contracts are measured at the higher of premium received on the initial recognition less income recognized in accordance with the principles of IFRS 15, and the amount of impairment provision calculated as described in Note 2.(12) -impairment.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IFRS 9, the Group has also regarded certain financial guarantee contracts as insurance contracts and has elected to apply IFRS 4 to such financial guarantee contracts.

(14) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, forward currency contracts and swap transaction, credit swap and stock index futures, etc. Such derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Except for those related to hedge accounting, the gains or losses from fair value changes of derivatives are recognized in profit or loss.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial instruments where there is active market, the fair value is determined by quoted prices in active markets. For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the inputs should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Such techniques include using recent prices in arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies.

(16) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(17) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is recognized and presented as "assets sold under agreements to repurchase" for the proceeds from selling such assets. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such non-cash collateral assets continue to be recognized on the balance sheet. The difference between the selling price and repurchasing price is recognized as interest expense over the term of the agreement using the effective interest method.

The amounts advanced under these agreements are recognized and presented as "financial assets purchased under reverse repurchase agreements". The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repurchase the assets, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as interest income over the term of the agreement using the effective interest method.

Sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the bank and securities businesses are included in the operating activities of consolidated statement of cash flows and sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the insurance business are included in the financing and investing activities of consolidated statement of cash flows.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) FINANCE LEASE RECEIVABLE AND UNEARNED FINANCE INCOME

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments, the unguaranteed residual value and the initial direct costs and (b) the aggregate of their present values is recognized as unearned finance lease income. Finance lease receivable net of unearned finance lease income which represents the Group's net investment in the finance lease is presented as finance lease receivable in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease, and is recognized as "other revenues and other gains/(losses)".

The impairment provision measurement and derecognition of finance lease receivable are complied with the basic accounting policy of the financial assets (Note 2.(12)). The Group incorporates forward looking information in estimating the expected credit loss for finance lease receivable. The Group derecognizes finance lease receivables when the rights to receive cash flows from the finance lease have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Refer to Note 13 and Note 25 for details.

(19) PRECIOUS METALS

The Group's precious metals represent gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net recoverable amount. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in income statement.

(20) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (1% to 10% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 15 to 40 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use or the investment property is sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal assumptions used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	-	Over the shorter of economic useful lives and terms of the leases
Buildings	0% - 10%	15 - 40 years
Equipment, furniture and fixtures	0% - 10%	3 - 15 years
Motor vehicles	0% - 15%	3 - 25 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(22) CONSTRUCTION IN PROGRESS

Construction in progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation, less any impairment losses.

No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use.

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For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Core deposits

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.

Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently amortized on the straight-line basis over the contract terms.

Prepaid land premiums

Prepaid land premiums are prepayments for land under PRC law for fixed periods. Prepaid land premiums are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. All lands related to the Group's prepaid land premiums are located in Mainland China.

Trademarks

Trademarks are initially stated at cost and subsequently amortized on the straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Expressway operating rights	20 – 30 years
Prepaid land premiums	30 – 50 years, indefinite
Core deposits	20 years
Trademarks	10 – 40 years, indefinite
Software and others (including patents and know-how, customer relationships and contract rights, etc.)	2 – 25 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) FORECLOSED ASSETS

Foreclosed assets are initially recognized at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the end of the reporting period, the foreclosed assets are measured at the lower of their carrying value and net recoverable amount. When the carrying value of the foreclosed assets is higher than the net recoverable amount, a provision for the decline in value of foreclosed assets is recognized as impairment losses in the income statement.

(25) INVENTORIES

The Group's inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased for property development by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and condition.

The actual cost of inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. Estimates of net recoverable amount are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence of events after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable value.

After allotting inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable value of the inventories are higher than their cost, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profit and loss.

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use 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. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to 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. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

(27) INSURANCE GUARANTEE FUND

The Group calculates the insurance guarantee fund as follows:

- ▶ 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- ▶ 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- ▶ 0.8% of the premium income for short-term health insurance, and 0.15% of the premium income for long-term health insurance; and
- ▶ 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health Insurance") reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty"), no additional provision is required when the accumulated balance reaches 6% of its total assets. Insurance guarantee fund levy is charged to expenses as incurred.

The consideration received and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS

Insurance contracts are those contracts under which the Group has accepted 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 determined by the Group is mainly dependent on the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(29) SIGNIFICANT INSURANCE RISK TESTING

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, 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.

(30) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long-term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short-term life insurance policies are grouped into certain measurement units by lines of business. For long-term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfills the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

- ▶ Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
 - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
 - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc.;
 - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.
- ▶ Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- ▶ Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows. The Group determines risk margins of the long-term life insurance policyholders' reserves using the scenario comparison method. The unfavourable scenarios are determined according to the uncertainty and impact of expected net cash outflows.
- ▶ At inception of an insurance contract, any "day-one" gain is not recognized in the income statement, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At inception of an insurance contract, any "day-one" loss is recognized in the income statement. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For non-life insurance contracts, the Group amortizes the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short-term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short-term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported (“IBNR”) reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

Long-term life insurance policyholders’ reserves

Long-term life insurance policyholders’ reserves are insurance contract liabilities provided for long-term life and health insurance contracts.

The Group determines risk margins of the long-term life insurance policyholders’ reserves using the scenario comparison method. The unfavourable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long-term life insurance policyholders’ reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period. Changes in assumptions are recognized immediately in the income statement.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long-term life insurance policyholders’ reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and is charged in the income statement. Otherwise, no adjustment is made for the respective insurance contract liabilities.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) DISCRETIONARY PARTICIPATION FEATURES IN LONG-TERM LIFE INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

Some of the Group's long-term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long-term life insurance policyholders' reserves and investment contract reserves. To the extent that there is a subsequent change in the expected future eligible surplus due to realized and unrealized gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long-term life insurance policyholders' reserves and investment contract reserves.

A shadow accounting adjustment is applied to recognize the change in surplus in other comprehensive income to the extent that such change is derived from unrealized gains or losses on supporting assets recognized directly in other comprehensive income.

(32) INVESTMENT CONTRACTS

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- ▶ Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.
- ▶ Charges including policy administration fees are recognized as other income during the period of service provided.

(33) INVESTMENT-LINKED BUSINESS

The individual investment-linked contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The Group investment-linked contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 53.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) INVESTMENT-LINKED BUSINESS (CONTINUED)

The Group investment-linked contracts and the deposit component unbundled from the above individual investment-linked insurance contracts are accounted for as follows:

- ▶ Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder account liabilities. These liabilities are initially measured and subsequently carried at fair value. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the income statement.
- ▶ Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities. Account management fees are recognized as other income during the period of service provided and surrender charges are recognized as other income as incurred.
- ▶ Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

(34) UNIVERSAL LIFE BUSINESS

The universal life contracts of the Group contain significant insurance risks are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are separated from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts as described in Note 2.(30).

The deposit components separated from the above universal life insurance contracts are accounted for as follows:

- ▶ Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder contract deposits. These liabilities are initially measured at fair value and subsequently measured using a discounted cash flow model. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.
- ▶ Fair value changes on financial assets at FVOCI related to the universal life insurance portfolio are recognized in other comprehensive income. Changes in the insurance liabilities for the universal life insurance portfolio is also recognized in other comprehensive income to the extent that such change is derived from fair value changes on financial assets at FVOCI related to the universal life insurance portfolio attributable to policyholders.

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For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(35) PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations and the provision recognized for the loss allowance of off-balance sheet credit exposure, contingent liabilities are recognized 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 recognized 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 each reporting period and adjusted to reflect the current best estimate.

The Group incorporates forward looking information in estimating the expected credit loss for loan commitments and financial guarantee contracts. Refer to Note 13 and Note 51 for details.

(36) REVENUE RECOGNITION

The Group's main revenue is recognized on the following bases:

Gross premium

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

Premiums from long-term life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from property and casualty and short-term life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts. Accounting policies for reinsurance contracts are described in Note 2.(37).

Income from investment contracts

Revenues from investment contracts issued by the Group are fees charged for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognized when, or as, the control of services is transferred to customers unless the related services still need to be provided in the future periods, in which fees should be recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are recognized through an adjustment to the effective yield.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) REVENUE RECOGNITION (CONTINUED)

Interest income

Interest income for interest bearing financial instruments, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Fees and commission income of non-insurance operations

The fees and commission income of non-insurance operations from a diverse range of services it provides to its customers are recognized when the control of services is transferred to customers. Fee income can be divided into the following main categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on the completion of the underlying transaction and the control of services is transferred to customers. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees and brokerage fees. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

Expressway toll fee income

Expressway toll fee income is recognized upon the completion of the performance obligation of services.

Sale of goods

Revenue from the sale of goods is recognized when control of the goods has been transferred. Control of goods or services refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services.

The amount of revenue from the sale of goods shall be measured by the transaction price, which is allocated to each performance obligation. The transaction price is the amount of consideration to be entitled in exchange for transferring promised goods to a customer. The Group considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

The part with unconditional rights is recognized as a receivable by the Group, while the rest is recognized as contracts assets. And the impairment provisions of receivables and contracts assets are recognized based on ECL. If the consideration received or receivable from the contract exceeds the performance completed, the excess part would be recognized as contracts liabilities. The Group presents the net amount by the offsetting between contracts assets and contracts liabilities under one contact.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(37) REINSURANCE

The Group undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of the Group has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group determines the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be received from the reinsurers. When calculating unearned premium reserves, claim reserves and long-term life insurance policyholders' reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group determines the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group determines the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, the Group presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the income statement the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognizes the adjusted amounts through profit or loss according to the ceding company statements.

(38) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) LEASES

Leases refer to a contract in which the lessor transfers the right to use the assets to the lessee for a certain period of time to obtain the consideration. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

As lessor of operating leases

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the income statement on the straight-line basis over the lease terms. Contingent rents are recognized as profit or loss in the period in which they are earned.

Group as a lessee

The Group mainly leases buildings as right-of-use assets. The Group applies the lease recognition exemption to short-term leases and leases of low-value assets, and does not recognize the right-of-use assets and lease liabilities. Lease payments on short-term leases and leases of low-value assets are recognized as costs of asset or expenses on a straight-line basis over the lease term. Except for lease applying lease recognition exemption, leases are recognized as a right-of-use asset at the date at which the lease begins, lease liabilities are initial measured at the present value of the lease payments that have not been paid. 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 and payments of penalties for terminating the lease, etc. The variable lease payments determined on a certain percentage of sales are not included in the lease payments and are recognized in profit or loss when incurred.

Right-of-use assets are initial measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and deduct any lease incentives receivable. The right-of-use asset is depreciated over the asset's useful life on a straight-line basis if the Group can reasonably determine the ownership of the assets at the end of the lease term; The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term if the ownership of the assets is uncertain at the end of the lease term. When the recoverable amount is lower than the carrying amount of the right-of-use asset, the Group reduces its carrying amount to the recoverable amount.

(40) EMPLOYEE BENEFITS

Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(41) SHARE-BASED PAYMENT

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The Group estimates the number of total shares expected to vest taking into consideration of service and non-market performance conditions. Based on number of shares expected to vest, related cost or expense is recognized over the vesting period according to fair value of the shares granted on granted date.

At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Company settles with the awardees under the share purchase scheme upon vesting.

(42) SHARES HELD BY CONSOLIDATED STRUCTURED ENTITIES

The Group's subsidiaries consolidated certain asset management schemes that were managed by third parties. These asset management schemes invested in the insurance index shares which included the Company's shares. As such the Group indirectly hold the Company's shares. The employee share purchase scheme consolidated by the Group also hold the Company's shares. The consideration paid by the consolidated structured entities in purchasing the Company's shares from the market, including any directly attributable incremental cost, is debited to "Share premium" under "Reserves". No gain or loss shall be recognized in profit or loss on the sale of those shares, the consideration received is credited to "Share premium" under "Reserves".

(43) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(43) TAX (CONTINUED)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- ▶ when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(44) DIVIDENDS

When the final dividends proposed by the directors have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(45) RELATED PARTIES

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;

Or

- (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).

(46) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments and the presentation is consistent with the information reported to the Board of Directors.

Operating segments refer to the Group's component that satisfies the following conditions:

- (a) The component produces income and expenses in its daily operation;
- (b) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment;
- (c) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgements are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgements and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant difference of fair value estimation.

(2) CLASSIFICATION OF FINANCIAL ASSETS

The judgements in determining the classification of financial assets include the analysis of business models and the contractual cash flows characteristics.

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows are arising from collecting contractual cash flows, selling financial assets or both. The business model of managing financial assets is not determined by a single factor or activity. Instead, the entity should consider all relevant evidence available when making the assessment. Relevant evidence mainly includes, but not limited to, how the cash flow of the group of assets is collected, how the performance of the group of assets is reported to key management personnel, and how the risk of group of assets is being assessed and managed.

The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e., whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(3) MEASUREMENT OF THE EXPECTED CREDIT LOSSES

The measurement of the expected credit losses for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 53.

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

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

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES

The Group makes significant judgements on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which 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.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows. Refer to Note 2.(2) for the changes in accounting policies and estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

The main assumptions used in the measurement of insurance contract liabilities are as follows:

- ▶ For long-term life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, with consideration of the Cai Kuai [2017] No.637 issued by the former CIRC and other relevant regulations, the discount rate assumption is based on the benchmark yield curve for the measurement of insurance contract liabilities published by the China Central Depository & Clearing Co., Ltd. (“CCDC”), with consideration of the impact of the tax and liquidity premium. The current discount rate assumption for the measurement as at 31 December 2022 ranged from 2.66% to 4.60% (31 December 2021: 2.83%-4.60%).

For long-term non-life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmark yield curve for the measurement of insurance contract liabilities published by the CCDC.

For long-term life insurance contracts where the future insurance benefits are affected by investment return of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The future investment returns assumption for the measurement as at 31 December 2022 ranged from 4.75% to 5.00% (31 December 2021: 4.75%-5.00%).

For short-term insurance contracts liabilities whose duration is within one year, the future cash flows are not discounted.

The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

- ▶ The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

The assumption of mortality rates is based on the Group’s prior experience data on mortality rates, estimates of current and future expectations, the industrial benchmark, the understanding of the China insurance market as well as the risk margin. The assumption of mortality rates is presented as a percentage of “China Life Insurance Mortality Table (2010-2013)”, which is the industry standard for life insurance in China.

The assumption of morbidity rates is determined based on the industrial benchmark, the Group’s assumptions used in product pricing, experience data of morbidity rates, and estimates of current and future expectation as well as the risk margin.

The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- ▶ The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels.

- ▶ The Group uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions.

The expense assumptions include assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- ▶ The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions.

The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. As at 31 December 2022, policyholder dividend assumption with a risk margin was determined based on 80% (31 December 2021:85%) of the interest and mortality surplus for individual participating business.

- ▶ In the measurement of unearned premium reserves for the property and casualty insurance and short-term life insurance business, the Group applies the cost of capital approach and considers the insurance industry guideline ranged from 3% to 6% to determine risk margins.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach and considers insurance industry guideline ranged from 2.5% to 5.5% to determine risk margins.

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgements on whether a written policy undertake both insurance risks and other risks, whether contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgement affects the unbundling/separation of insurance contracts.

The Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. Such judgement affects the classification of insurance contracts.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS (CONTINUED)

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgements for different policies:

- ▶ If the insurance risk ratio of a non-annuity policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. The insurance risk ratio of a direct insurance policy is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%;
- ▶ Annuity policies where the longevity risk is transferred are classified as insurance contracts;
- ▶ If a property and casualty insurance or a short-term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

When determining whether a reinsurance policy transfers significant insurance risks, judgement is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. The reinsurance risk ratio of a reinsurance policy is derived from the present value of probability-weighted average net losses where the reinsurer incurs a net loss divided by expected premium income of the reinsurer. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

When performing significant insurance risk testing, the Group would group all policies of the same product with similar risk characteristics into the same portfolio. The Group would then select sufficient and representative policy samples from each policy portfolio to perform individual testing.

The unbundling/separation and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

(6) DETERMINATION OF CONTROL OVER THE STRUCTURED ENTITIES

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgement based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

For further disclosure in respect of the maximum risk exposure of unconsolidated structured entities of the Group, see Note 53.(8).

Notes to Consolidated Financial Statements

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4. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Life	Shenzhen, Corporation	Life insurance, Shenzhen	99.51%	-	99.51%	33,800,000,000
Ping An Property & Casualty	Shenzhen, Corporation	Property and casualty insurance, Shenzhen	99.55%	-	99.55%	21,000,000,000
Ping An Bank Co., Ltd. (ii) ("Ping An Bank")	Shenzhen, Corporation	Banking, Shenzhen	49.56%	8.40%	58.00%	19,405,918,198
Ping An Trust Co., Ltd.	Shenzhen, Corporation	Investment and trust, Shenzhen	99.88%	-	99.88%	13,000,000,000
Ping An Securities Co., Ltd. ("Ping An Securities")	Shenzhen, Corporation	Securities investment and brokerage, Shenzhen	40.96%	55.59%	96.62%	13,800,000,000
Ping An Annuity (iii)	Shanghai, Corporation	Annuity insurance, Shanghai	94.18%	5.79%	100.00%	11,603,419,173
Ping An Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	98.67%	1.33%	100.00%	1,500,000,000
Ping An Health Insurance (iii)	Shanghai, Corporation	Health insurance, Shanghai	74.33%	0.68%	75.01%	4,616,577,790
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong, Corporation	Investment holding, Hong Kong	100.00%	-	100.00%	HKD7,085,000,000
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong, Corporation	Property and casualty insurance, Hong Kong	-	100.00%	100.00%	HKD490,000,000
Ping An International Financial Leasing Co., Ltd. ("Ping An Financial Leasing")	Shanghai, Corporation	Financial leasing, Shanghai	69.44%	30.56%	100.00%	14,500,000,000
Ping An of China Asset Management (Hong Kong) Company Limited (iii)	Hong Kong, Corporation	Asset management, Hong Kong	-	100.00%	100.00%	HKD395,000,000
Shenzhen Ping An Innovation Capital Investment Co., Ltd.	Shenzhen, Corporation	Investment holding, Shenzhen	-	99.88%	100.00%	4,000,000,000
Ping An Trendwin Capital Management Co., Ltd.	Shanghai, Corporation	Investment consulting, Shanghai	-	99.75%	100.00%	100,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Real Estate Co., Ltd. (iii) ("Ping An Real Estate")	Shenzhen, Corporation	Property management and investment management, Shenzhen	-	99.62%	100.00%	21,160,523,628
Ping An Technology (Shenzhen) Co., Ltd.	Shenzhen, Corporation	IT services, Shenzhen	37.66%	62.34%	100.00%	5,310,315,757
Shenzhen Ping An Finserve Co., Ltd.	Shenzhen, Corporation	IT and business process outsourcing services, Shenzhen	-	100.00%	100.00%	598,583,070
Ping An E-wallet Electronic Commerce Company Limited ("Ping An E-wallet")	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	78.63%	1,000,000,000
eLink Commerce Company Limited	Hong Kong, Corporation	E-commerce trade, Hong Kong	-	99.89%	100.00%	HKD25,124,600
Shenzhen Wanlitong Network Information Technology Co., Ltd.	Shenzhen, Corporation	Custom loyalty service, Shenzhen	-	77.14%	100.00%	200,000,000
Shenzhen Ping An Commercial Property Investment Co., Ltd. ("Ping An Commercial Property Investment")	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.50%	99.99%	1,567,000,000
Ping An Futures Co., Ltd.	Shenzhen, Corporation	Futures brokerage, Shenzhen	-	96.66%	100.00%	721,716,042
Shenzhen Ping An Real Estate Investment Co., Ltd.	Shenzhen, Corporation	Real estate investment and management, Shenzhen	-	100.00%	100.00%	1,310,000,000
Shanghai Pingpu Investment Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.51%	100.00%	9,130,500,000
Ansheng Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenzhen Ping An Financial Technology Consulting Co., Ltd. ("Ping An Financial Technology")	Shenzhen, Corporation	Corporation management advisory services, Shenzhen	100.00%	-	100.00%	30,406,000,000

Notes to Consolidated Financial Statements

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4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Tradition International Money Broking Company Ltd.	Shenzhen, Corporation	Currency brokerage, Shenzhen	-	66.92%	67.00%	50,000,000
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	Shanghai, Corporation	Property agency, Shanghai	-	100.00%	100.00%	1,930,000,000
Ping An Wealthtone Investment Management Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	68.11%	100.00%	800,000,000
Ping An Fund Management Company Limited	Shenzhen, Corporation	Fund raising and distribution, Shenzhen	-	68.11%	68.19%	1,300,000,000
Shenzhen Ping An Financial Center Development Company Ltd.	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.51%	100.00%	6,688,870,000
Ping An Insurance Sales Services Co., Ltd.	Shenzhen, Corporation	Sales agency of insurance, Shenzhen	-	75.10%	75.10%	515,000,000
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd.	Guangzhou, Corporation	Insurance agent, Shenzhen	-	99.55%	100.00%	50,000,000
Reach Success International Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Jade Reach Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenyang Shengping Investment Management Co., Ltd.	Shenyang, Corporation	Property management and investment management, Shenyang	-	99.51%	100.00%	419,000,000
Tongxiang Ping An Investment Co., Ltd.	Jiaxing, Corporation	Investment management, Jiaxing	-	99.62%	100.00%	500,000,000
Ping An Commercial Factoring Co., Ltd. (iii)	Shanghai, Corporation	Commercial factoring, Shanghai	-	100.00%	100.00%	2,700,000,000
Shanxi Changjin Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Jincheng	-	59.71%	60.00%	750,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shanxi Jinjiao Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Jincheng	-	59.71%	60.00%	504,000,000
Ping An Caizhi Investment Management Company Limited	Shenzhen, Corporation	Equity investment, Shenzhen	-	96.55%	100.00%	600,000,000
Ping An of China Securities (Hong Kong) Company Limited	Hong Kong, Corporation	Investment holding, Hong Kong	-	96.55%	100.00%	HKD663,514,734
Ping An of China Futures (Hong Kong) Company Limited	Hong Kong, Corporation	Futures brokerage, Hong Kong	-	96.55%	100.00%	HKD20,000,000
Ping An of China Capital (Hong Kong) Company Limited	Hong Kong, Corporation	Investment management, Hong Kong	-	96.55%	100.00%	HKD20,000,000
China PA Securities (Hong Kong) Company Limited	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD440,000,000
Shanghai Lufax Fund Sales Co., Ltd.	Shanghai, Corporation	Fund sales, Shanghai	-	100.00%	100.00%	20,000,000
Fuer Insurance Broker Co., Ltd.	Shanghai, Corporation	Insurance brokerage service, Shanghai	-	100.00%	100.00%	50,000,000
Beijing Shuangronghui Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	256,323,143
Chengdu Ping An Property Investment Co., Ltd.	Chengdu, Corporation	Real estate investment and management, Chengdu	-	99.51%	100.00%	840,000,000
Hangzhou Pingjiang Investment Co., Ltd.	Hangzhou, Corporation	Real estate development and management, Hangzhou	-	99.51%	100.00%	1,430,000,000
Beijing Jingxinlize Investment Co., Ltd.	Beijing, Corporation	Investment management, Beijing	-	99.51%	100.00%	1,160,000,000
Anbon Allied Investment Company Limited	Hong Kong, Corporation	Real estate investment and management, United Kingdom	-	99.51%	100.00%	GBP90,000,160

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4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Talent Bronze Limited	Hong Kong, Corporation	Real estate investment and management, United Kingdom	-	99.51%	100.00%	GBP133,000,000
Ping An Pioneer Capital Co., Ltd.	Shenzhen, Corporation	Financial products and equity investment, Shenzhen	-	96.55%	100.00%	1,000,000,000
Shenzhen Pingke Information Consulting Co., Ltd.	Shenzhen, Corporation	Management consulting, Shenzhen	-	100.00%	100.00%	5,092,341,943
Beijing Jingping Shangdi Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	45,000,000
Guangzhou Xinping Property Investment Co., Ltd.	Guangzhou, Corporation	Property leasing, Guangzhou	-	99.51%	100.00%	50,000,000
Shanghai Jahwa (Group) Company Ltd. ("Shanghai Jahwa")	Shanghai, Corporation	Production and sale of consumer chemicals, Shanghai	-	99.51%	100.00%	5,268,261,234
Shanghai Jahwa United Co., Ltd.	Shanghai, Corporation	Industry, Shanghai	-	51.36%	51.68%	679,634,461
Falcon Vision Global Limited	British Virgin Islands, Corporation	Investment management, Shanghai	-	99.51%	100.00%	USD50,000
Shanghai Zean Investment Management Company Limited	Shanghai, Corporation	Property leasing, Shanghai	-	99.51%	100.00%	4,810,000,000
PA Dragon LLC	USA, Corporation	Logistics and real estate, USA	-	99.52%	100.00%	USD143,954,940
Shanghai Pingan Automobile E-commerce Co., Ltd.	Shanghai, Corporation	E-commerce, Shanghai	-	94.74%	94.74%	63,330,000
Shanghai Gezhouba Yangming Property Co., Ltd.	Shanghai, Corporation	Real estate development and management, Shanghai	-	99.51%	100.00%	20,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shanghai Jinyao Investment Management Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.05%	100.00%	1,290,000,000
Shanghai Pingxin Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	-	100.00%	100.00%	1,010,000,000
Shenzhen Qianhai Credit Service Centre Co., Ltd.	Shenzhen, Corporation	Credit information services, Shenzhen	-	100.00%	100.00%	345,075,000
Pingan Real Estate Capital Limited	Hong Kong, Corporation	Investment platform, Hong Kong	-	99.62%	100.00%	2,536,129,600
Shenzhen Qianhai Inclusive Crowdfunding & Trading Co., Ltd.	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	100,000,000
Guangzhou Ping An Good Loan Microfinance Co., Ltd.	Guangzhou, Corporation	Micro loan, Guangzhou	-	100.00%	100.00%	600,000,000
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	Shenzhen, Corporation	Financial leasing, Shenzhen	-	100.00%	100.00%	1,800,000,000
An Ke Technology Company Limited	Hong Kong, Corporation	Investment management and investment consulting, Hong Kong	-	100.00%	100.00%	USD582,996,000
Ping An Pay Technology Service Co., Ltd.	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	100.00%	680,000,000
Ping An Pay Electronic Payment Co., Ltd.	Shanghai, Corporation	Internet service, Shanghai	-	77.14%	100.00%	489,580,000
Tongxiang Anhao Investment Management Co., Ltd.	Jiaxing, Corporation	Investment management, Jiaxing	-	99.81%	100.00%	300,000,000
Ping An Infrastructure Investment Fund Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	98.01%	99.00%	1,000,000,000
Ping An Fortune Management Co., Ltd.	Shanghai, Corporation	Consulting services, Shanghai	-	100.00%	100.00%	100,000,000

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shenzhen Dingshuntong Investment Co., Ltd. ("Dingshuntong Investment")	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	100,000,000
Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd. ("Evergreen Investment Development")	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	1,500,100,000
Ping An International Financial Leasing (Tianjin) Co., Ltd.	Tianjin, Corporation	Financial leasing, Tianjin	-	100.00%	100.00%	10,400,000,000
Shenzhen Anpu Development Co., Ltd.	Shenzhen, Corporation	Logistics and warehousing, Shenzhen	-	79.61%	80.00%	5,625,000,000
China PA Asset Management (Hong Kong) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	96.55%	100.00%	HKD10,000,000
Shanghai Tianhe Insurance Brokerage Co., Ltd.	Shanghai, Corporation	Insurance brokerage, Shanghai	-	41.71%	100.00%	50,000,000
Helios P.A. Company Limited	Hong Kong, Corporation	Project investment, Hong Kong	-	99.51%	100.00%	USD677,161,910
Value Success International Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	100.00%	100.00%	USD50,000
Ping An Urban-Tech (Shenzhen) Co., Ltd.	Shenzhen, Corporation	IT services, Shenzhen	-	79.21%	100.00%	50,000,000
Shenzhen Ping An Chuangke Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.81%	100.00%	100,000,000
Shenzhen Anchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.72%	100.00%	100,000,000
Lianxin (Shenzhen) Investment Management Co., Ltd. ("Lianxin Investment")	Shenzhen, Corporation	Investment management, Shenzhen	-	99.72%	100.00%	5,100,000,000
Autohome Inc.	Cayman Islands, Corporation	Automotive internet platform, Beijing	-	41.71%	41.91%	USD1,273,469
Mayborn Group Limited	United Kingdom, Corporation	Infant products, United Kingdom	-	51.36%	100.00%	GBP1,154,873
Jiaxing Ping An Cornerstone I Equity Investment Management Co., Ltd.	Jiaxing, Corporation	Investment management, Shanghai	-	99.51%	100.00%	1,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shenzhen Qianhai Jinxuan Investment Co., Ltd.	Shenzhen, Corporation	Investment management and investment consulting, Shenzhen	-	99.91%	100.00%	2,270,000,000
Ping An Wealth Management Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	57.96%	100.00%	5,000,000,000
TTP Car Inc.	Cayman Islands, Corporation	Second-hand car platform, Shanghai	-	21.27%	51.00%	USD15,753
Shenzhen Shengjun Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.72%	100.00%	5,000,000
Overseas W.H. Investment Company Limited (iii)	Cayman Islands, Corporation	Investment holding, Cayman Islands	-	100.00%	100.00%	USD5,038,967,126
Shenzhen Pingjia Investment Management Co., Ltd.	Shenzhen, Corporation	Investment platform, Shenzhen	-	99.81%	100.00%	5,000,000
Chongqing Youshengda Real Estate Consulting Co., Ltd.	Chongqing, Corporation	Real estate consulting, Chongqing	-	99.51%	100.00%	12,537,286,000
Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd.	Hangzhou, Corporation	Investment management, Shanghai	-	99.51%	100.00%	10,000,000
Shenzhen Hengchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment platform, Shenzhen	-	99.62%	100.00%	5,000,000
Global Voyager Fund (HK) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	100.00%	100.00%	USD14,794,701
China PA Wealth Management (Hong Kong) Company Limited	Hong Kong, Corporation	Insurance brokerage, Hong Kong	-	96.55%	100.00%	HKD1,000,000
Ping An Commodities Trading Co., Ltd.	Shenzhen, Corporation	Commodity trade, Shenzhen	-	96.66%	100.00%	1,000,000,000
Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd.	Shanghai, Corporation	Property leasing and property management, Shanghai	-	69.66%	70.00%	2,208,601,418
Shanghai Huaqing Real Estate Management Co., Ltd.	Shanghai, Corporation	Property leasing and property management, Shanghai	-	59.71%	60.00%	USD30,000,000

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Beijing Xinjie Real Estate Development Co., Ltd.	Beijing, Corporation	Property leasing and property management, Beijing	-	69.66%	70.00%	USD24,500,000
Chengdu Raffles City Industry Co., Ltd.	Chengdu, Corporation	Property leasing and property management, Chengdu	-	69.66%	70.00%	USD217,700,000
Raffles City (Hangzhou) Real Estate Development Co., Ltd.	Hangzhou, Corporation	Property leasing and property management, Hangzhou	-	69.66%	70.00%	USD299,740,000
Ningbo Xinyin Business Management Service Co., Ltd.	Ningbo, Corporation	Property leasing and property management, Ningbo	-	69.66%	70.00%	800,000,000
Beijing Jinkunlize Property Co., Ltd. (iv)	Beijing, Corporation	Property leasing and property management, Beijing	-	99.51%	100.00%	3,380,000,000
New Founder (Beijing) Enterprise Management Development Co., Ltd. (iv)	Beijing, Corporation	Corporation management, Beijing	-	99.51%	100.00%	50,000,000
New Founder Holding Development Company Limited (iv)	Zhuhai, Corporation	Investment and technical services, Beijing	-	66.18%	66.51%	7,250,000,000
Founder Securities Co., Ltd. (iv) ("Founder Securities")	Changsha, Corporation	Securities brokerage, Changsha	-	19.00%	28.71%	8,232,101,395
Founder Cifco Futures Co., Ltd. (iv)	Beijing, Corporation	Futures brokerage, Beijing	-	17.56%	92.44%	1,005,000,000
Founder Financing Securities Co., Ltd. (iv)	Beijing, Corporation	Securities underwriting and sponsorship, Beijing	-	19.00%	100.00%	1,400,000,000
Shanghai Jifeng Investment Management Co., Ltd. (iv)	Shanghai, Corporation	Investment management, Shanghai	-	17.56%	100.00%	350,000,000
Beijing Founder Fubon Crown Asset Management Co., Ltd. (iv)	Beijing, Corporation	Customer-specific asset management, Beijing	-	12.67%	100.00%	130,000,000
Founder Securities (Hong Kong) Limited (iv)	Hong Kong, Corporation	Securities trading and consulting, Hong Kong	-	19.00%	100.00%	HKD410,000,000
Founder Asset Management (Hong Kong) Limited (iv)	Hong Kong, Corporation	Asset management, Hong Kong	-	19.00%	100.00%	HKD22,000,000
Founder Fubon Fund Management Co., Ltd. (iv)	Beijing, Corporation	Fund raising and distribution, Beijing	-	12.67%	66.70%	660,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:
(continued)

Notes:

- (i) The proportion of ordinary shares, as shown in the above table, is the sum product of direct holding by the Company and indirect holding by a multiplication of the proportion of shares held in each holding layer. The proportion of votes is the sum product of the proportion of votes held directly by the Company and indirectly via subsidiaries controlled by the Company.
- (ii) For the year ended 31 December 2022, Ping An Bank's profit attributable to its non-controlling interest was RMB19,136 million (2021: RMB15,276 million), the dividend paid to its non-controlling interest was RMB4,200 million (2021: RMB3,809 million). As at 31 December 2022, Ping An Bank's equity attributable to its non-controlling interest was RMB211,724 million (31 December 2021: RMB195,231 million). Ping An Bank's summarized financial information is disclosed in "segment reporting" under the "Banking" segment.
- (iii) The registered capitals of these subsidiaries were changed in 2022.
- (iv) The subsidiaries were incorporated into the scope of consolidation in 2022.

The Company and its subsidiaries are subject to the Company Law as well as various listing requirements, where applicable. Capital or asset transactions between the Company and its subsidiaries might be subject to regulatory requirements. Certain of the Company's subsidiaries are subject to regulatory capital requirements. As such, there are restrictions on the Group's ability to access or use the assets of these subsidiaries or use them to settle the liabilities of these subsidiaries. Please refer to Note 53.(7) for detailed disclosure on the relevant regulatory capital requirements.

(2) As at 31 December 2022, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Asset Xinxiang No.28 Assets Management	99.51%	21,549,224,952	Investment in wealth management products
Huabao East Aggregated Fund Trust Scheme	98.87%	12,000,000,000	Investment in debt schemes
Shanghai Trust Huarong Aggregated Fund Trust Scheme	99.52%	9,500,000,000	Investment in debt schemes
Ping An Asset Xinxiang No.19 Assets Management	99.51%	7,391,669,880	Investment in wealth management products
Ping An Asset Xinxiang No.5 Assets Management	99.55%	824,556,614	Investment in wealth management products
Ping An Asset Xinxiang No.20 Assets Management	99.51%	6,442,075,486	Investment in wealth management products
Ping An Asset Xinxiang No.18 Assets Management	99.51%	6,594,574,439	Investment in wealth management products
Ping An Asset Xinxiang No.10 Assets Management	99.51%	7,138,468,987	Investment in wealth management products
Ping An Asset Xinxiang No.14 Assets Management	99.51%	4,550,171,317	Investment in wealth management products
Ping An Asset Xinxiang No.11 Assets Management	99.51%	1,666,857	Investment in wealth management products

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4. SCOPE OF CONSOLIDATION (CONTINUED)

(3) The acquisition of subsidiaries not under common control

In 2021, the consortium formed by the Company, Zhuhai Huafa Group Co., Ltd. (representing the state-owned enterprises of Zhuhai Municipality) and Shenzhen SDG Co., Ltd. participated in the restructuring of Peking University Founder Group Company Limited, Peking University Founder Information Industry Group Co., Ltd., PKU Healthcare Industry Group Co., Ltd., Peking University Resources Group Limited, and Founder Industry Holdings Co., Ltd. (“Restructuring Entities”). Authorized by the Company, Ping An Life, participated in the substantive consolidated restructuring and entered into the restructuring investment agreement of the Founder Group Restructuring (“Restructuring Investment Agreement”). *The Restructuring Plan of Five Companies including Peking University Founder Group Company Limited* (“Restructuring Plan”), which was formulated on the basis of the Restructuring Investment Agreement, was resolved and approved at the creditors’ meeting held by the Restructuring Entities on 28 May 2021, and was approved by the civil order of the Court and has come into effect on 28 June 2021. In accordance with the terms of the Restructuring Investment Agreement and the selection of the debt repayment plan of the creditors of the Restructuring Entities, Ping An Life shall pay a consideration of approximately RMB48,217 million to acquire approximately 66.51% equity interest in New Founder Holding Development Company Limited (“New Founder Group”), which has been approved by the China Banking and Insurance Regulatory Commission (Yin Bao Jian Fu [2022] No.81). As of 28 December 2022, Ping An Life has paid off all the consideration, and as of that date, a 66.51% equity interest of New Founder Group has been transferred to Ping An Life’s wholly-owned subsidiary New Founder (Beijing) Enterprise Management Development Co., Ltd.. New Founder Group has completed the business registration. The Group is deemed to have gained control of New Founder Group on 28 December 2022, which was regarded as the acquisition date.

The fair value and carrying amount of consolidated identifiable assets and liabilities of New Founder Group as at the date of acquisition are as follows:

(in RMB million)	Fair value	Carrying amount
Cash and amounts due from banks and other financial institutions	65,500	65,500
Including: Cash held on behalf of customers	45,543	45,543
Financial assets purchased under reverse repurchase agreements	606	606
Account receivable	5,938	5,938
Derivative financial assets	171	171
Financial assets at fair value through profit or loss	38,384	38,384
Financial assets at amortized cost	27,410	27,410
Debt financial assets at fair value		
through other comprehensive income	43,213	43,213
Equity financial assets at fair value		
through other comprehensive income	859	859
Investments in associates and joint ventures	7,773	7,773
Investment properties	12,851	12,851
Property and equipment	10,717	10,717
Intangible assets	4,672	4,672
Right-of-use assets	708	708
Deferred tax assets	626	626
Other assets	24,085	24,085
Total identifiable assets	243,513	243,513

4. SCOPE OF CONSOLIDATION (CONTINUED)

(3) The acquisition of subsidiaries not under common control (continued)

The fair value and carrying amount of consolidated identifiable assets and liabilities of Founder Group as at the date of acquisition are as follows (continued):

(in RMB million)	Fair value	Carrying amount
Due to banks and other financial institutions	11,976	11,976
Financial liabilities at fair value through profit or loss	2,083	2,083
Derivative financial liabilities	63	63
Assets sold under agreements to repurchase	48,674	48,674
Customer deposits and payables to brokerage customers	52,465	52,465
Accounts payable	4,012	4,012
Tax payable	295	295
Bonds payable	21,150	21,150
Lease liabilities	724	724
Deferred tax liabilities	2,295	2,295
Other liabilities	30,099	30,099
Total identifiable liabilities	173,836	173,836
	69,677	69,677
Less: Non-controlling interests (i)	(42,437)	
Fair value of net assets acquired attributable to the Group	27,240	
Goodwill arising on acquisition	20,977	
Acquisition cost	48,217	

- (i) Non-controlling interests presented above include equity in New Founder Group's subsidiaries not attributable to New Founder Group, and equity in New Founder Group not attributable to the Group.
- (ii) The Group engaged an independent valuer to evaluate the fair values of the consolidated identifiable assets and liabilities of New Founder Group as at the date of acquisition. As of the date of approval and authorization for issue the financial statements, the valuation has not been completed. According to IFRS 3, the Group recognized the net assets required based upon the provisional amounts.

Cash flows from the acquisition of New Founder Group's shares are as follows:

(in RMB million)	
Total cash consideration	48,217
Less: Cash consideration paid in 2021	(1,400)
Cash consideration paid in 2022	46,817
Cash and cash equivalents held by New Founder Group as at the acquisition date	(9,197)
Net cash outflow from the acquisition of New Founder Group in 2022	37,620

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For the year ended 31 December 2022

5. SEGMENT REPORTING

The segment businesses are separately presented as the insurance segment, the banking segment, the trust segment, the securities segment, the other asset management segment, the technology business segment and the other businesses, based on the products and service offerings. The insurance segment is divided into the life and health insurance and the property and casualty insurance segment which are in line with the nature of products, risk and asset portfolios. The types of products and services from which reportable segments derive revenue are listed below:

- The life and health insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and health care and medical insurance, reflecting performance summary of life insurance, annuity insurance and health insurance subsidiaries;
- The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including auto insurance, non-auto insurance, accident and health insurance, reflecting performance of property and casualty insurance subsidiary;
- The banking segment undertakes loan and intermediary business with corporate customers and retail business customers as well as wealth management and credit card services with individual customers, reflecting performance of banking subsidiary;
- The trust segment provides trust products services and undertakes investing activities;
- The securities segment undertakes brokerage, trading, investment banking and asset management services;
- The other asset management segment provides investment management services, finance lease business and other asset management services, reflecting performance summary of asset management and finance lease and the other asset management subsidiaries;
- The technology business segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance summary of the technology business subsidiaries, associates and joint ventures.

Except for the above business segments, the other segments did not have a material impact on the Group's operating outcome, and as such are not separately presented.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resource allocation and performance assessment. Segment performance is assessed based on key performance indicators.

Transfer prices between operating segments are based on the amount stated in the contracts agreed by the both sides.

During 2022 and 2021, revenue from the Group's top five customers accounted for less than 1% of the total revenue for the year.

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Gross written premiums	473,565	298,074	-	-	-	-	-	(2,006)	769,633
Less: Premiums ceded to reinsurers	(6,495)	(17,725)	-	-	-	-	-	2,253	(21,967)
Change in unearned premium reserves	(2,515)	(2,729)	-	-	-	-	-	(4)	(5,248)
Net earned premiums	464,555	277,620	-	-	-	-	-	243	742,418
Reinsurance commission revenue	2,689	4,484	-	-	-	-	-	(1,023)	6,150
Interest revenue from banking operations	-	-	228,878	-	-	-	-	(94)	228,784
Fees and commission revenue from non-insurance operations	-	-	37,754	2,014	7,952	1,330	-	(3,068)	45,982
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	2,768	134	67	86	-	(3,055)	-
Interest revenue from non-banking operations	101,711	7,961	-	339	5,915	9,506	595	(1,751)	124,276
Including: Inter-segment interest revenue from non-banking operations	203	71	-	23	390	1,726	87	(2,500)	-
Investment income	(9,855)	1,849	14,529	243	2,602	(1,447)	(2,112)	(3,028)	2,781
Including: Inter-segment investment income	2,255	197	(8)	-	30	122	59	(2,655)	-
Including: Operating lease income from investment properties	7,321	393	46	-	3	47	-	(1,632)	6,178
Share of profits and losses of associates and joint ventures	4,344	620	-	-	(21)	5,440	4,196	(4,414)	10,165
Other revenues and other gains/(losses)	24,540	984	544	384	3,169	30,369	19,864	(19,059)	60,795
Including: Inter-segment other revenues	10,045	27	18	27	-	3,190	5,666	(18,973)	-
Including: Non-operating gains	159	103	64	-	1	9	8	15	359
Total revenue	587,984	293,518	281,705	2,980	19,617	45,198	22,543	(32,194)	1,221,351

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For the year ended 31 December 2022

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Claims and policyholders' benefits	(437,413)	(193,898)	-	-	-	-	-	173	(631,138)
Commission expenses on insurance operations	(39,873)	(34,277)	-	-	-	-	-	3,770	(70,380)
Interest expenses on banking operations	-	-	(98,748)	-	-	-	-	1,060	(97,688)
Fees and commission expenses on non-insurance operations	-	-	(7,546)	(97)	(2,314)	(21)	-	50	(9,928)
Net impairment losses on financial assets and other assets	(629)	(1,760)	(71,306)	(333)	(231)	(8,788)	(600)	(2)	(83,649)
Including: Loan impairment losses, net	-	-	(64,168)	-	-	-	-	-	(64,168)
Including: Impairment losses on investment assets	(571)	19	(6,766)	(397)	419	(6,043)	38	-	(13,301)
Including: Impairment losses on receivables and others	(58)	(1,779)	(372)	64	(650)	(2,745)	(638)	(2)	(6,180)
Foreign exchange gains/(losses)	(394)	(107)	4,548	4	6	(624)	34	(125)	3,342
Investment expenses	(3,092)	(359)	-	-	-	-	-	3,336	(115)
Including: Taxes and surcharges on investment operations	(75)	(40)	-	-	-	-	-	-	(115)
Administrative expenses	(43,646)	(53,038)	(51,114)	(830)	(4,833)	(8,092)	(13,543)	5,371	(169,725)
Including: Taxes and surcharges on insurance operations	(1,377)	(1,259)	-	-	-	-	-	-	(2,636)
Interest expenses on non-banking operations	(4,638)	(1,305)	-	(93)	(3,899)	(15,025)	(321)	2,393	(22,888)
Including: Financial costs	(2,207)	(870)	-	(59)	(3,104)	(15,013)	(321)	2,489	(19,085)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(2,431)	(435)	-	(34)	(795)	(12)	-	(96)	(3,803)
Other expenses	(25,427)	(540)	(286)	(4)	(3,011)	(11,363)	(3,896)	11,160	(33,367)
Total expenses	(555,112)	(285,284)	(224,452)	(1,353)	(14,282)	(43,913)	(18,326)	27,186	(1,115,536)
Profit before tax	32,872	8,234	57,253	1,627	5,335	1,285	4,217	(5,008)	105,815
Income tax	16,474	645	(11,737)	(445)	(880)	(3,119)	636	43	1,617
Profit for the year	49,346	8,879	45,516	1,182	4,455	(1,834)	4,853	(4,965)	107,432
- Attributable to owners of the parent	48,488	8,838	26,380	1,181	4,294	(3,183)	3,614	(5,838)	83,774

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	332,122	59,688	236,412	5,055	87,360	38,500	24,076	(12,462)	770,751
Balances with the Central Bank and statutory deposits for insurance operations	10,171	4,263	281,115	-	-	-	5	5	295,559
Accounts receivable	8,239	117	-	-	-	25,975	2,344	(557)	36,118
Finance lease receivable	-	-	-	-	-	186,858	-	-	186,858
Loans and advances to customers	-	-	3,242,258	-	-	-	-	(4,204)	3,238,054
Financial assets at fair value through profit or loss	861,272	119,936	446,133	21,897	63,142	95,011	10,752	13,273	1,631,416
Financial assets at amortized cost	2,008,091	150,655	731,850	2,718	38	166,489	811	(56,150)	3,004,502
Financial assets at fair value through other comprehensive income	433,866	31,359	178,613	14	88,048	6,613	49	(16,428)	722,134
Investments in associates and joint ventures	138,842	26,000	-	285	137	81,681	78,487	(44,639)	280,793
Others	534,824	121,329	205,133	2,701	23,278	71,147	25,268	(12,697)	970,983
Segment assets	4,327,427	513,347	5,321,514	32,670	262,003	672,274	141,792	(133,859)	11,137,168
Due to banks and other financial institutions	39,386	4,366	652,475	-	3,057	290,496	3,428	(74,231)	918,977
Assets sold under agreements to repurchase	178,291	24,593	13,303	-	50,243	4,896	-	411	271,737
Accounts payable	6,985	185	-	-	-	2,653	1,025	(499)	10,349
Insurance payables	123,854	32,372	-	-	-	-	-	(2,718)	153,508
Customer deposits and payables to brokerage customers	52,465	-	3,352,266	-	73,363	-	-	(46,095)	3,431,999
Bonds payable	41,916	10,487	692,075	-	61,360	117,863	-	7,397	931,098
Insurance contract liabilities	3,278,813	289,674	-	-	-	-	-	(738)	3,567,749
Investment contract liabilities for policyholders	73,843	19	-	-	-	-	-	-	73,862
Policyholder dividend payable	71,445	-	-	-	-	-	-	-	71,445
Others	89,185	31,639	176,715	8,518	28,407	187,221	23,591	(14,130)	531,146
Segment liabilities	3,956,183	393,335	4,886,834	8,518	216,430	603,129	28,044	(130,603)	9,961,870
Segment equity	371,244	120,012	434,680	24,152	45,573	69,145	113,748	(3,256)	1,175,298
- Attributable to owners of the parent	305,537	119,265	222,956	24,123	39,030	53,990	94,937	(1,163)	858,675
Other segment information:									
Capital expenditures	7,077	1,204	6,170	70	616	2,306	1,681	(1,694)	17,430
Depreciation and amortization	9,650	1,624	6,535	74	418	781	1,950	(730)	20,302
Total other non-cash expenses charged to consolidated results	629	1,760	71,306	333	231	8,788	600	2	83,649

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For the year ended 31 December 2022

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2021 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Gross written premiums	494,011	270,113	-	-	-	-	-	(3,281)	760,843
Less: Premiums ceded to reinsurers	(16,406)	(17,324)	-	-	-	-	-	3,522	(30,208)
Change in unearned premium reserves	1,590	7,701	-	-	-	-	-	7	9,298
Net earned premiums	479,195	260,490	-	-	-	-	-	248	739,933
Reinsurance commission revenue	2,749	4,527	-	-	-	-	-	(1,368)	5,908
Interest revenue from banking operations	-	-	213,536	-	-	-	-	(97)	213,439
Fees and commission revenue from non-insurance operations	-	-	40,190	3,611	9,309	1,726	-	(3,312)	51,524
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	2,776	312	57	122	-	(3,267)	-
Interest revenue from non-banking operations	98,317	7,372	-	614	5,857	15,621	439	(2,746)	125,474
Including: Inter-segment interest revenue from non-banking operations	176	76	-	18	369	2,761	67	(3,467)	-
Investment income	57,835	5,896	14,380	(998)	1,978	12,320	(9,866)	(3,506)	78,039
Including: Inter-segment investment income	2,339	135	17	-	4	237	34	(2,766)	-
Including: Operating lease income from investment properties	5,744	205	57	-	3	140	-	(1,529)	4,620
Share of profits and losses of associates and joint ventures	2,034	1,696	-	72	(22)	(117)	7,351	(3,668)	7,346
Other revenues and other gains/(losses)	24,804	1,225	443	480	5,704	33,103	22,564	(22,311)	66,012
Including: Inter-segment other revenues	10,334	31	22	-	-	5,076	6,801	(22,264)	-
Including: Non-operating gains	218	165	158	-	-	10	25	3	579
Total revenue	664,934	281,206	268,549	3,779	22,826	62,653	20,488	(36,760)	1,287,675

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2021 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Claims and policyholders' benefits	(444,096)	(174,769)	-	-	-	-	-	203	(618,662)
Commission expenses on insurance operations	(52,277)	(32,039)	-	-	-	-	-	3,605	(80,711)
Interest expenses on banking operations	-	-	(93,200)	-	-	-	-	1,129	(92,071)
Fees and commission expenses on non-insurance operations	-	-	(7,128)	(366)	(2,570)	(100)	-	224	(9,940)
Net impairment losses on financial assets and other assets	(24,492)	(1,496)	(73,817)	(1,146)	(574)	(2,428)	(1,033)	(56)	(105,042)
Including: Loan impairment losses, net	-	-	(59,407)	-	-	-	-	-	(59,407)
Including: Impairment losses on investment assets	(24,447)	(441)	(13,248)	(1,120)	(570)	(882)	(859)	-	(41,567)
Including: Impairment losses on receivables and others	(45)	(1,055)	(1,162)	(26)	(4)	(1,546)	(174)	(56)	(4,068)
Foreign exchange gains/(losses)	7	(52)	1,320	(1)	(3)	(61)	7	50	1,267
Investment expenses	(4,281)	(345)	-	-	-	-	-	4,490	(136)
Including: Taxes and surcharges on investment operations	(120)	(16)	-	-	-	-	-	-	(136)
Administrative expenses	(48,177)	(52,018)	(49,581)	(1,443)	(5,819)	(12,439)	(14,449)	7,001	(176,925)
Including: Taxes and surcharges on insurance operations	(1,051)	(1,091)	-	-	-	-	-	-	(2,142)
Interest expenses on non-banking operations	(4,519)	(1,326)	-	(148)	(3,803)	(21,364)	(530)	3,608	(28,082)
Including: Financial costs	(2,066)	(926)	-	(74)	(2,871)	(21,358)	(530)	3,643	(24,182)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(2,453)	(400)	-	(74)	(932)	(6)	-	(35)	(3,900)
Other expenses	(26,814)	(465)	(264)	288	(5,454)	(11,665)	(5,428)	12,009	(37,793)
Total expenses	(604,649)	(262,510)	(222,670)	(2,816)	(18,223)	(48,057)	(21,433)	32,263	(1,148,095)
Profit before tax	60,285	18,696	45,879	963	4,603	14,596	(945)	(4,497)	139,580
Income tax	18	(2,504)	(9,543)	(734)	(774)	(4,702)	488	(27)	(17,778)
Profit for the year	60,303	16,192	36,336	229	3,829	9,894	(457)	(4,524)	121,802
- Attributable to owners of the parent	59,468	16,117	21,060	229	3,614	8,378	(1,957)	(5,291)	101,618

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2021 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	207,013	59,110	176,373	6,439	89,483	59,855	23,067	(36,345)	584,995
Balances with the Central Bank and statutory deposits for insurance operations	8,293	4,300	308,348	-	-	-	5	8	320,954
Accounts receivable	2,019	7	-	-	-	22,971	2,571	(940)	26,628
Finance lease receivable	-	-	-	-	-	200,701	-	-	200,701
Loans and advances to customers	-	-	2,984,753	-	-	-	-	(3,778)	2,980,975
Financial assets at fair value through profit or loss	709,874	119,501	389,703	14,639	50,824	108,277	18,245	15,614	1,426,677
Financial assets at amortized cost	1,771,695	113,333	738,166	6,625	60	179,522	777	(41,183)	2,768,995
Financial assets at fair value through other comprehensive income	447,189	25,502	155,020	14	87,752	11,791	210	(30,733)	696,745
Investments in associates and joint ventures	134,856	25,789	-	1,046	158	86,150	77,387	(41,325)	284,061
Others	435,565	122,865	169,017	2,962	25,091	76,706	27,523	(8,434)	851,295
Segment assets	3,716,504	470,407	4,921,380	31,725	253,368	745,973	149,785	(147,116)	10,142,026
Due to banks and other financial institutions	32,020	3,978	525,687	-	4,895	277,712	5,149	(51,795)	797,646
Assets sold under agreements to repurchase	27,300	9,484	47,703	-	37,556	4,921	-	513	127,477
Accounts payable	2,632	288	-	-	-	3,578	1,055	(890)	6,663
Insurance payables	122,163	32,247	-	-	-	-	-	(3,643)	150,767
Customer deposits and payables to brokerage customers	-	-	2,990,518	-	73,134	-	-	(61,603)	3,002,049
Bonds payable	20,665	13,996	823,934	-	68,818	161,124	-	8,986	1,097,523
Insurance contract liabilities	2,995,147	267,128	-	-	-	-	-	(921)	3,261,354
Investment contract liabilities for policyholders	72,820	19	-	-	-	-	-	-	72,839
Policyholder dividend payable	67,276	-	-	-	-	-	-	-	67,276
Others	57,161	28,638	138,090	6,778	26,388	219,693	24,694	(20,733)	480,709
Segment liabilities	3,397,184	355,778	4,525,932	6,778	210,791	667,028	30,898	(130,086)	9,064,303
Segment equity	319,320	114,629	395,448	24,947	42,577	78,945	118,887	(17,030)	1,077,723
- Attributable to owners of the parent	296,877	113,898	200,217	24,918	36,003	54,922	100,697	(15,127)	812,405
Other segment information:									
Capital expenditures	6,198	1,382	8,583	18	782	2,081	1,334	(491)	19,887
Depreciation and amortization	7,053	1,612	6,416	74	415	835	2,158	(684)	17,879
Total other non-cash expenses charged to consolidated results	24,492	1,496	73,817	1,146	574	2,428	1,033	56	105,042

6. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	2022	2021
Gross written premiums and premium deposits	841,545	837,834
Less: Premium deposits of policies without significant insurance risk transfer	(2,670)	(3,060)
Premium deposits separated out from universal life and investment-linked products	(69,242)	(73,931)
Gross written premiums	769,633	760,843
Long-term life business gross written premiums	438,081	454,051
Short-term life business gross written premiums	33,021	36,239
Property and casualty business gross written premiums	298,531	270,553
Gross written premiums	769,633	760,843
Gross written premiums		
Life insurance		
Individual business	453,549	470,214
Group business	17,553	20,076
	471,102	490,290
Property and casualty insurance		
Automobile insurance	201,436	188,990
Non-automobile insurance	73,406	58,943
Accident and health insurance	23,689	22,620
	298,531	270,553
Gross written premiums	769,633	760,843
Net of reinsurance premiums ceded		
Life insurance		
Individual business	449,570	464,345
Group business	17,499	13,260
	467,069	477,605
Property and casualty insurance		
Automobile insurance	195,575	182,567
Non-automobile insurance	61,460	48,297
Accident and health insurance	23,562	22,166
	280,597	253,030
Net written premiums	747,666	730,635

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7. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2022	2021
Interest revenue from banking operations		
Due from the Central Bank	3,715	3,595
Due from and placements with banks and other financial institutions and financial assets purchased under reverse repurchase agreements	4,795	4,814
Loans and advances to customers (including discounted bills)	188,282	173,670
Financial investments	31,992	31,360
Subtotal	228,784	213,439
Interest expenses on banking operations		
Due to the Central Bank	3,860	3,664
Due to and placements from banks and other financial institutions and assets sold under agreements to repurchase	8,054	9,535
Customer deposits	66,304	56,967
Bonds payable	19,470	21,905
Subtotal	97,688	92,071
Net interest income from banking operations	131,096	121,368

8. INTEREST REVENUE FROM NON-BANKING OPERATIONS

(in RMB million)	2022	2021
Financial assets at amortized cost	114,132	113,708
Debt financial assets at fair value through other comprehensive income	10,144	11,766
	124,276	125,474

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2022	2021
Fees and commission revenue from non-insurance operations		
Brokerage commission	6,541	7,440
Underwriting commission	618	914
Trust service fees	1,544	2,930
Fees and commission from the banking business	34,986	37,414
Others	2,293	2,826
Subtotal	45,982	51,524
Fees and commission expenses on non-insurance operations		
Brokerage commission	2,238	2,466
Fees and commission on the banking business	7,546	7,128
Others	144	346
Subtotal	9,928	9,940
Net fees and commission income from non-insurance operations	36,054	41,584

10. INVESTMENT INCOME

(in RMB million)	2022	2021
Net investment income	90,257	74,985
Realized gains/(losses)	(54,534)	25,667
Unrealized gains/(losses)	(32,942)	(22,613)
Total investment income	2,781	78,039

(1) NET INVESTMENT INCOME

(in RMB million)	2022	2021
Financial assets at fair value through profit or loss	68,710	55,742
Equity financial assets at fair value through other comprehensive income	15,369	14,623
Operating lease income from investment properties	6,178	4,620
	90,257	74,985

(2) REALIZED GAINS/(LOSSES)

(in RMB million)	2022	2021
Financial assets at fair value through profit or loss	(56,782)	18,495
Debt financial assets at fair value through other comprehensive income	(243)	(159)
Financial assets at amortized cost	(273)	(363)
Derivative financial instruments	1,471	(356)
Gains on disposals of loans and advances at fair value through other comprehensive income	3,255	1,884
Precious metal transactions investment gains	15	121
Investment in subsidiaries, associates and joint ventures	(1,977)	6,045
	(54,534)	25,667

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2022	2021
Financial assets at fair value through profit or loss		
Bonds	(4,067)	3,220
Funds	(16,873)	(2,354)
Stocks	8,795	(15,052)
Wealth management investments, debt schemes and other investments	(22,586)	(6,964)
Financial liabilities at fair value through profit or loss	418	(1,571)
Derivative financial instruments	1,371	108
	(32,942)	(22,613)

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

11. OTHER REVENUES AND OTHER GAINS/(LOSSES)

(in RMB million)	2022	2021
Sales revenue	20,316	24,776
Expressway toll fee	844	889
Annuity management fee	1,535	1,844
Management fee and consulting fee income	9,729	11,098
Finance lease income	16,650	17,192
Others	11,721	10,213
	60,795	66,012

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(in RMB million)	2022		
	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	259,464	(13,780)	245,684
Surrenders	54,102	-	54,102
Annuities	9,122	-	9,122
Maturities and survival benefits	33,003	-	33,003
Policyholder dividends	19,599	-	19,599
Increase in long-term life insurance policyholders' reserves	242,834	(345)	242,489
Interest credited to policyholder contract deposits	27,139	-	27,139
	645,263	(14,125)	631,138

(in RMB million)	2021		
	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	243,970	(19,862)	224,108
Surrenders	52,931	-	52,931
Annuities	7,887	-	7,887
Maturities and survival benefits	25,980	-	25,980
Policyholder dividends	19,405	-	19,405
Increase in long-term life insurance policyholders' reserves	257,832	(342)	257,490
Interest credited to policyholder contract deposits	30,861	-	30,861
	638,866	(20,204)	618,662

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(in RMB million)	2022		
	Gross	Reinsurers' share	Net
Long-term life insurance contract benefits	421,929	(3,067)	418,862
Short-term life insurance claims	19,485	(1,357)	18,128
Property and casualty insurance claims	203,849	(9,701)	194,148
	645,263	(14,125)	631,138

(in RMB million)	2021		
	Gross	Reinsurers' share	Net
Long-term life insurance contract benefits	431,385	(3,327)	428,058
Short-term life insurance claims	21,886	(6,227)	15,659
Property and casualty insurance claims	185,595	(10,650)	174,945
	638,866	(20,204)	618,662

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(in RMB million)	2022	2021
Accounts receivable	(23)	242
Loans and advances to customers	64,168	59,407
Debt financial assets at fair value through other comprehensive income	105	2,399
Financial assets at amortized cost	3,535	23,144
Finance lease receivable	1,763	1,013
Placements with banks and other financial institutions	2,175	(54)
Credit commitments	5,758	3,027
Due from banks and other financial institutions	1,502	(63)
Others	1,570	1,379
	80,553	90,494

14. NET IMPAIRMENT LOSSES ON OTHER ASSETS

(in RMB million)	2022	2021
Investments in associates and joint ventures	928	12,260
Others	2,168	2,288
	3,096	14,548

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15. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

(in RMB million)	2022	2021
Employee costs (Note 15.(2))	75,798	78,859
Interest expenses on policyholder contract deposits and investment contract reserves	27,139	30,861
Depreciation of investment properties	3,645	1,620
Depreciation of property and equipment	6,932	6,895
Amortization of intangible assets	2,610	2,564
Depreciation of right-of-use assets	5,839	6,364
Net impairment losses on financial assets	80,553	90,494
Net impairment losses on other assets	3,096	14,548
Cost of sales	9,284	12,763
Auditors' remuneration	95	88

(2) EMPLOYEE COSTS

(in RMB million)	2022	2021
Wages, salaries and bonuses	57,802	61,209
Retirement benefits, social security contributions and welfare benefits	16,169	15,561
Others	1,827	2,089
	75,798	78,859

16. INCOME TAX

(in RMB million)	2022	2021
Current income tax		
Charge for the year	26,481	26,588
Adjustments in respect of current income tax of previous years	1,162	228
Deferred income tax	(29,260)	(9,038)
	(1,617)	17,778

Certain subsidiaries enjoy tax preferential treatments. These subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate of the Group for 2022 was 25%.

16. INCOME TAX (CONTINUED)

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2021: 25%) is as follows:

(in RMB million)	2022	2021
Profit before tax	105,815	139,580
Tax at the applicable tax rate of 25% (2021: 25%)	26,454	34,895
Expenses not deductible for tax	3,989	4,073
Income not subject to tax	(31,232)	(25,500)
Adjustments in respect of current income tax of previous years	1,162	228
Others	(1,990)	4,082
Income tax per consolidated income statement	(1,617)	17,778

Taxes for taxable income attained from outside of the PRC are measured at the tax rates under local and PRC law, regulations and conventions. The income tax credited by the Group is verified by official tax bureau.

17. DIVIDENDS

(in RMB million)	2022	2021
2021 final dividend declared in 2022 – RMB1.50 (2020 final dividend declared in 2021 – RMB1.40) per ordinary share (i)	27,161	25,494
2022 interim dividend – RMB0.92 (2021 interim dividend – RMB0.88) per ordinary share (ii)	16,659	15,975

- (i) On 17 March 2022, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for 2021, agreeing to declare a cash dividend in the amount of RMB1.50 (tax inclusive) per share. The total amount of the cash dividend for 2021 was RMB27,161 million (tax inclusive).
- On 29 April 2022, the above profit distribution plan was approved by the shareholders of the Company at the annual general meeting.
- (ii) On 23 August 2022, the Board of Directors of the Company approved the Proposal on Distributing Interim Dividend for 2022, and declared an interim cash dividend of RMB0.92 (tax inclusive) per share. The total amount of the cash dividend was RMB16,659 million (tax inclusive).
- (iii) On 15 March 2023, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for 2022, and declared a final cash dividend of 2022 in the amount of RMB1.50 (tax inclusive) per share. Pursuant to the *Shanghai Stock Exchange's Guidelines for Self-regulation of Listed Companies No.7 – Repurchase of Shares* and other applicable regulations, the Company's A shares in the Company's repurchased securities account after trading hours on the record date of A shareholders for the final dividend will not be entitled to the final dividend distribution. The actual total amount of final dividend payment is subject to the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders. The total amount of the final dividend payment for 2022 is RMB27,161,462,992.50 (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 172,599,415 A shares of the Company in the repurchased securities account as at 31 December 2022, which was not recognized as a liability as at 31 December 2022.

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18. EARNINGS PER SHARE

(1) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group.

	2022	2021
Profit attributable to owners of the parent (in RMB million)	83,774	101,618
Weighted average number of ordinary shares in issue (million shares)	17,454	17,607
Basic earnings per share (in RMB)	4.80	5.77
<i>Weighted average number of ordinary shares in issue (million shares)</i>		
Issued ordinary shares as at 1 January	18,280	18,280
Weighted average number of shares held by the Key Employee Share Purchase Plan	(22)	(21)
Weighted average number of shares held by the Long-term Service Plan	(234)	(143)
Weighted average number of shares held by the consolidated assets management schemes (i)	(406)	(417)
Weighted average number of shares held by the treasury share	(164)	(92)
Weighted average number of ordinary shares in issue	17,454	17,607

(i) As at 31 December 2022, 261 million (31 December 2021: 417 million) shares were held by the consolidated assets management schemes.

(2) DILUTED

Diluted earnings per share was computed by dividing the adjusted profit attributable to owners of the parent based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The shares granted by the Company under the Key Employee Share Purchase Plan (Note 41) and Long-term Service Plan (Note 42) have a potential dilutive effect on the earnings per share.

	2022	2021
Earnings (in RMB million)		
Profit attributable to owners of the parent	83,774	101,618
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	17,454	17,607
Adjustments for:		
- Assumed vesting of Key Employee Share Purchase Plan	22	21
- Assumed vesting of Long-term Service Plan	234	143
Weighted average number of ordinary shares for diluted earnings per share in issue (million shares)	17,710	17,771
Diluted earnings per share (in RMB)	4.73	5.72

19. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2022	31 December 2021
Cash on hand	4,165	3,686
Term deposits	281,697	258,176
Due from banks and other financial institutions	350,968	227,690
Placements with banks and other financial institutions	133,921	95,443
	770,751	584,995

Details of placements with banks and other financial institutions are as follows:

(in RMB million)	31 December 2022	31 December 2021
Measured at amortized cost		
Placements with banks	64,520	59,142
Placements with other financial institutions	68,952	25,145
Gross	133,472	84,287
Less: Provision for impairment losses	(2,328)	(72)
Net	131,144	84,215
Measured at fair value through other comprehensive income		
Placements with other financial institutions	2,777	11,228
Total	133,921	95,443

As at 31 December 2022, the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB91 million (31 December 2021: RMB170 million).

As at 31 December 2022, cash and amounts due from banks and other financial institutions of RMB10,919 million (31 December 2021: RMB11,579 million) were restricted from use.

As at 31 December 2022, cash and amounts due from overseas amounted to RMB60,616 million (31 December 2021: RMB29,474 million).

20. BALANCES WITH THE CENTRAL BANK

(in RMB million)	31 December 2022	31 December 2021
Statutory reserve deposits with the Central Bank for banking operations	240,380	221,619
Statutory reserve deposits with the Central Bank for banking operations - RMB	234,851	211,488
Statutory reserve deposits with the Central Bank for banking operations - foreign currencies	5,529	10,131
Surplus reserve deposits with the Central Bank	40,467	84,057
Fiscal deposits with the Central Bank	268	2,672
	281,115	308,348

In accordance with relevant regulations, subsidiaries of the Group engaged in bank operations are required to place mandatory reserve deposits with the People's Bank of China (the "PBC") for customer deposits in both local currency and foreign currencies. As at 31 December 2022, the mandatory deposits are calculated at 7.5% (31 December 2021: 8.0%) of customer deposits denominated in RMB and 6.0% (31 December 2021: 9.0%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day-to-day operations.

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21. FINANCIAL ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

Classified by collateral:

(in RMB million)	31 December 2022	31 December 2021
Bonds	84,721	55,662
Bills	2,676	-
Stocks and others	4,059	6,091
Gross	91,456	61,753
Less: Provision for impairment losses	(141)	(324)
Net	91,315	61,429

22. PREMIUM RECEIVABLES

(in RMB million)	31 December 2022	31 December 2021
Premium receivables	76,610	84,742
Less: Provision for doubtful receivables	(4,330)	(4,908)
Premium receivables, net	72,280	79,834
Life insurance	17,188	17,482
Property and casualty insurance	55,092	62,352
Premium receivables, net	72,280	79,834

The credit terms of premium receivables granted are generally from one to six months, and non-interest bearing.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2022	31 December 2021
Within 3 months	69,045	76,279
Over 3 months but within 1 year	3,766	3,509
Over 1 year	3,799	4,954
	76,610	84,742

23. DERIVATIVE FINANCIAL INSTRUMENTS

(in RMB million)	31 December 2022			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,819,447	11,893	2,102,061	10,062
Currency forwards and swaps	992,397	15,602	1,146,546	23,498
Gold derivative instruments	36,240	1,049	43,741	3,172
Stock index options	17,143	146	2,233	88
Stock index swaps	3,718	160	7,669	776
Others	48,074	428	20,277	2,142
	4,917,019	29,278	3,322,527	39,738

(in RMB million)	31 December 2021			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,538,229	14,164	2,773,780	13,237
Currency forwards and swaps	1,047,646	15,687	1,023,471	15,855
Gold derivative instruments	33,424	567	26,865	2,779
Stock index options	79	3	5,782	19
Stock index swaps	2,249	75	-	-
Others	1,923	461	23,254	3,159
	4,623,550	30,957	3,853,152	35,049

24. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2022	31 December 2021
Reinsurers' share of unearned premium reserves	9,158	11,084
Reinsurers' share of claim reserves	13,175	13,477
Reinsurers' share of long-term life insurance policyholders' reserves	2,636	2,291
	24,969	26,852

25. FINANCE LEASE RECEIVABLE

(in RMB million)	31 December 2022	31 December 2021
Finance lease receivables, net of unrealized financial gains	192,444	205,907
Less: Provision for impairment losses	(5,586)	(5,206)
	186,858	200,701

The Group's finance lease receivables are the net amount offsetting the unrealized financial gains.

As at 31 December 2022, finance lease receivables with an amount of RMB24,052 million (31 December 2021: RMB45,170 million) were pledged as collateral for long-term and short-term borrowings.

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26. LOANS AND ADVANCES TO CUSTOMERS

(1) ANALYSED BY CORPORATE AND INDIVIDUAL

(in RMB million)

31 December 2022

31 December 2021

Measured at amortized cost

Corporate customers		
Loans	945,687	901,295
Individual customers		
Xinyidai	160,056	158,981
Credit card receivables	578,691	621,448
Mortgage loans and licensed mortgage loans	783,393	654,870
Auto loans	321,034	301,229
Others	204,216	173,793
Gross	2,993,077	2,811,616
Add: Interest receivable	11,016	10,561
Less: Provision for impairment losses	(97,919)	(89,256)
Net	2,906,174	2,732,921

Measured at fair value through other comprehensive income

Corporate customers		
Loans	134,333	93,401
Discounted bills	197,547	154,653
Subtotal	331,880	248,054
Carrying amount	3,238,054	2,980,975

As at 31 December 2022, discounted bills with a carrying amount of RMB211 million (31 December 2021: RMB2,841 million) were pledged for amounts due to the Central Bank.

As at 31 December 2022, the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income was RMB3,277 million (31 December 2021: RMB946 million), refer to Note 26.(6).

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYSED BY INDUSTRY

(in RMB million)	31 December 2022	31 December 2021
Loans and advances to customers		
Agriculture, husbandry and fishery	3,124	4,416
Mining	18,899	22,099
Manufacturing	183,192	157,027
Energy	33,091	26,037
Transportation and communication	51,441	49,031
Wholesaling and retailing	124,729	103,784
Real estate	283,484	288,923
Social service, technology, culture and sanitary industries	219,219	212,943
Construction	45,868	48,073
Individual customers	2,047,390	1,910,321
Others	314,520	237,016
Gross	3,324,957	3,059,670
Add: Interest receivable	11,016	10,561
Less: Provision for impairment losses	(97,919)	(89,256)
Carrying amount	3,238,054	2,980,975

(3) ANALYSED BY TYPE OF COLLATERAL HELD

(in RMB million)	31 December 2022	31 December 2021
Unsecured	1,283,638	1,258,615
Guaranteed	221,241	203,818
Secured by collateral		
Secured by mortgages	1,316,244	1,154,938
Secured by monetary assets	306,287	287,646
Subtotal	3,127,410	2,905,017
Discounted bills	197,547	154,653
Gross	3,324,957	3,059,670
Add: Interest receivable	11,016	10,561
Less: Provision for impairment losses	(97,919)	(89,256)
Carrying amount	3,238,054	2,980,975

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS

(in RMB million)	31 December 2022				Total
	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured	25,934	14,983	343	78	41,338
Guaranteed	91	87	595	262	1,035
Secured by collateral					
Secured by mortgages	12,318	5,639	827	-	18,784
Secured by monetary assets	623	708	607	3	1,941
	38,966	21,417	2,372	343	63,098

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26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS (CONTINUED)

(in RMB million)	31 December 2021				Total
	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured	22,410	11,123	1,224	438	35,195
Guaranteed	1,920	853	196	266	3,235
Secured by collateral					
Secured by mortgages	9,657	8,282	251	10	18,200
Secured by monetary assets	828	35	10	-	873
	34,815	20,293	1,681	714	57,503

Past due loans refer to the loans with either principal or interest being past due by one day or more.

(5) ANALYSED BY REGION

(in RMB million)	31 December 2022		31 December 2021	
	Amount	%	Amount	%
Eastern	708,410	21.31%	597,650	19.53%
Southern	649,810	19.54%	599,433	19.59%
Western	310,665	9.34%	280,397	9.16%
Northern	489,810	14.73%	451,643	14.76%
Head office	1,136,487	34.18%	1,115,419	36.46%
Overseas	29,775	0.90%	15,128	0.50%
Gross	3,324,957	100.00%	3,059,670	100.00%
Add: Interest receivable	11,016		10,561	
Less: Loan allowance	(97,919)		(89,256)	
Carrying amount	3,238,054		2,980,975	

(6) LOAN IMPAIRMENT PROVISION

(in RMB million)	2022	2021
Measured at amortized cost		
As at 1 January	89,256	62,821
Charge for the year	61,837	58,859
Write-off and transfer during the year	(65,136)	(48,084)
Recovery of loans written off previously	11,942	15,888
Unwinding of discount of impairment provisions recognized as interest income	(45)	(109)
Others	65	(119)
As at 31 December	97,919	89,256
Measured at fair value through other comprehensive income		
As at 1 January	946	398
Charge for the year	2,331	548
As at 31 December	3,277	946
As at 31 December	101,196	90,202

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	31 December 2022	31 December 2021
Bonds		
Government bonds	134,744	167,688
Finance bonds	290,675	171,644
Corporate bonds	80,129	80,011
Funds	504,195	351,183
Stocks	80,738	100,485
Preferred shares	32,832	32,958
Unlisted equity investments	133,295	125,363
Debt schemes	60,698	62,164
Wealth management investments	237,866	245,208
Other investments	76,244	89,973
Total	1,631,416	1,426,677
Listed	203,705	185,601
Unlisted	1,427,711	1,241,076
	1,631,416	1,426,677

28. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	31 December 2022	31 December 2021
Bonds		
Government bonds	2,184,921	1,804,351
Finance bonds	267,163	306,714
Corporate bonds	79,545	77,606
Debt schemes	129,431	136,654
Wealth management investments	239,896	327,717
Other investments	148,373	149,595
Gross	3,049,329	2,802,637
Less: Provisions for impairment losses	(44,827)	(33,642)
Net	3,004,502	2,768,995
Listed	326,107	326,326
Unlisted	2,678,395	2,442,669
	3,004,502	2,768,995

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29. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	31 December 2022	31 December 2021
Bonds		
Government bonds	200,977	188,185
Finance bonds	113,944	96,784
Corporate bonds	50,940	43,347
Margin accounts receivable	49,126	54,253
Wealth management investments	52,044	45,961
Total	467,031	428,530
Listed	89,849	37,830
Unlisted	377,182	390,700
	467,031	428,530

As at 31 December 2022, the total provision for impairment losses recognized in debt financial assets at fair value through other comprehensive income is RMB4,533 million (31 December 2021: RMB4,821 million).

30. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity financial assets at fair value through other comprehensive income comprise the following individual investments:

(in RMB million)	31 December 2022	31 December 2021
Stocks	174,047	189,541
Preferred shares	76,116	76,115
Other equity investments	4,940	2,559
Total	255,103	268,215
Listed	250,163	265,656
Unlisted	4,940	2,559
	255,103	268,215

For the equity investments which are not held for trading but for long-term investments, the Group has irrevocably elected to recognize them in this category at initial recognition.

In 2022, for the consideration of optimizing asset allocation and asset-liability management, the Group disposed of equity financial assets at fair value through other comprehensive income amounted to RMB27,224 million, and the net cumulative losses of RMB131 million on disposal was transferred from other comprehensive income to retained profits.

The dividends income of equity financial assets at fair value through other comprehensive income recognized during the year are disclosed in Note 10.

31. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in RMB million)	2022							
	As at 1 January	Additional investment	Increase/(Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of provision in current year	Cash dividends in current year	Proportion of ordinary shares held by the Group (%) ^(a)
Associates								
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	272	-	37	309	(37)	-	-	23.88%
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	158	-	(18)	140	(402)	-	-	48.76%
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	93	-	54	147	(23)	-	-	44.78%
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	873	-	159	1,032	-	-	-	29.85%
Beijing-Shanghai High-Speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	9,318	-	171	9,489	-	-	89	39.18%
Massive Idea Investments Limited	1,074	-	57	1,131	-	-	-	36.66%
Guangzhou Jinglun Property Development Co., Ltd.	701	-	(64)	637	-	-	64	39.92%
Xuhui Holdings Co., Ltd.	4,336	-	(4,336)	-	-	(777)	31	-
Lufax Holding Ltd. ("Lufax Holding")	51,564	-	1,281	52,845	-	-	3,250	41.44%
Ping An Healthcare and Technology Co., Ltd. ("Ping An Health")	18,922	-	(183)	18,739	-	-	-	39.41%
HealthKconnect Medical and Health Technology Management Company Limited ("Ping An HealthKconnect")	2,903	-	85	2,988	-	-	-	29.55%
OneConnect Financial Technology Co., Ltd. ("OneConnect")	2,259	52	(232)	2,079	-	-	-	32.12%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,570	-	(472)	1,098	-	-	102	38.81%
ZhongAn Online P&C Insurance Co., Ltd. ("ZhongAn Online")	1,735	-	(236)	1,499	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,830	-	(23)	1,807	-	-	-	39.18%
China Yangtze Power Co., Ltd.	15,684	-	198	15,882	-	-	807	4.34%
China Traditional Chinese Medicine Holdings Co., Ltd.	2,797	-	(7)	2,790	-	-	38	11.94%
China Fortune Land Development Co., Ltd. ("China Fortune")	3,621	-	(1,099)	2,522	(9,822)	-	-	25.02%
China Jinmao Holding Group Co., Ltd.	7,137	-	2	7,139	(1,558)	-	146	13.36%
Ping An Consumer Finance Co., Ltd. ("Ping An Consumer Finance")	1,330	-	56	1,386	-	-	-	30.00%
Vivid Synergy Limited	9,217	-	853	10,070	-	-	-	29.85%
Shanghai Yibin Property Co., Ltd.	13,345	-	(7)	13,338	-	-	-	41.80%
Guangzhou Futures Exchange Co., Ltd.	450	-	15	465	-	-	-	15.00%
Others	35,633	5,988	(3,574)	38,047	(1,156)	(151)	1,729	
Subtotal	186,822	6,040	(7,283)	185,579	(12,998)	(928)	6,256	
Joint ventures								
Yunnan Kunyu Highway Development Co., Ltd. ("Kunyu Highway")	762	-	(762)	-	-	-	-	-
Beijing Zhaotai Property Development Co., Ltd.	1,632	-	(13)	1,619	-	-	-	24.95%
Wuhan DAJT Property Development Co., Ltd.	482	-	(14)	468	-	-	-	49.81%
Founder Meiji Yasuda Life Insurance Co., Ltd.	-	2,795	-	2,795	-	-	-	33.75%
Others	94,363	5,674	(9,705)	90,332	-	-	3,924	
Subtotal	97,239	8,469	(10,494)	95,214	-	-	3,924	
Total	284,061	14,509	(17,777)	280,793	(12,998)	(928)	10,180	

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31. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The Group's investments in the principal associates and joint ventures as at 31 December 2021 are as follows:

(in RMB million)	2021							
	As at 1 January	Additional investment	Increase/ (Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of provision in current year	Cash dividends in current year	Proportion of ordinary shares held by the Group (%) ⁽ⁱ⁾
Associates								
Veolia Kunming	280	-	(8)	272	(34)	-	-	23.88%
Veolia Yellow River	179	-	(21)	158	(368)	-	-	48.76%
Veolia Liuzhou	143	-	(50)	93	(21)	-	5	44.78%
Shanxi Taichang	861	-	12	873	-	-	85	29.85%
Beijing-Shanghai Railway	10,842	-	(1,524)	9,318	-	-	57	39.19%
Massive Idea Investments Limited	1,082	-	(8)	1,074	-	-	-	36.65%
Guangzhou Jinglun Property Development Co., Ltd.	661	-	40	701	-	-	-	39.92%
Xuhui Holdings Co., Ltd.	4,237	-	99	4,336	-	-	253	7.91%
Lufax Holding	43,310	-	8,254	51,564	-	-	-	41.50%
Ping An Health	19,481	-	(559)	18,922	-	-	-	38.43%
Ping An HealthKconnect	3,033	-	(130)	2,903	-	-	-	29.55%
OneConnect	3,236	-	(977)	2,259	-	-	-	30.43%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,452	-	118	1,570	-	-	104	38.81%
ZhongAn Online	1,609	-	126	1,735	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,725	-	105	1,830	-	-	128	39.18%
China Yangtze Power Co., Ltd.	15,269	-	415	15,684	-	-	693	4.32%
China Traditional Chinese Medicine Holdings Co., Ltd.	2,583	-	214	2,797	-	-	33	11.94%
China Fortune	19,331	-	(15,710)	3,621	(9,822)	(9,822)	-	25.02%
China Jinmao Holding Group Co., Ltd.	7,880	-	(743)	7,137	(1,558)	(1,558)	384	14.02%
Ping An Consumer Finance	1,431	-	(101)	1,330	-	-	-	30.00%
Vivid Synergy Limited	9,488	-	(271)	9,217	-	-	-	29.85%
Shanghai Yibin Property Co., Ltd.	13,278	74	(7)	13,345	-	-	-	41.80%
Guangzhou Futures Exchange Co., Ltd.	-	450	-	450	-	-	-	15.00%
Others	44,118	6,923	(15,408)	35,633	(1,520)	(880)	1,788	
Subtotal	205,509	7,447	(26,134)	186,822	(13,323)	(12,260)	3,530	
Joint ventures								
Kunyu Highway	841	-	(79)	762	-	-	151	49.94%
Nanjing Mingwan Property Development Co., Ltd.	2,186	-	(2,186)	-	-	-	381	-
Beijing Zhaotai Property Development Co., Ltd.	1,694	-	(62)	1,632	-	-	26	24.95%
Wuhan DAJT Property Development Co., Ltd.	487	-	(5)	482	-	-	-	49.80%
Others	57,102	36,068	1,193	94,363	-	-	3,144	
Subtotal	62,310	36,068	(1,139)	97,239	-	-	3,702	
Total	267,819	43,515	(27,273)	284,061	(13,323)	(12,260)	7,232	

31. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The financial information summary of the Group's principal associates and joint ventures as at year end of 2022 are as follows:

(in RMB million)	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/(loss) in current year ⁽ⁱⁱ⁾
Associates								
Ping An Health	China	Cayman	Online health care	Yes	17,142	3,684	6,160	(608)
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	8,882	5,604	4,464	(872)
Lufax Holding	China	Cayman	Financial technology	Yes	349,263	254,476	58,116	8,699

The financial information summary of the Group's principal associates and joint ventures as at year end of 2021 are as follows:

(in RMB million)	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/(loss) in current year ⁽ⁱⁱ⁾
Associates								
Ping An Health	China	Cayman	Online health care	Yes	17,881	3,795	7,334	(1,538)
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	9,341	5,506	4,132	(1,282)
Lufax Holding	China	Cayman	Financial technology	Yes	360,433	265,874	61,835	16,804

The Group has no significant contingent liabilities relating to the associates and joint ventures listed above.

Note i: The proportion of ordinary shares, as shown in the above table, is the multiplication of the proportion of shares held in each holding layer.

Note ii: Net profit/(loss) refers to the net profit/(loss) attributable to shareholders of the parent company of Ping An Health, OneConnect and Lufax Holding respectively.

32. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	31 December 2022	31 December 2021
Ping An Life	6,760	6,760
Ping An Property & Casualty	4,200	4,200
Ping An Annuity	2,322	972
Ping An Health Insurance	940	420
Others	18	20
Subtotal	14,240	12,372
Less: Provision for impairment losses	(4)	(4)
Add: Interest receivable	208	238
Total	14,444	12,606

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the relevant regulations issued by the China Banking and Insurance Regulatory Commission (the "CBIRC") based on 20% of the registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively. Statutory deposits for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies, insurance sales agency companies and insurance brokerage companies.

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33. INVESTMENT PROPERTIES

(in RMB million)

	2022	2021
Cost		
As at 1 January	102,166	53,739
Acquisition of subsidiaries	25,799	47,614
Additions	3,536	2,755
Transfer from/(to) property and equipment, net	4,740	(1,511)
Disposals of subsidiaries	-	(9)
Disposals	(150)	(422)
As at 31 December	136,091	102,166
Accumulated depreciation		
As at 1 January	16,121	10,350
Acquisition of subsidiaries	507	4,266
Charge for the year	3,645	1,620
Transfer from/(to) property and equipment, net	1,058	(110)
Disposals	(4)	(5)
As at 31 December	21,327	16,121
Impairment losses		
As at 1 January	4	4
Disposals	(3)	-
As at 31 December	1	4
Net carrying amount		
As at 31 December	114,763	86,041
As at 1 January	86,041	43,385
Fair value		
As at 31 December	154,690	121,526
As at 1 January	121,526	79,678

The fair value of the investment properties as at 31 December 2022 were estimated by the Group, based on valuation performed by independent valuers. It falls under level 3 in the fair value hierarchy.

The rental income arising from investment properties for the year 2022 amounted to RMB6,178 million (2021: RMB4,620 million), which is included in net investment income.

As at 31 December 2022, investment properties with a carrying amount of RMB19,411 million (31 December 2021: RMB23,229 million) were pledged as collateral for long-term borrowings with a carrying amount of RMB7,270 million (31 December 2021: RMB10,729 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB3,465 million as at 31 December 2022 (31 December 2021: RMB991 million).

34. PROPERTY AND EQUIPMENT

	2022					
(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January	12,485	43,510	24,202	2,657	3,169	86,023
Acquisitions of subsidiaries	167	8,823	1,780	33	83	10,886
Additions	198	469	1,945	3	1,343	3,958
Transfer from/(to) construction in progress	655	450	120	1	(1,226)	-
Transfer to investment properties, net	-	(4,100)	-	-	(640)	(4,740)
Disposals of subsidiaries	-	-	(1)	-	-	(1)
Disposals	(535)	(199)	(1,502)	(458)	(11)	(2,705)
As at 31 December	12,970	48,953	26,544	2,236	2,718	93,421
Accumulated depreciation						
As at 1 January	8,550	12,150	13,832	1,549	-	36,081
Acquisitions of subsidiaries	-	-	1	-	-	1
Charge for the year	1,954	1,573	3,859	122	-	7,508
Transfer to investment properties, net	-	(1,058)	-	-	-	(1,058)
Disposals	(1,250)	(66)	(1,324)	(326)	-	(2,966)
As at 31 December	9,254	12,599	16,368	1,345	-	39,566
Impairment losses						
As at 1 January	-	81	66	37	-	184
Additions	-	2	6	6	-	14
As at 31 December	-	83	72	43	-	198
Net carrying amount						
As at 31 December	3,716	36,271	10,104	848	2,718	53,657
As at 1 January	3,935	31,279	10,304	1,071	3,169	49,758

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34. PROPERTY AND EQUIPMENT (CONTINUED)

(in RMB million)	2021					
	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January	11,653	37,726	23,256	1,811	3,118	77,564
Acquisitions of subsidiaries	-	3,299	2	557	34	3,892
Additions	443	558	3,326	510	2,184	7,021
Transfer from/(to) construction in progress	674	1,343	131	-	(2,148)	-
Transfer from investment properties, net	-	1,511	-	-	-	1,511
Disposals of subsidiaries	-	-	(4)	-	-	(4)
Disposals	(285)	(927)	(2,509)	(221)	(19)	(3,961)
As at 31 December	12,485	43,510	24,202	2,657	3,169	86,023
Accumulated depreciation						
As at 1 January	7,216	10,812	11,953	1,179	-	31,160
Acquisitions of subsidiaries	-	561	2	337	-	900
Charge for the year	1,369	1,462	3,709	178	-	6,718
Transfer from investment properties, net	-	110	-	-	-	110
Disposals of subsidiaries	-	-	(3)	-	-	(3)
Disposals	(35)	(795)	(1,829)	(145)	-	(2,804)
As at 31 December	8,550	12,150	13,832	1,549	-	36,081
Impairment losses						
As at 1 January	-	83	-	35	-	118
Additions	-	-	66	4	-	70
Disposals	-	(2)	-	(2)	-	(4)
As at 31 December	-	81	66	37	-	184
Net carrying amount						
As at 31 December	3,935	31,279	10,304	1,071	3,169	49,758
As at 1 January	4,437	26,831	11,303	597	3,118	46,286

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB22 million as at 31 December 2022 (31 December 2021: RMB21 million).

35. INTANGIBLE ASSETS

(in RMB million)	2022						Total
	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	
Cost							
As at 1 January	23,233	5,129	26,268	15,082	9,987	13,571	93,270
Acquisitions of subsidiaries	-	-	8,857	-	-	1,045	9,902
Additions	21,105	-	2,358	-	69	1,786	25,318
Disposals	-	-	(353)	-	-	(437)	(790)
As at 31 December	44,338	5,129	37,130	15,082	10,056	15,965	127,700
Accumulated amortization							
As at 1 January	-	3,146	2,885	7,886	783	10,039	24,739
Acquisitions of subsidiaries	-	-	134	-	-	-	134
Charge for the year	-	189	761	754	110	1,357	3,171
Disposals	-	-	(36)	-	-	(9)	(45)
As at 31 December	-	3,335	3,744	8,640	893	11,387	27,999
Impairment losses							
As at 1 January	58	-	-	-	-	11	69
Additions	220	-	-	-	-	1	221
As at 31 December	278	-	-	-	-	12	290
Net carrying amount							
As at 31 December	44,060	1,794	33,386	6,442	9,163	4,566	99,411
As at 1 January	23,175	1,983	23,383	7,196	9,204	3,521	68,462

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35. INTANGIBLE ASSETS (CONTINUED)

(in RMB million)	2021						Total
	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	
Cost							
As at 1 January	23,058	5,129	19,336	15,082	10,008	12,700	85,313
Acquisitions of subsidiaries	-	-	4,501	-	-	-	4,501
Additions	267	-	3,200	-	-	1,187	4,654
Disposals	(92)	-	(769)	-	(21)	(316)	(1,198)
As at 31 December	23,233	5,129	26,268	15,082	9,987	13,571	93,270
Accumulated amortization							
As at 1 January	-	2,962	1,628	7,132	680	8,594	20,996
Acquisitions of subsidiaries	-	-	913	-	-	-	913
Charge for the year	-	184	514	754	103	1,469	3,024
Disposals	-	-	(170)	-	-	(24)	(194)
As at 31 December	-	3,146	2,885	7,886	783	10,039	24,739
Impairment losses							
As at 1 January	27	-	-	-	-	-	27
Additions	31	-	-	-	-	11	42
As at 31 December	58	-	-	-	-	11	69
Net carrying amount							
As at 31 December	23,175	1,983	23,383	7,196	9,204	3,521	68,462
As at 1 January	23,031	2,167	17,708	7,950	9,328	4,106	64,290

As at 31 December 2022, expressway operating rights with a carrying amount of RMB1,604 million (31 December 2021: RMB1,715 million) were pledged as collateral for long-term borrowings amounting to RMB260 million (31 December 2021: RMB368 million).

As at 31 December 2022, prepaid land premiums with a carrying amount of RMB1,485 million (31 December 2021: RMB1,547 million) were pledged as collateral for long-term borrowings amounting to RMB579 million (31 December 2021: RMB896 million).

The Group was still in the process of applying for its prepaid land premiums with a carrying amount of RMB1,936 million as at 31 December 2022 (31 December 2021: RMB1,992 million).

35. INTANGIBLE ASSETS (CONTINUED)

(I) GOODWILL

(in RMB million)	2022			
	As at 1 January	Increase	Decrease	As at 31 December
Ping An Bank	8,761	-	-	8,761
Shanghai Jahwa	2,502	-	-	2,502
Mayborn Group Limited	1,749	17	-	1,766
Ping An Securities	328	-	-	328
Ping An Commercial Property Investment	66	-	-	66
Beijing Shuangronghui Investment Co., Ltd.	134	-	-	134
Shanghai Gezhoubu Yangming Property Co., Ltd.	241	-	-	241
Ping An E-wallet	1,073	-	-	1,073
Autohome Inc.	5,265	-	-	5,265
TTP Car Inc.	2,438	-	-	2,438
New Founder Group	-	20,977	-	20,977
Other	676	111	-	787
Total	23,233	21,105	-	44,338
Less: Impairment losses	(58)	(220)	-	(278)
Net carrying amount	23,175	20,885	-	44,060

(in RMB million)	2021			
	As at 1 January	Increase	Decrease	As at 31 December
Ping An Bank	8,761	-	-	8,761
Shanghai Jahwa	2,502	-	-	2,502
Mayborn Group Limited	1,838	-	(89)	1,749
Ping An Securities	328	-	-	328
Ping An Commercial Property Investment	66	-	-	66
Beijing Shuangronghui Investment Co., Ltd.	134	-	-	134
Shanghai Gezhoubu Yangming Property Co., Ltd.	241	-	-	241
Ping An E-wallet	1,073	-	-	1,073
Autohome Inc.	5,265	-	-	5,265
TTP Car Inc.	2,171	267	-	2,438
Other	679	-	(3)	676
Total	23,058	267	(92)	23,233
Less: Impairment losses	(27)	(31)	-	(58)
Net carrying amount	23,031	236	(92)	23,175

When assessing the impairment of goodwill, the main valuation technique used to determine the recoverable amount of the groups of assets (or groups of cash-generating units) are Fair Value Less Cost to Sell and Present Value of Future Cash Flows.

Fair value is based on the fair value of stocks issued in the public market or applicable valuation techniques. The present value of future cash flows is based on business plans approved by management covering a three- to six-year period and a risk adjusted discount rate. Cash flows beyond that period have been extrapolated using a steady growth rate and terminal value. Discount rates used by the Group range from 10% to 17% (2021: from 10% to 17%) and growth rates, where applicable, range from 2% to 35% (2021: from 2% to 31%) for 2022.

The Group's right-of-use assets include the above prepaid land premiums and right-of-use assets disclosed in Note 36.

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36. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

RIGHT-OF-USE ASSETS

(in RMB million)	2022		
	Buildings	Others	Total
Cost			
As at 1 January	24,752	4	24,756
Additions	6,428	6	6,434
Disposals	(11,459)	(1)	(11,460)
As at 31 December	19,721	9	19,730
Accumulated depreciation			
As at 1 January	10,568	3	10,571
Charge for the year	5,980	2	5,982
Disposals	(9,402)	(1)	(9,403)
As at 31 December	7,146	4	7,150
Impairment provision			
As at 1 January	-	-	-
As at 31 December	-	-	-
Net carrying amount			
As at 31 December	12,575	5	12,580
As at 1 January	14,184	1	14,185

(in RMB million)	2021		
	Buildings	Others	Total
Cost			
As at 1 January	25,814	26	25,840
Additions	5,725	2	5,727
Disposals	(6,787)	(24)	(6,811)
As at 31 December	24,752	4	24,756
Accumulated depreciation			
As at 1 January	9,643	25	9,668
Charge for the year	6,518	2	6,520
Disposals	(5,593)	(24)	(5,617)
As at 31 December	10,568	3	10,571
Impairment provision			
As at 1 January	-	-	-
As at 31 December	-	-	-
Net carrying amount			
As at 31 December	14,184	1	14,185
As at 1 January	16,171	1	16,172

36. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

RIGHT-OF-USE ASSETS (CONTINUED)

The Group's right-of-use assets include the above assets and prepaid land premiums disclosed in Note 35.

The amount recognized in the Consolidated Income Statement and the Consolidated Statement of Cash Flows for the year relating to the lease contracts are as follows:

(in RMB million)	2022	2021
Interest expense on lease liabilities	555	602
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	584	760
Total cash outflows for lease	7,044	8,265

37. OTHER ASSETS

(in RMB million)	31 December 2022	31 December 2021
Other receivables	91,835	74,645
Due from reinsurers	12,311	16,300
Foreclosed assets	2,070	2,345
Prepayments	3,964	4,114
Precious metals held for trading	16,834	18,071
Dividends receivable	1,060	469
Amounts in the processing clearance and settlement	29,680	30,107
Others	20,501	16,310
Gross	178,255	162,361
Less: Impairment provisions	(10,229)	(8,244)
Including:		
Other receivables	(6,829)	(4,531)
Due from reinsurers	(33)	(24)
Foreclosed assets	(1,699)	(1,895)
Precious metals held for trading	(279)	(251)
Others	(1,389)	(1,543)
Net	168,026	154,117

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38. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	31 December 2022	31 December 2021
Cash and amounts due from banks and other financial institutions	2,987	6,284
Financial assets at fair value through profit or loss		
Bonds	257	759
Funds	12,777	20,322
Stocks	3,257	4,211
Other investments	108	183
Financial assets purchased under reverse repurchase agreements	59	49
Other assets	22	39
	19,467	31,847

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	31 December 2022	31 December 2021
Cash and amounts due from banks and other financial institutions	1,104	870
Financial assets at fair value through profit or loss		
Bonds	1,275	1,167
Funds	978	1,343
Other investments	118	647
Financial assets purchased under reverse repurchase agreements	140	105
Other assets	11	23
	3,626	4,155

39. SHARE CAPITAL

(million shares)	Domestic listed A shares, par value RMB1.00 per share	Overseas listed H shares, par value RMB1.00 per share	Total
31 December 2021	10,832	7,448	18,280
31 December 2022	10,832	7,448	18,280

40. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, the companies operating in insurance should make appropriations for general reserves based on 10% of net profit, the company operating in banking should make appropriations based on 1.5% of risk assets, the company operating in securities should make appropriations based on 10% of net profit, the companies operating in trust should make appropriations based on 5% of trust claim reserves, the companies operating in futures should make appropriations based on 10% of net profit, and the companies operating in fund should make appropriations based on 10% of fund management fees as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for dividend distribution or transfer to share capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

41. KEY EMPLOYEE SHARE PURCHASE PLAN

The Company has adopted a Key Employee Share Purchase Plan for the key employees (including executive directors and senior management) of the Company and its subsidiaries. Shares shall be vested and awarded to the key employees approved for participation in the plan, subject to the achievement of certain performance targets.

Movement of reserves relating to the Key Employee Share Purchase Plan is as follows:

(in RMB million)	Cost of shares held for Key Employee Share Purchase Plan	Value of employee services	Total
As at 1 January 2022	(1,439)	984	(455)
Purchased (i)	(596)	-	(596)
Share-based compensation expenses (ii)	-	573	573
Exercised	790	(790)	-
Expired	108	-	108
As at 31 December 2022	(1,137)	767	(370)

(in RMB million)	Cost of shares held for Key Employee Share Purchase Plan	Value of employee services	Total
As at 1 January 2021	(1,595)	1,310	(285)
Purchased (i)	(670)	-	(670)
Share-based compensation expenses (ii)	-	378	378
Exercised	704	(704)	-
Expired	122	-	122
As at 31 December 2021	(1,439)	984	(455)

(i) During the period from 18 March 2022 to 25 March 2022, 12,518,547 ordinary A shares were purchased from the market. The average price of shares purchased was RMB47.56 per share. The total purchasing cost was RMB596 million (transaction expenses included).

During the period from 26 April 2021 to 29 April 2021, 9,162,837 ordinary A shares were purchased from the market. The average price of shares purchased was RMB73.13 per share. The total purchasing cost was RMB670 million (transaction expenses included).

(ii) The share-based compensation expenses of the Key Employee Share Purchase Plan and the total value of employee services were RMB573 million during 2022 (2021: RMB378 million).

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41. KEY EMPLOYEE SHARE PURCHASE PLAN (CONTINUED)

(iii) Movement of shares relating to the Key Employee Share Purchase Plan is as follows (refer to Note 58. (3) for details about directors):

Period of purchase	Average price of shares purchased	Type	Unvested as at 1 January 2022	Addition during the year ^[1]	Vested during the year ^[2]	Unvested as at 31 December 2022
From 25 March 2019 to 27 March 2019	RMB72.79 per share	Directors	404,413	-	404,413	-
		The five highest paid individuals	-	-	-	-
		Other employees	1,717,131	-	1,585,467	-
From 24 February 2020 to 27 February 2020	RMB80.17 per share	Directors	788,544	-	394,269	394,275
		The five highest paid individuals	-	-	-	-
		Other employees	3,551,755	-	1,545,831	1,546,892
From 26 April 2021 to 29 April 2021	RMB73.13 per share	Directors	1,617,652	-	539,215	1,078,437
		The five highest paid individuals	-	-	-	-
		Other employees	6,922,016	-	2,024,874	4,051,091
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Directors	-	2,685,633	-	2,685,633
		The five highest paid individuals	-	-	-	-
		Other employees	-	9,832,121	-	9,832,121

[1] The closing price of the domestic listed A shares on the trading day before the period of purchase was RMB45.50 per share. The lock-up period of the relevant shares is from 28 March 2022 to 27 March 2023. One third of the shares under the Key Employee Share Purchase Plan will be unlocked each year and vested in batches to employees after the lock-up period according to rules of the Key Employee Share Purchase Plan, if employees achieve the requirements of the Company's performance indicators (including compliant operation indicators, risk management indicators, economic efficiency indicators, and social responsibility indicators).

[2] The weighted average price of the domestic listed A shares on the trading day before the grant date was RMB44.06 per share.

[3] From 1 January 2022 to 31 December 2022, the number of shares lapsed under the Key Employee Share Purchase Plan (excluding directors and the five highest paid individuals) reached 1,436,747; there was no share cancellation under the Key Employee Share Purchase Plan.

[4] The relevant shares are locked for one year from the purchasing date; one third of the shares will be unlocked each year and vested in batches to employees after the lock-up period according to rules of the Key Employee Share Purchase Plan.

42. LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Shares shall be vested and awarded to the employees participated in the Long-term Service Plan, subject to the confirmation of their applications made when they retire from the Company.

Movement of reserves relating to the Long-term Service Plan is as follows:

(in RMB million)	Cost of shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January 2022	(12,465)	662	(11,803)
Purchased (i)	(4,439)	-	(4,439)
Share-based compensation expenses (ii)	-	326	326
Exercised	18	(18)	-
As at 31 December 2022	(16,886)	970	(15,916)

(in RMB million)	Cost of shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January 2021	(8,284)	371	(7,913)
Purchased (i)	(4,184)	-	(4,184)
Share-based compensation expenses (ii)	-	294	294
Exercised	3	(3)	-
As at 31 December 2021	(12,465)	662	(11,803)

(i) From 18 March 2022 to 25 March 2022, 93,314,482 ordinary A shares were purchased from the market. The average price of shares purchased was RMB47.56 per share. The total purchasing cost was RMB4,439 million (transaction expenses included).

From 26 April 2021 to 29 April 2021, 57,368,981 ordinary A shares were purchased from the market. The average price of shares purchased was RMB72.92 per share. The total purchasing cost was RMB4,184 million (transaction expenses included).

(ii) The share-based compensation expenses and the total value of employee services of the Long-term Service Plan were RMB326 million during 2022 (2021: RMB294 million).

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42. LONG-TERM SERVICE PLAN (CONTINUED)

(iii) Movement of shares relating to the Long-term Service Plan is as follows (refer to Note 58. (3) for details about directors):

Period of purchase	Average price of shares purchased	Type	Unvested as at 1 January 2022	Addition during the year ^[1]	Vested during the year ^[2]	Unvested as at 31 December 2022
From 7 May 2019 to 14 May 2019	RMB79.10 per share	Directors	884,666	-	-	884,666
		The five highest paid individuals	63,190	-	-	63,190
		Other employees	53,309,345	-	133,634	53,169,611
From 24 February 2020 to 28 February 2020	RMB80.15 per share	Directors	873,264	-	-	873,264
		The five highest paid individuals	62,374	-	-	62,374
		Other employees	48,815,358	-	84,817	48,730,541
From 26 April 2021 to 29 April 2021	RMB72.92 per share	Directors	959,784	-	-	959,784
		The five highest paid individuals	41,955	-	-	41,955
		Other employees	56,366,530	-	2,007	56,364,523
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Directors	-	1,471,562	-	1,471,562
		The five highest paid individuals	-	34,686	-	34,686
		Other employees	-	91,808,234	806	91,807,428

[1] The closing price of the domestic listed A shares on the trading day before the period of purchase was RMB45.50 per share. Shares shall be vested and awarded to the employees when they retire from the Company, and the number of shares eligible for vesting is determined according to their performance.

[2] The weighted average price of the domestic listed A shares on the trading day before the grant date was RMB43.31 per share.

[3] From 1 January 2022 to 31 December 2022, the number of shares lapsed under the Long-term Service Plan (excluding directors and the five highest paid individuals) reached 6,100; there was no share cancellation under the Long-term Service Plan.

[4] Shares shall be vested and awarded to the employees participating in the Long-term Service Plan, subject to the confirmation of their applications made and the payment of relevant taxes when they retire from the Company.

43. TREASURY SHARES

(in RMB million)	31 December 2021	Additions	Disposals	31 December 2022
Treasury shares	9,895	1,101	-	10,996

As at 31 December 2022, 172,599,415 A shares had been purchased from the Shanghai Stock Exchange by centralized bidding. The total repurchasing cost was RMB10,996 million (transaction expenses included).

44. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2022	31 December 2021
Deposits from other banks and financial institutions	453,577	361,700
Due to the Central Bank	191,916	148,162
Short-term borrowings	121,945	116,102
Long-term borrowings	151,539	171,682
	918,977	797,646

45. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2022	31 December 2021
Bonds	262,798	127,477
Others	8,939	-
	271,737	127,477

As at 31 December 2022, bonds with a carrying amount of RMB168,705 million (31 December 2021: RMB95,158 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collaterals are restricted from trading during the period of the repurchase transactions.

As at 31 December 2022, the carrying amount of bonds deposited in the collateral pool was RMB321,696 million (31 December 2021: RMB284,423 million). The collaterals are restricted from trading during the period of the repurchase transactions. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds and/or bonds transferred under new pledged repurchase transactions with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transactions into a collateral pool.

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46. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2022	31 December 2021
Current and savings accounts		
Corporate customers	842,380	828,389
Individual customers	297,141	242,554
Term deposits		
Corporate customers	1,415,106	1,319,315
Individual customers	751,544	538,863
Subtotal	3,306,171	2,929,121
Payables to brokerage customers		
Individual customers	96,810	54,285
Corporate customers	29,018	18,643
Subtotal	125,828	72,928
Total	3,431,999	3,002,049

As at 31 December 2022, bonds classified as financial assets carried at amortized costs with a carrying amount of RMB22,945 million (31 December 2021: RMB20,245 million) were pledged as main collaterals for term deposit with the Central Bank.

47. BONDS PAYABLE

The information of the Group's main bonds payable is as follows:

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2022	31 December 2021
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	2,474	2019	Fixed	3.00%-3.45%	2,518	3,659
Ping An Financial Leasing	Corporate bonds	None	4 years	End of the second year	1,018	2020	Fixed	3.10%-3.85%	731	2,541
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	2,750	2020	Fixed	3.88%-4.02%	2,799	2,795
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	2,710	2018	Fixed	4.20%-4.30%	2,758	2,755
Ping An Financial Leasing	Private corporate bonds	None	3 years	End of the second year	600	2019	Fixed	3.95%	-	610
Ping An Financial Leasing	Private corporate bonds	None	4 years	End of the second year	2,700	2019	Fixed	4.10%-4.18%	2,748	2,745
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	629	2019	Fixed	3.70%	640	2,541
Ping An Financial Leasing	Corporate bonds	None	2-4 years	End of the second year	3,100	2021	Fixed	3.60%-4.05%	3,155	3,151
Ping An Financial Leasing	Corporate bonds	None	3-5 years	End of the third year	1,700	2021	Fixed	3.89%-4.08%	1,730	1,728
Ping An Financial Leasing	Corporate bonds	None	3-4 years	End of the second year	8,800	2022	Fixed	3.09%-3.65%	8,957	-
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	1,500	2022	Fixed	3.33%-3.80%	1,527	-
Ping An Financial Leasing	Corporate bonds	None	2 years	End of the first year	3,200	2022	Fixed	2.60%-3.60%	3,257	-
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	30,000	2019	Fixed	4.55%	30,908	30,910
Ping An Bank	Financial bonds	None	3 years	None	30,000	2020	Fixed	2.30%	30,414	30,416
Ping An Bank	Financial bonds	None	3 years	None	20,000	2021	Fixed	3.45%	20,629	20,631
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	30,000	2021	Fixed	3.69%	30,151	30,149
Ping An Bank	Financial bonds	None	3 years	None	20,000	2022	Fixed	2.45%	20,099	-
Ping An Bank	Financial bonds	None	3 years	None	5,000	2022	Fixed	2.45%	5,020	-
Ping An Bank	Financial bonds	None	3 years	None	5,000	2022	Fixed	2.45%	5,020	-
Ping An Bank	Financial bonds	None	3 years	None	20,000	2022	Fixed	2.45%	20,070	-
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	20,000	2020	Fixed	First 5 years: 3.58% Next 5 years: 4.58% (if not redeemed)	20,767	20,665
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	3,500	2017	Fixed	First 5 years: 5.10% Next 5 years: 6.10% (if not redeemed)	-	3,562
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2019	Fixed	First 5 years: 4.64% Next 5 years: 5.64% (if not redeemed)	10,487	10,434
Ping An Securities	Corporate bonds	None	5 years	End of the third year	100	2018	Fixed	3.00%	100	100
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,000	2019	Fixed	3.70%	-	2,062

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47. BONDS PAYABLE (CONTINUED)

The information of the Group's main bonds payable is as follows: (continued)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2022	31 December 2021
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,700	2019	Fixed	3.75%	-	2,774
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,300	2019	Fixed	3.73%	-	2,350
Ping An Securities	Private corporate bonds	None	3 years	None	3,500	2019	Fixed	4.05%	-	3,612
Ping An Securities	Private corporate bonds	None	3 years	None	2,000	2019	Fixed	4.20%	-	2,058
Ping An Securities	Corporate bonds	None	5 years	End of the third year	1,500	2020	Fixed	3.40%	1,548	1,547
Ping An Securities	Private corporate bonds	None	3 years	None	3,000	2020	Fixed	3.19%	3,077	3,077
Ping An Securities	Corporate bonds	None	3 years	None	4,000	2020	Fixed	3.58%	4,062	4,061
Ping An Securities	Corporate bonds	None	3 years	None	2,550	2020	Fixed	3.70%	2,566	2,565
Ping An Securities	Corporate bonds	None	547 days	None	2,450	2020	Fixed	3.44%	-	2,536
Ping An Securities	Private corporate bonds	None	18 months	None	1,500	2021	Fixed	3.70%	-	1,547
Ping An Securities	Private corporate bonds	None	18 months	None	1,500	2021	Fixed	3.50%	-	1,541
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2021	Fixed	3.40%	3,059	3,059
Ping An Securities	Corporate bonds	None	549 days	None	2,000	2021	Fixed	3.05%	-	2,035
Ping An Securities	Corporate bonds	None	3 years	None	2,400	2021	Fixed	3.48%	2,445	2,444
Ping An Securities	Corporate bonds	None	3 years	None	1,200	2021	Fixed	3.50%	1,221	1,221
Ping An Securities	Corporate bonds	None	2 years	None	2,000	2021	Fixed	3.35%	2,034	2,034
Ping An Securities	Corporate bonds	None	3 years	None	1,800	2021	Fixed	3.25%	1,825	1,825
Ping An Securities	Corporate bonds	None	1 year	None	2,000	2021	Fixed	2.77%	-	2,024
Ping An Securities	Corporate bonds	None	1 year	None	2,000	2021	Fixed	2.67%	-	2,018
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2021	Fixed	3.05%	3,034	3,033
Ping An Securities	Corporate bonds	None	5 years	None	2,000	2021	Fixed	3.47%	2,024	2,024
Ping An Securities	Corporate bonds	None	3 years	None	2,600	2021	Fixed	3.37%	2,616	2,615
Ping An Securities	Corporate bonds	None	1 year	None	2,000	2021	Fixed	2.75%	-	2,015
Ping An Securities	Private corporate bonds	None	2 years	None	2,000	2021	Fixed	3.25%	2,009	2,009
Ping An Securities	Private corporate bonds	None	2 years	None	1,500	2021	Fixed	3.20%	1,501	1,500
Ping An Securities	Private corporate bonds	None	2 years	None	1,500	2022	Fixed	3.07%	1,544	-
Ping An Securities	Corporate bonds	None	3 years	None	2,300	2022	Fixed	3.00%	2,348	-
Ping An Securities	Corporate bonds	None	5 years	None	500	2022	Fixed	3.42%	512	-
Ping An Securities	Subordinated corporate bonds	None	3 years	None	1,900	2022	Fixed	3.10%	1,936	-
Ping An Securities	Subordinated corporate bonds	None	5 years	None	1,100	2022	Fixed	3.56%	1,124	-

47. BONDS PAYABLE (CONTINUED)

The information of the Group's main bonds payable is as follows: (continued)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2022	31 December 2021
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2022	Fixed	2.80%	3,034	-
Ping An Securities	Corporate bonds	None	9 months	None	2,000	2022	Fixed	1.95%	2,015	-
Ping An Securities	Corporate bonds	None	3 years	None	500	2022	Fixed	2.75%	505	-
Ping An Securities	Corporate bonds	None	5 years	None	1,000	2022	Fixed	3.22%	1,011	-
Ping An Securities	Corporate bonds	None	3 years	None	2,500	2022	Fixed	2.65%	2,518	-
Ping An Securities	Corporate bonds	None	6 months	None	500	2022	Fixed	2.80%	501	-
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	21	2019	Fixed	3.70%	-	720
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	750	2019	Fixed	4.40%	765	764
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	940	2019	Fixed	4.30%	957	955
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	244	2016	Fixed	3.28%	245	265
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	120	2019	Fixed	3.85%	121	3,017
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	3.40%	2,046	2,045
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	3,000	2020	Fixed	3.80%	3,063	3,062
Ping An Financial Technology	Private corporate bonds	None	3 years	End of the second year	950	2020	Fixed	3.60%	956	2,014
Dingshunting Investment	Private corporate bonds	None	2 years	Yes	272	2020	Fixed	6.74%	-	278
Dingshunting Investment	Private corporate bonds	None	2 years	Yes	240	2020	Fixed	6.74%	-	245
Evergreen Investment Development	Private corporate bonds	Yes	2 years	Yes	3,000	2020	Fixed	4.30%	-	3,029
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	3 years	Yes	273	2019	Fixed	6.74%	-	280
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	2 years	Yes	289	2020	Fixed	6.69%	-	302
Lianxin Investment	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	5.40%	2,003	2,004
Lianxin Investment	Private corporate bonds	None	3 years	End of the second year	1,000	2021	Fixed	4.50%	1,031	1,031
Founder Securities	Corporate bonds	None	2 years	None	1,000	2022	Fixed	3.49%	1,025	-
Founder Securities	Corporate bonds	None	366 days	None	800	2022	Fixed	3.18%	817	-
Founder Securities	Corporate bonds	None	2 years	None	700	2022	Fixed	3.40%	716	-
Founder Securities	Corporate bonds	None	2 years	None	600	2022	Fixed	3.18%	611	-
Founder Securities	Corporate bonds	None	3 years	None	1,000	2022	Fixed	2.95%	1,007	-
Founder Securities	Corporate bonds	None	2 years	None	700	2022	Fixed	2.75%	702	-
Founder Securities	Corporate bonds	None	3 years	None	1,300	2022	Fixed	2.94%	1,304	-
Founder Securities	Corporate bonds	None	2 years	None	400	2022	Fixed	4.30%	400	-

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47. BONDS PAYABLE (CONTINUED)

The information of the Group's main bonds payable is as follows: (continued)

As at 31 December 2022, the original terms of interbank certificates of deposit issued by Ping An Bank, but unmatured were from 1 month to 1 year, and the annual interest rates were from 1.65% to 3.01% (31 December 2021: the original terms were from 3 months to 1 year, and the annual interest rates were from 0.27% to 3.18%). The carrying amount was RMB529,764 million (31 December 2021: RMB711,828 million).

As at 31 December 2022, the original terms of short-term financial bonds issued by Ping An Securities, but unmatured were from 92 days to 365 days, and the annual interest rates were from 1.84% to 2.66% (31 December 2021: the original terms were from 92 days to 365 days, and the annual interest rates were from 2.70% to 2.79%). The carrying amount was RMB11,109 million (31 December 2021: RMB6,929 million).

As at 31 December 2022, the original terms of short-term financial bonds issued by Ping An Financial Leasing, but unmatured were from 63 days to 365 days, and the annual interest rates were from 2.64% to 4.10% (31 December 2021: the original terms were from 150 days to 365 days, and the annual interest rates were from 2.78% to 4.00%). The carrying amount was RMB3,970 million (31 December 2021: RMB12,097 million).

As at 31 December 2022, the original term of short-term financial bonds issued by Ping An Real Estate, but unmatured was 210 days, and the annual interest rate was 3.38% (31 December 2021: the original terms were from 268 days to 270 days, and the annual interest rates were from 3.08% to 3.20%). The carrying amount was RMB1,520 million (31 December 2021: RMB2,532 million).

As at 31 December 2022, the original terms of short-term financial bonds issued by Founder Securities, but unmatured were from 175 days to 365 days, and the annual interest rates were from 3.05% to 4.20%. The carrying amount was RMB8,999 million.

As at 31 December 2022, the original term of income certificates issued by Ping An Securities, but unmatured was 14 days, and the annual interest rates were from 4.48% to 5.11% (31 December 2021: the original terms were from 14 days to 240 days, and the annual interest rates were from 3.65% to 5.20%). The carrying amount was RMB81 million (31 December 2021: RMB2,201 million).

As at 31 December 2022, the original terms of income certificates issued by Founder Securities, but unmatured were from 366 days to 733 days, and the annual interest rates were from 3.20% to 4.45%. The carrying amount was RMB5,569 million.

48. INSURANCE CONTRACT LIABILITIES

(in RMB million)

	31 December 2022	31 December 2021
Long-term life insurance policyholders' reserves	2,430,854	2,183,788
Policyholder contract deposits	805,293	756,373
Policyholder account liabilities in respect of insurance contracts	19,467	31,847
Unearned premium reserves	173,742	170,420
Claim reserves	138,393	118,926
Total	3,567,749	3,261,354

48. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(in RMB million)	31 December 2022		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	3,255,614	(2,636)	3,252,978
Short-term life insurance contracts	21,586	(246)	21,340
Property and casualty insurance contracts	290,549	(22,087)	268,462
	3,567,749	(24,969)	3,542,780

(in RMB million)	31 December 2021		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	2,972,008	(2,291)	2,969,717
Short-term life insurance contracts	21,401	(4,725)	16,676
Property and casualty insurance contracts	267,945	(19,836)	248,109
	3,261,354	(26,852)	3,234,502

(in RMB million)	31 December 2022	31 December 2021
Current portion*		
Long-term life	(35,543)	(67,907)
Short-term life	20,335	19,851
Property and casualty	178,293	166,017
Non-current portion		
Long-term life	3,291,157	3,039,915
Short-term life	1,251	1,550
Property and casualty	112,256	101,928
Total	3,567,749	3,261,354

* Estimated net cash flows within 12 months from the end of the reporting period.

(1) LONG-TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2022	31 December 2021
Long-term life insurance policyholders' reserves	2,430,854	2,183,788
Policyholder contract deposits	805,293	756,373
Policyholder account liabilities in respect of insurance contracts	19,467	31,847
	3,255,614	2,972,008

The long-term life insurance policyholders' reserves are analysed as follows:

(in RMB million)	2022	2021
As at 1 January	2,183,788	1,931,023
Increase during the year	414,471	403,536
Decrease during the year		
Claims and benefits paid	(106,363)	(96,804)
Surrender	(62,106)	(54,823)
Others	1,064	856
As at 31 December	2,430,854	2,183,788

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48. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG-TERM LIFE INSURANCE CONTRACTS (CONTINUED)

The policyholder contract deposits are analysed as follows:

(in RMB million)	2022	2021
As at 1 January	756,373	705,657
Policyholder principal increased	81,967	86,519
Accretion of investment income	29,609	33,327
Liabilities released for benefits paid	(49,854)	(55,763)
Policy administration fees and risk premiums deducted	(12,802)	(13,367)
As at 31 December	805,293	756,373

(2) SHORT-TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2022	31 December 2021
Unearned premium reserves	10,533	10,613
Claim reserves	11,053	10,788
	21,586	21,401

The unearned premium reserves of short-term life insurance are analysed as follows:

(in RMB million)	2022			2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	10,613	(2,473)	8,140	10,479	(747)	9,732
Increase	31,841	(4,394)	27,447	35,423	(13,619)	21,804
Decrease	(31,921)	6,990	(24,931)	(35,289)	11,893	(23,396)
As at 31 December	10,533	123	10,656	10,613	(2,473)	8,140

The claim reserves of short-term life insurance are analysed as follows:

(in RMB million)	2022			2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	10,788	(2,252)	8,536	12,689	(1,239)	11,450
Increase	19,346	(3,875)	15,471	21,586	(9,029)	12,557
Decrease	(19,081)	5,758	(13,323)	(23,487)	8,016	(15,471)
As at 31 December	11,053	(369)	10,684	10,788	(2,252)	8,536

48. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2022	31 December 2021
Unearned premium reserves	163,209	159,807
Claim reserves	127,340	108,138
	290,549	267,945

The unearned premium reserves of property and casualty insurance are analysed as follows:

(in RMB million)	2022			2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	159,807	(8,611)	151,196	166,562	(7,661)	158,901
Increase	261,372	(17,944)	243,428	231,665	(12,854)	218,811
Decrease	(257,970)	17,274	(240,696)	(238,420)	11,904	(226,516)
As at 31 December	163,209	(9,281)	153,928	159,807	(8,611)	151,196

The claim reserves of property and casualty insurance are analysed as follows:

(in RMB million)	2022			2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	108,138	(11,225)	96,913	97,254	(8,624)	88,630
Increase	203,776	(9,698)	194,078	185,664	(10,725)	174,939
Decrease	(184,574)	8,117	(176,457)	(174,780)	8,124	(166,656)
As at 31 December	127,340	(12,806)	114,534	108,138	(11,225)	96,913

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49. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2022	31 December 2021
Policyholder account liabilities in respect of investment contracts	3,626	4,155
Investment contract reserves	70,236	68,684
	73,862	72,839

The investment contract liabilities are analysed as follows:

(in RMB million)	2022	2021
As at 1 January	72,839	67,581
Policyholder principal increased	9,599	14,209
Accretion of investment income	1,548	2,412
Liabilities released for benefits paid	(9,934)	(11,270)
Policy administration fees and risk premiums deducted	(65)	(68)
Others	(125)	(25)
As at 31 December	73,862	72,839

As at 31 December 2022 and 2021, all reinsurance contracts of the Group transferred significant insurance risks.

50. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2022	31 December 2021
Deferred tax assets	92,846	65,360
Deferred tax liabilities	(14,217)	(13,605)
Net	78,629	51,755

The deferred tax assets are analysed as follows:

(in RMB million)	2022					Temporary difference as at 31 December
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	1,018	4,255	-	-	5,273	(21,092)
Fair value adjustments on financial assets at fair value through other comprehensive income	13,590	-	(1,880)	4	11,714	(46,856)
Insurance contract liabilities	6,408	(1,594)	1,859	-	6,673	(26,692)
Impairment provisions	49,410	5,956	(481)	-	54,885	(219,540)
Others	8,011	11,483	120	500	20,114	(80,456)
	78,437	20,100	(382)	504	98,659	(394,636)

(in RMB million)	2021					Temporary difference as at 31 December
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	163	849	-	6	1,018	(4,072)
Fair value adjustments on financial assets at fair value through other comprehensive income	12,251	-	1,339	-	13,590	(54,360)
Insurance contract liabilities	8,745	(1,395)	(942)	-	6,408	(25,632)
Impairment provisions	41,808	8,349	(702)	(45)	49,410	(197,640)
Others	7,172	414	57	368	8,011	(32,044)
	70,139	8,217	(248)	329	78,437	(313,748)

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50. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analysed as follows:

(in RMB million)	2022					
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(10,143)	7,717	-	(6)	(2,432)	9,728
Fair value adjustments on financial assets at fair value through other comprehensive income	(673)	-	31	-	(642)	2,568
Intangible assets-core deposits	(1,799)	189	-	-	(1,610)	6,442
Intangible assets valuation premium from acquisition of Autohome Inc.	(1,923)	39	-	-	(1,884)	7,536
Assets valuation premium from disposal of subsidiaries	(3,615)	-	-	-	(3,615)	14,460
Others	(8,529)	1,215	73	(2,606)	(9,847)	39,388
	(26,682)	9,160	104	(2,612)	(20,030)	80,122

(in RMB million)	2021					
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(12,994)	2,833	-	18	(10,143)	40,572
Fair value adjustments on financial assets at fair value through other comprehensive income	(763)	-	94	(4)	(673)	2,692
Intangible assets-core deposits	(1,987)	188	-	-	(1,799)	7,196
Intangible assets valuation premium from acquisition of Autohome Inc.	(1,966)	43	-	-	(1,923)	7,692
Assets valuation premium from disposal of subsidiaries	(3,615)	-	-	-	(3,615)	14,460
Others	(6,180)	(2,243)	153	(259)	(8,529)	34,116
	(27,505)	821	247	(245)	(26,682)	106,728

50. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2022, unrecognized tax losses of the Group were RMB38,697 million (31 December 2021: RMB24,847 million).

The following table shows unrecognized tax losses based on its expected expiry date:

(in RMB million)	31 December 2022	31 December 2021
2022	-	1,054
2023	2,992	2,032
2024	5,864	5,585
2025	7,077	7,689
2026	6,041	8,487
2027	16,723	-
	38,697	24,847

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

(in RMB million)	31 December 2022		31 December 2021	
	Offsetting	Net	Offsetting	Net
Deferred tax assets	(5,813)	92,846	(13,077)	65,360
Deferred tax liabilities	5,813	(14,217)	13,077	(13,605)

51. OTHER LIABILITIES

(in RMB million)	31 December 2022	31 December 2021
Other payables	195,322	191,577
Payables to non-controlling interests of consolidated structured entities	22,260	31,815
Salaries and welfare payable	47,723	45,759
Other tax payable	9,795	9,668
Contingency provision	10,033	4,026
Insurance guarantee fund	1,161	804
Provision payables	5,781	6,569
Accruals	11,538	9,599
Deferred income	1,909	1,661
Contract liabilities	6,382	5,179
Finance lease deposits	15,232	19,297
Others	32,196	18,270
	359,332	344,224

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52. FIDUCIARY ACTIVITIES

(in RMB million)

	31 December 2022	31 December 2021
Assets under trust schemes	537,178	444,454
Assets under annuity investments and annuity schemes	669,251	712,159
Assets under asset management schemes	1,790,619	1,719,031
Entrusted loans of banking operations	178,386	190,853
Entrusted investments of banking operations	886,840	872,066
	4,062,274	3,938,563

53. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

Type of insurance risk

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments 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 cost 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 variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The insurance business of the Group mainly comprises long-term life insurance contracts, property and casualty and short-term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyles and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Type of insurance risk (Continued)

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance contract liabilities in Note 48.

Assumptions and sensitivities

(a) Long-term life insurance contracts

Assumptions

Significant judgement is required in determining insurance contract reserves and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long-term life insurance contracts.

Sensitivities

The Group has measured the impact on long-term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- ▶ discount rate/investment return assumption increased by 10 basis points;
- ▶ discount rate/investment return assumption decreased by 10 basis points;
- ▶ a 10% increase in mortality, morbidity, accident rates and etc. (a 10% increase in mortality rates of annuity policies before the payment period, a 10% decrease in the payment period);
- ▶ a 10% increase in policy lapse rates; and
- ▶ a 5% increase in maintenance expense rates.

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(a) Long-term life insurance contracts (Continued)

(in RMB million)	31 December 2022				
	Change in assumptions	Impact on gross long-term life insurance policyholders' reserves	Impact on net long-term life insurance policyholders' reserves	Impact on profit before tax	Impact on equity before tax
		Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
Discount rate/investment return	+10bps	(16,642)	(16,643)	16,643	16,643
Discount rate/investment return	-10bps	17,040	17,041	(17,041)	(17,041)
Mortality, morbidity, accident rates and etc.	+10%	68,178	68,109	(68,109)	(68,109)
Policy lapse rates	+10%	12,096	12,097	(12,097)	(12,097)
Maintenance expense rates	+5%	4,352	4,352	(4,352)	(4,352)

(in RMB million)	31 December 2021				
	Change in assumptions	Impact on gross long-term life insurance policyholders' reserves	Impact on net long-term life insurance policyholders' reserves	Impact on profit before tax	Impact on equity before tax
		Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
Discount rate/investment return	+10bps	(13,141)	(13,142)	13,142	13,142
Discount rate/investment return	-10bps	13,460	13,461	(13,461)	(13,461)
Mortality, morbidity, accident rates and etc.	+10%	66,256	66,207	(66,207)	(66,207)
Policy lapse rates	+10%	16,694	16,693	(16,693)	(16,693)
Maintenance expense rates	+5%	4,122	4,122	(4,122)	(4,122)

Note: For long-term life and health insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, the amounts above represent the results of sensitivity analysis calculated by the discount rates when the benchmark yield curve for the measurement of insurance contract liabilities increases or decreases 10bps, with consideration of the Cai Kuai [2017] No.637 issued by the former CIRC and other relevant regulations.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) Property and casualty and short-term life insurance contracts

Assumptions

The principal assumptions underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of gross claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2018	2019	2020	2021	2022	Total
Estimated cumulative claims paid:						
As at the end of current year	134,483	150,592	166,997	194,826	200,136	
One year later	129,907	146,275	161,174	189,188		
Two years later	124,672	142,235	159,929			
Three years later	120,933	140,683				
Four years later	121,682					
Estimated cumulative claims	121,682	140,683	159,929	189,188	200,136	811,618
Cumulative claims paid	(119,780)	(136,603)	(148,774)	(163,073)	(128,055)	(696,285)
Subtotal						115,333
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						12,007
Outstanding claim reserves						127,340

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) Property and casualty and short-term life insurance contracts (Continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2018	2019	2020	2021	2022	Total
Estimated cumulative claims paid:						
As at the end of current year	125,966	141,982	158,308	183,409	189,335	
One year later	121,579	138,059	152,791	178,028		
Two years later	116,721	134,343	151,705			
Three years later	113,193	133,028				
Four years later	113,991					
Estimated cumulative claims	113,991	133,028	151,705	178,028	189,335	766,087
Cumulative claims paid	(112,479)	(129,621)	(141,806)	(155,886)	(122,919)	(662,711)
Subtotal						103,376
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						11,158
Outstanding claim reserves						114,534

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) Property and casualty and short-term life insurance contracts (Continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of gross claim reserves of short-term life insurance by the accident year:

(in RMB million)	2018	2019	2020	2021	2022	Total
Estimated cumulative claims paid:						
As at the end of current year	16,879	21,107	26,858	25,963	22,167	
One year later	15,917	21,157	24,707	24,926		
Two years later	15,986	20,478	23,435			
Three years later	15,802	20,423				
Four years later	15,836					
Estimated cumulative claims	15,836	20,423	23,435	24,926	22,167	106,787
Cumulative claims paid	(15,832)	(20,419)	(23,417)	(23,325)	(13,388)	(96,381)
Subtotal						10,406
Prior year adjustments, unallocated loss adjustment expenses and risk margin						647
Outstanding claim reserves						11,053

Reproduced below is an exhibit that shows the development of net claim reserves of short-term life insurance by the accident year:

(in RMB million)	2018	2019	2020	2021	2022	Total
Estimated cumulative claims paid:						
As at the end of current year	15,809	19,146	24,258	18,842	18,486	
One year later	14,760	18,997	21,819	19,044		
Two years later	14,849	18,202	20,860			
Three years later	14,663	18,147				
Four years later	14,697					
Estimated cumulative claims	14,697	18,147	20,860	19,044	18,486	91,234
Cumulative claims paid	(14,693)	(18,143)	(20,847)	(17,580)	(9,806)	(81,069)
Subtotal						10,165
Prior year adjustments, unallocated loss adjustment expenses and risk margin						519
Outstanding claim reserves						10,684

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (Continued)

(b) *Property and casualty and short-term life insurance contracts (Continued)*

Sensitivities (continued)

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in the average claim costs alone results in a similar percentage change in claim reserves:

(in RMB million)	Change in assumptions	31 December 2022			
		Impact on gross claim reserves increase	Impact on net claim reserves increase	Impact on profit before tax decrease	Impact on equity before tax decrease
Average claim costs					
Property and casualty insurance	+5%	6,367	5,727	(5,727)	(5,727)
Short-term life insurance	+5%	579	534	(534)	(534)

(in RMB million)	Change in assumptions	31 December 2021			
		Impact on gross claim reserves increase	Impact on net claim reserves increase	Impact on profit before tax decrease	Impact on equity before tax decrease
Average claim costs					
Property and casualty insurance	+5%	5,407	4,846	(4,846)	(4,846)
Short-term life insurance	+5%	561	427	(427)	(427)

(c) *Reinsurance*

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers' share of insurance liabilities and due from reinsurers.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group sets limitation to its position of foreign currency, monitors the size of foreign currency position, and limits the foreign currency position within the threshold set by utilizing hedging strategy.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

(in RMB million)	Change in variables	31 December 2022		31 December 2021	
		Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
USD	+5%	1,381	2,834	823	2,559
HKD	+5%	482	1,183	898	1,448
Other currencies	+5%	387	764	591	924
		2,250	4,781	2,312	4,931
USD	-5%	(1,381)	(2,834)	(823)	(2,559)
HKD	-5%	(482)	(1,183)	(898)	(1,448)
Other currencies	-5%	(387)	(764)	(591)	(924)
		(2,250)	(4,781)	(2,312)	(4,931)

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (Continued)

The main monetary assets and liabilities of the Group (excluding balances of investment-linked contracts) and non-monetary assets and liabilities measured at fair value are analysed as follows by currency:

(in RMB million)	31 December 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	643,483	112,157	8,758	6,353	770,751
Balances with the Central Bank and statutory deposits for insurance operations	289,046	6,116	397	-	295,559
Financial assets purchased under reverse repurchase agreements	91,315	-	-	-	91,315
Premium receivables	69,955	2,230	95	-	72,280
Accounts receivable	36,016	1	-	101	36,118
Reinsurers' share of insurance liabilities	21,136	3,330	503	-	24,969
Policy loans	188,765	-	-	-	188,765
Finance lease receivable	186,858	-	-	-	186,858
Loans and advances to customers	3,048,119	124,470	37,780	27,685	3,238,054
Financial assets at fair value through profit or loss	1,507,624	96,929	9,131	17,732	1,631,416
Financial assets at amortized cost	2,952,906	46,441	2,356	2,799	3,004,502
Debt financial assets at fair value through other comprehensive income	438,987	26,773	1,271	-	467,031
Equity financial assets at fair value through other comprehensive income	248,571	688	5,844	-	255,103
Other assets	123,370	4,862	1,685	71	129,988
	9,846,151	423,997	67,820	54,741	10,392,709
Liabilities					
Due to banks and other financial institutions	799,285	92,228	12,567	14,897	918,977
Financial liabilities at fair value through profit or loss	85,895	2,787	-	88	88,770
Assets sold under agreements to repurchase	266,869	4,868	-	-	271,737
Accounts payable	10,349	-	-	-	10,349
Insurance payables	152,472	951	81	4	153,508
Policyholder dividend payable	71,414	29	-	2	71,445
Customer deposits and payables to brokerage customers	3,169,278	242,914	13,817	5,990	3,431,999
Bonds payable	901,191	29,907	-	-	931,098
Insurance contract liabilities	3,561,267	5,455	1,012	15	3,567,749
Investment contract liabilities for policyholders	73,856	6	-	-	73,862
Other liabilities	234,443	3,052	525	619	238,639
	9,326,319	382,197	28,002	21,615	9,758,133
Net position of foreign currency		41,800	39,818	33,126	114,744
Notional amount of foreign exchange derivative financial instruments		14,888	(16,161)	(17,841)	(19,114)
		56,688	23,657	15,285	95,630
Off-balance sheet credit commitments	1,790,679	25,879	1,003	9,399	1,826,960

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (Continued)

(in RMB million)	31 December 2021				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	481,286	82,019	15,764	5,926	584,995
Balances with the Central Bank and statutory deposits for insurance operations	310,223	10,171	560	-	320,954
Financial assets purchased under reverse repurchase agreements	61,429	-	-	-	61,429
Premium receivables	77,922	1,861	51	-	79,834
Accounts receivable	26,541	1	-	86	26,628
Reinsurers' share of insurance liabilities	24,205	2,219	428	-	26,852
Policy loans	178,298	-	-	-	178,298
Finance lease receivable	200,701	-	-	-	200,701
Loans and advances to customers	2,799,799	142,393	16,221	22,562	2,980,975
Financial assets at fair value through profit or loss	1,287,033	101,821	17,460	20,363	1,426,677
Financial assets at amortized cost	2,727,348	38,392	2,123	1,132	2,768,995
Debt financial assets at fair value through other comprehensive income	398,471	28,977	1,082	-	428,530
Equity financial assets at fair value through other comprehensive income	262,383	620	5,212	-	268,215
Other assets	111,060	6,008	962	135	118,165
	8,946,699	414,482	59,863	50,204	9,471,248
Liabilities					
Due to banks and other financial institutions	700,202	89,335	1,625	6,484	797,646
Financial liabilities at fair value through profit or loss	54,738	2,548	-	90	57,376
Assets sold under agreements to repurchase	122,577	4,900	-	-	127,477
Accounts payable	6,663	-	-	-	6,663
Insurance payables	149,750	947	67	3	150,767
Policyholder dividend payable	67,249	25	-	2	67,276
Customer deposits and payables to brokerage customers	2,724,575	253,388	17,133	6,953	3,002,049
Bonds payable	1,064,171	32,625	-	727	1,097,523
Insurance contract liabilities	3,256,611	3,837	890	16	3,261,354
Investment contract liabilities for policyholders	72,833	6	-	-	72,839
Other liabilities	223,043	3,469	1,074	23	227,609
	8,442,412	391,080	20,789	14,298	8,868,579
Net position of foreign currency		23,402	39,074	35,906	98,382
Notional amount of foreign exchange derivative financial instruments		27,780	(10,112)	(17,433)	235
		51,182	28,962	18,473	98,617
Off-balance sheet credit commitments	1,522,035	30,485	1,126	7,561	1,561,207

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and security investment funds classified as equity financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group manages price risks by diversification of investments, setting limits for investments in different securities, etc.

The Group uses a 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold on the same day. Moreover, the VaR calculation is made based on normal market conditions and a 99% confidence interval.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. The VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence interval.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and security investment funds with 10-day reasonable market fluctuation in using the VaR model in the normal market.

(in RMB million)

	31 December 2022	31 December 2021
Listed stocks and security investment funds	33,881	21,492

The Group expects that current listed stocks and equity investments funds will not lose more than RMB33,881 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity.

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit (fair value change on bonds carried at fair value through profit or loss) and equity (fair value change on bonds carried at fair value through profit or loss and bonds carried at fair value through other comprehensive income).

(in RMB million)	Change in interest rate	31 December 2022		31 December 2021	
		Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Bonds carried at fair value through profit or loss and through other comprehensive income	-50 bps	7,912	15,849	6,138	13,700
Bonds carried at fair value through profit or loss and through other comprehensive income	+50 bps	(7,912)	(15,849)	(6,138)	(13,700)

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (Continued)

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits and loans and advances have a static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on interest income and interest expenses from the re-pricing of financial assets and liabilities within a year with the following assumptions: firstly, the interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced after the end of the reporting period; secondly, the yield curve moved in parallel with the changes in the interest rate; and thirdly, there are no other changes in the portfolio of financial assets and liabilities. Regarding the above assumptions, the pre-tax impact on the Group's profit and equity as a result of actual increases or decreases in interest rates may differ from that of the following sensitivity analysis.

(in RMB million)	Change in interest rate	31 December 2022		31 December 2021	
		Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax
Floating interest rate bonds	+50 bps	87	87	79	79
Loans and advances to customers	+50 bps	8,395	8,395	7,873	7,873
Floating interest rate bonds	-50 bps	(87)	(87)	(79)	(79)
Loans and advances to customers	-50 bps	(8,395)	(8,395)	(7,873)	(7,873)

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) exposed to interest rate risk by maturity or repricing date (whichever is the earlier):

(in RMB million)	31 December 2022	31 December 2021
Fixed interest rate		
Less than 3 months (including 3 months)	58,008	26,119
3 months to 1 year (including 1 year)	48,054	47,126
1-2 years (including 2 years)	76,101	83,554
2-3 years (including 3 years)	69,557	74,583
3-4 years (including 4 years)	14,896	2,848
4-5 years (including 5 years)	7,997	18,425
More than 5 years	-	260
	274,613	252,915

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (Continued)

The following table sets out the Group's bonds, debt schemes, wealth management investments and other debt financial assets (excluding balances of investment-linked contracts) by maturity or repricing date (whichever is the earlier):

(in RMB million)	31 December 2022			Total
	Financial assets at amortized cost	Debt financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	
Fixed interest rate				
Less than 3 months (including 3 months)	116,549	36,993	24,141	177,683
3 months to 1 year (including 1 year)	210,677	122,016	113,542	446,235
1-2 years (including 2 years)	173,105	59,746	115,944	348,795
2-3 years (including 3 years)	206,250	73,569	80,086	359,905
3-4 years (including 4 years)	85,404	24,856	67,599	177,859
4-5 years (including 5 years)	134,167	21,371	50,061	205,599
More than 5 years	1,994,944	119,821	214,953	2,329,718
Floating interest rate	49,681	3,173	18,167	71,021
	2,970,777	461,545	684,493	4,116,815

(in RMB million)	31 December 2021			Total
	Financial assets at amortized cost	Debt financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	
Fixed interest rate				
Less than 3 months (including 3 months)	96,649	30,269	19,153	146,071
3 months to 1 year (including 1 year)	290,016	93,510	140,411	523,937
1-2 years (including 2 years)	211,864	61,068	83,964	356,896
2-3 years (including 3 years)	161,906	54,212	75,273	291,391
3-4 years (including 4 years)	144,917	37,432	49,617	231,966
4-5 years (including 5 years)	84,264	31,582	64,033	179,879
More than 5 years	1,681,658	109,244	166,251	1,957,153
Floating interest rate	65,501	5,942	13,389	84,832
	2,736,775	423,259	612,091	3,772,125

Interest rates on floating rate term deposits and floating rate bonds are repriced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, reinsurance arrangement with reinsurers, policy loans, margin financing, financial guarantee contracts and loan commitments, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

(a) Credit risk management

Credit risk of banking business

The banking business of the Group has formulated a set of credit management processes and internal control mechanisms, so as to carry out the whole process management of credit business. Credit management procedures for its corporate and individual loans of comprise credit origination, credit review, credit approval, disbursement, post credit management. In addition, the banking business of the Group has formulated procedure manuals for credit management, which clarifies the duties of each part in the credit management processes, effectively monitoring credit risk and enhancing credit compliance.

Credit risks arising from credit commitments are similar to those of loans and advances. Therefore, financial guarantees and loan commitments are also subject to the same application, post credit management and collateral requirements as loan and advances business.

Credit risk of investment business

As to debt investment, the Group rates these investments by internal credit rating policies, selects counterparties with high credit quality and sets strict entry criteria.

The Group's debt investment mainly includes domestic government bonds, the Central Bank bills, financial institution bonds, corporate bonds and debt investment schemes, wealth management investments, etc. The Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

Credit risk of insurance business

The Group evaluated the credit rating of the reinsurance companies before signing the reinsurance contracts, and chose the reinsurance companies with higher credit quality to reduce the credit risk.

The limits of policy loans are based on the cash values of valid insurance policies, with appropriate discounts, and the validity periods of policy loans are within the validity periods of insurance policies. The credit risk associated with policy loans did not have material impact on the Group's consolidated financial statements.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss

The Group formulates the credit losses of financial assets at amortized cost, debt financial assets at FVOCI, finance lease receivable and other financial assets, as well as loan commitment and financial guarantee contracts using expected credit loss models according to IFRS 9 requirements.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

- i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- ii) Probability of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- iii) Loss Given Default (LGD): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factor being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the financial instruments have SICR after initial recognition, the Group considers the 30 days past due as one of criteria of SICR, in accordance with the standard.

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date;
- Internal credit rating is default grade;
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- The debtor has significant financial difficulties;
- The debtor is likely to go bankrupt or other financial restructuring;
- The active market for financial assets disappears

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Forward-looking information and management overlay

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product (GDP) quarter on quarter percentage change, customer price index (CPI) year on year percentage change, purchasing manager's index (PMI) and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

During the reporting period, the Group adjusted the predicted values of forward-looking economic indicators by statistical analysis and also considered the range of possible outcomes represented by each scenario, to determine the final macroeconomic scenarios and weights for measuring the relevant expected credit loss. The impact of these economic indicators on PD and LGD varies to different businesses. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results. Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

In 2022, the key macroeconomic assumptions used by the Group to estimate expected credit losses in different macroeconomic scenarios include GDP quarter on quarter percentage change, CPI year on year percentage change, PMI and other macroeconomic variables. For the GDP quarter on quarter percentage change, the average predictive value in the base scenario in year 2023 is about 5%, and is 0.5 percentage upper in the upside scenario while 0.5 percentage lower in the downside scenario. The average predictive value in the base scenario in year 2024 is about 5.24%, and is 0.45 percentage upper in the upside scenario while 0.44 percentage lower in the downside scenario.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

The Group has the highest weight of the base scenario, and the weight of the base scenario is slightly higher than the sum of the weight of other base scenarios. The banking business of the Group assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario reduced by 10%, the Group's ECL impairment provision on 31 December 2022 would be reduced by RMB1,177 million (31 December 2021: RMB1,161 million); if the weight of the downside scenario increased by 10% and the weight of the base scenarios reduced by 10%, the Group's ECL impairment provision would be increased by RMB1,144 million (31 December 2021: RMB1,883 million).

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Credit exposure

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements. The Group also assumes credit risk due to credit commitments and financial guarantee contracts. The details are disclosed in Note 61.(2).

Please refer to Note 26.(2) and (5) for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Policies are established regarding to the selection of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- ▶ for policy loans, collaterals are cash value of policies;
- ▶ for reverse repurchase transactions, collaterals are quoted securities;
- ▶ for commercial loans, collaterals are real estate properties, inventories, equity investments and trade receivables, etc.;
- ▶ for retail lending loans to individuals, collaterals are residential properties mortgages.

Management monitors the market value of the collateral, and requires additional collateral when needed according to contracts, when assessing the adequacy of impairment.

It is the Group's policy to dispose collateral orderly. The proceeds are used to repay all or part of the outstanding balance. Generally, the Group would not use the collateralised assets for business purpose.

Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has renegotiated the contract terms with borrowers as a result of the deterioration in their financial position or of their inability to make payments when due. Concessions are given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. As at 31 December 2022, the Group's restructured loans and advances to customers was RMB17,107 million (31 December 2021: RMB11,417 million).

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

Carrying amount (in RMB million)	31 December 2022			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	770,751	-	-	770,751
Balances with the Central Bank and statutory deposits for insurance operations	295,559	-	-	295,559
Financial assets purchased under reverse repurchase agreements	90,910	-	405	91,315
Accounts receivable	35,909	169	40	36,118
Finance lease receivable	179,398	6,695	765	186,858
Loans and advances to customers	3,152,071	74,444	11,539	3,238,054
Financial assets at amortized cost	2,951,078	15,145	38,279	3,004,502
Debt financial assets at fair value through other comprehensive income	464,861	1,000	1,170	467,031
Other assets	104,053	271	9,689	114,013
Subtotal	8,044,590	97,724	61,887	8,204,201
Off-balance sheet	1,826,854	6,193	147	1,833,194
Total	9,871,444	103,917	62,034	10,037,395

Carrying amount (in RMB million)	31 December 2021			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	584,995	-	-	584,995
Balances with the Central Bank and statutory deposits for insurance operations	320,954	-	-	320,954
Financial assets purchased under reverse repurchase agreements	61,262	-	167	61,429
Accounts receivable	26,529	90	9	26,628
Finance lease receivable	195,123	5,023	555	200,701
Loans and advances to customers	2,939,619	34,512	6,844	2,980,975
Financial assets at amortized cost	2,730,744	8,838	29,413	2,768,995
Debt financial assets at fair value through other comprehensive income	424,733	2,871	926	428,530
Other assets	99,806	100	819	100,725
Subtotal	7,383,765	51,434	38,733	7,473,932
Off-balance sheet	1,569,949	2,165	99	1,572,213
Total	8,953,714	53,599	38,832	9,046,145

The Group closely monitors collateral of credit-impaired financial assets.

As at 31 December 2022, the fair value of collateral of credit-impaired loans and advances to customers is RMB16,747 million (31 December 2021: RMB14,030 million). The fair value of collateral of credit-impaired financial assets at amortized cost is RMB10,311 million (31 December 2021: RMB9,641 million).

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors:

(in RMB million)		2022						
Gross carrying amount	Stage	1 January	Net increase/ (decrease) (Note)	Stages transfers			Write-offs	31 December
				Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Loans and advances to customers	Stage 1	2,992,010	340,539	(126,378)	(707)	-	-	3,205,464
	Stage 2	44,549	(14,009)	126,378	-	(65,193)	-	91,725
	Stage 3	33,672	(986)	-	707	65,193	(59,802)	38,784
	Total	3,070,231	325,544	-	-	-	(59,802)	3,335,973
Financial assets at amortized cost	Stage 1	2,738,183	252,624	(26,700)	(3,164)	-	-	2,960,943
	Stage 2	10,075	(2,141)	26,700	-	(16,116)	-	18,518
	Stage 3	54,379	(3,627)	-	3,164	16,116	(164)	69,868
	Total	2,802,637	246,856	-	-	-	(164)	3,049,329
Debt financial assets at fair value through other comprehensive income	Stage 1	424,733	40,073	55	-	-	-	464,861
	Stage 2	2,871	(1,432)	(55)	-	(384)	-	1,000
	Stage 3	926	(116)	-	-	384	(24)	1,170
	Total	428,530	38,525	-	-	-	(24)	467,031

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)		2022							
Impairment provision	Stage	1 January	Net increase/ (decrease) (Note 1)	Charge/ (recover) for the year (Note 2)	Stages transfers			Write-offs	31 December
					Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3		
Loans and advances to customers	Stage 1	53,285	20,225	(11,847)	(5,185)	53	-	-	56,531
	Stage 2	10,088	(1,117)	26,245	5,185	-	(23,044)	-	17,357
	Stage 3	26,829	2,631	34,659	-	(53)	23,044	(59,802)	27,308
	Total	90,202	21,739	49,057	-	-	-	(59,802)	101,196
Financial assets at amortized cost	Stage 1	7,439	2,189	6,275	(4,577)	(1,461)	-	-	9,865
	Stage 2	1,237	(107)	281	4,577	-	(2,615)	-	3,373
	Stage 3	24,966	(374)	3,085	-	1,461	2,615	(164)	31,589
	Total	33,642	1,708	9,641	-	-	-	(164)	44,827
Debt financial assets at fair value through other comprehensive income	Stage 1	1,173	211	(170)	15	-	-	-	1,229
	Stage 2	221	(67)	107	(15)	-	(19)	-	227
	Stage 3	3,427	(20)	170	-	-	19	(519)	3,077
	Total	4,821	124	107	-	-	-	(519)	4,533

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular update of inputs to models.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors (continued):

(in RMB million)		2021						
		Stages transfers						
Gross carrying amount	Stage	1 January	Net increase/ (decrease) (Note)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December
Loans and advances to customers	Stage 1	2,590,183	483,394	(79,567)	(2,000)	-	-	2,992,010
	Stage 2	37,233	(21,965)	79,567	-	(50,286)	-	44,549
	Stage 3	34,915	(13,111)	-	2,000	50,286	(40,418)	33,672
	Total	2,662,331	448,318	-	-	-	(40,418)	3,070,231
Financial assets at amortized cost	Stage 1	2,601,200	160,574	(17,214)	(6,377)	-	-	2,738,183
	Stage 2	13,308	7,025	17,214	-	(27,472)	-	10,075
	Stage 3	26,240	2,328	-	6,377	27,472	(8,038)	54,379
	Total	2,640,748	169,927	-	-	-	(8,038)	2,802,637
Debt financial assets at fair value through other comprehensive income	Stage 1	508,948	(81,310)	(2,851)	(54)	-	-	424,733
	Stage 2	2,121	(1,278)	2,851	-	(823)	-	2,871
	Stage 3	317	(268)	-	54	823	-	926
	Total	511,386	(82,856)	-	-	-	-	428,530

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)		2021							
		Stages transfers							
Impairment provision	Stage	1 January	Net increase/ (decrease) (Note 1)	Charge/ (recover) for the year (Note 2)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December
Loans and advances to customers	Stage 1	31,718	18,662	7,077	(4,210)	38	-	-	53,285
	Stage 2	7,864	(1,220)	14,435	4,210	-	(15,201)	-	10,088
	Stage 3	23,637	912	27,535	-	(38)	15,201	(40,418)	26,829
	Total	63,219	18,354	49,047	-	-	-	(40,418)	90,202
Financial assets at amortized cost	Stage 1	5,028	2,118	1,643	(1,054)	(296)	-	-	7,439
	Stage 2	1,536	1,562	1,489	1,054	-	(4,404)	-	1,237
	Stage 3	9,336	2,579	16,389	-	296	4,404	(8,038)	24,966
	Total	15,900	6,259	19,521	-	-	-	(8,038)	33,642
Debt financial assets at fair value through other comprehensive income	Stage 1	1,155	66	94	(119)	(23)	-	-	1,173
	Stage 2	245	(39)	1,912	119	-	(2,016)	-	221
	Stage 3	1,134	(460)	714	-	23	2,016	-	3,427
	Total	2,534	(433)	2,720	-	-	-	-	4,821

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular update of inputs to models.

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as “low risk”, “medium risk”, “high risk” and “default” according to the internal rating scale. “Low risk” means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. “Medium risk” means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. “High risk” means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of “default” are consistent with those of “credit-impaired”.

The following table contains an analysis of the credit risk grading of loans and advances to customers and financial assets at amortized cost. The carrying amount of financial assets below also represents the Group’s maximum exposure to credit risk on these assets:

Loans and advances to customers

(in RMB million)	31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Credit grade				
Low risk	1,777,535	4,945	-	1,782,480
Medium risk	1,426,465	34,864	-	1,461,329
High risk	1,464	51,916	-	53,380
Default	-	-	38,784	38,784
Gross carrying amount	3,205,464	91,725	38,784	3,335,973
Loss allowance	(53,393)	(17,281)	(27,245)	(97,919)
Carrying amount	3,152,071	74,444	11,539	3,238,054

(in RMB million)	31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Credit grade				
Low risk	1,615,901	280	-	1,616,181
Medium risk	1,363,769	9,164	-	1,372,933
High risk	12,340	35,105	-	47,445
Default	-	-	33,672	33,672
Gross carrying amount	2,992,010	44,549	33,672	3,070,231
Loss allowance	(52,391)	(10,037)	(26,828)	(89,256)
Carrying amount	2,939,619	34,512	6,844	2,980,975

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (Continued)

Financial assets at amortized cost

(in RMB million)	31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Credit grade				
Low risk	2,843,703	-	-	2,843,703
Medium risk	92,594	3,889	-	96,483
High risk	24,646	13,137	-	37,783
Default	-	1,492	69,868	71,360
Gross carrying amount	2,960,943	18,518	69,868	3,049,329
Impairment provision	(9,865)	(3,373)	(31,589)	(44,827)
Carrying amount	2,951,078	15,145	38,279	3,004,502

(in RMB million)	31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Credit grade				
Low risk	2,563,219	-	-	2,563,219
Medium risk	152,547	3,289	-	155,836
High risk	22,417	6,786	-	29,203
Default	-	-	54,379	54,379
Gross carrying amount	2,738,183	10,075	54,379	2,802,637
Impairment provision	(7,439)	(1,237)	(24,966)	(33,642)
Carrying amount	2,730,744	8,838	29,413	2,768,995

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK

Liquidity risk is the risk of not having access to sufficient funds or being unable to realize an asset in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The banking business of the Group is exposed to potential liquidity risk. The Group utilizes multiple regulatory methods, establish comprehensive liquidity risk management framework, effectively recognize, measure, monitor and control liquidity risk, maintain sufficient liquidity level to satisfy various funds requirement and to face adverse market status. In case of monitoring liquidity risks effectively, the Group pays attention to the funds resources and diversified utilization, keeps relatively high liquidity assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various benchmarks for management of liquidity risk, the Group compares the expected results against the ones derived from stress tests, critically assesses the potential impact to the future liquidity risk, and formulates remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, and maintaining stable deposits, etc.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows/expected cash flows:

(in RMB million)	31 December 2022						Total
	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and amounts due from banks and other financial institutions	-	299,125	160,738	129,251	178,491	9	767,614
Balances with the Central Bank and statutory deposits for insurance operations	240,279	40,835	598	1,618	13,577	-	296,907
Financial assets purchased under reverse repurchase agreements	-	905	85,650	5,412	-	-	91,967
Premium receivables	-	8,554	19,548	8,726	35,263	189	72,280
Accounts receivable	-	6,239	7,303	16,156	7,447	1	37,146
Policy loans	-	3,971	76,230	108,564	-	-	188,765
Finance lease receivable	-	2,055	32,166	81,560	93,346	494	209,621
Loans and advances to customers	-	16,163	734,127	991,547	1,208,446	811,056	3,761,339
Financial assets at fair value through profit or loss	884,852	15,394	40,833	156,073	393,044	246,838	1,737,034
Financial assets at amortized cost	-	24,128	139,228	325,198	977,647	3,393,444	4,859,645
Debt financial assets at fair value through other comprehensive income	-	382	41,592	133,851	207,793	157,931	541,549
Equity financial assets at fair value through other comprehensive income	255,103	-	-	-	-	-	255,103
Other assets	-	71,998	36,848	35,715	5,485	1,185	151,231
	1,380,234	489,749	1,374,861	1,993,671	3,120,539	4,611,147	12,970,201
Due to banks and other financial institutions	-	280,241	348,175	217,182	86,734	1,544	933,876
Financial liabilities at fair value through profit or loss	260	2,231	80,152	3,847	2,501	-	88,991
Assets sold under agreements to repurchase	-	-	267,495	4,065	330	-	271,890
Accounts payable	-	4,387	1,152	4,204	612	-	10,355
Insurance payables	-	93,373	9,804	4,727	1,105	55	109,064
Policyholder dividend payable	-	71,445	-	-	-	-	71,445
Customer deposits and payables to brokerage customers	-	1,284,564	805,516	593,162	824,090	-	3,507,332
Bonds payable	-	-	232,385	448,189	241,987	42,764	965,325
Insurance contract liability	-	-	35,624	103,428	240,370	7,598,281	7,977,703
Insurance and investment contract liabilities for policyholders	-	-	2,732	8,014	34,237	42,617	87,600
Lease liabilities	-	259	1,232	3,959	8,678	539	14,667
Other liabilities	-	52,932	37,018	64,065	96,453	14,459	264,927
	260	1,789,432	1,821,285	1,454,842	1,537,097	7,700,259	14,303,175
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(38)	(100)	(456)	604	11	21
Derivative financial instruments settled on a gross basis							
Cash inflow	-	8,006	1,277,050	762,245	129,244	-	2,176,545
Cash outflow	-	(8,885)	(1,281,920)	(767,601)	(129,054)	-	(2,187,460)
	-	(879)	(4,870)	(5,356)	190	-	(10,915)

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

(in RMB million)	31 December 2021						Total
	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and amounts due from banks and other financial institutions	-	193,428	127,027	83,917	187,780	260	592,412
Balances with the Central Bank and statutory deposits for insurance operations	221,546	86,804	2,455	4,085	6,981	-	321,871
Financial assets purchased under reverse repurchase agreements	-	428	56,590	4,639	-	-	61,657
Premium receivables	-	8,380	19,448	5,538	46,248	220	79,834
Accounts receivable	-	122	6,713	13,036	8,190	-	28,061
Policy loans	-	3,603	72,867	101,828	-	-	178,298
Finance lease receivable	-	1,675	31,094	80,777	109,958	736	224,240
Loans and advances to customers	-	19,623	743,780	896,148	1,023,335	826,218	3,509,104
Financial assets at fair value through profit or loss	740,402	11,841	39,362	189,183	349,522	188,359	1,518,669
Financial assets at amortized cost	-	19,325	124,892	397,929	968,013	2,877,915	4,388,074
Debt financial assets at fair value through other comprehensive income	-	185	38,092	105,046	215,534	140,368	499,225
Equity financial assets at fair value through other comprehensive income	268,215	-	-	-	-	-	268,215
Other assets	-	47,514	36,252	40,460	5,326	1,247	130,799
	1,230,163	392,928	1,298,572	1,922,586	2,920,887	4,035,323	11,800,459
Due to banks and other financial institutions	-	256,691	221,458	236,197	93,356	4,720	812,422
Financial liabilities at fair value through profit or loss	306	1,367	51,732	465	3,553	-	57,423
Assets sold under agreements to repurchase	-	-	127,502	-	-	-	127,502
Accounts payable	-	392	1,103	4,762	406	-	6,663
Insurance payables	-	86,379	16,128	3,260	1,178	38	106,983
Policyholder dividend payable	-	67,276	-	-	-	-	67,276
Customer deposits and payables to brokerage customers	-	1,174,547	671,502	605,122	619,866	2,356	3,073,393
Bonds payable	-	-	314,135	546,317	232,199	46,949	1,139,600
Insurance contract liability	-	-	6,957	71,874	132,243	7,364,210	7,575,284
Insurance and investment contract liabilities for policyholders	-	-	2,731	7,781	33,565	41,062	85,139
Lease liabilities	-	212	1,559	4,428	9,223	490	15,912
Other liabilities	-	27,050	43,261	75,829	108,426	12,945	267,511
	306	1,613,914	1,458,068	1,556,035	1,234,015	7,472,770	13,335,108
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(36)	191	(104)	(2,142)	(2)	(2,093)
Derivative financial instruments settled on a gross basis							
Cash inflow	-	8,108	1,235,405	851,252	51,767	405	2,146,937
Cash outflow	-	(9,911)	(1,235,745)	(853,207)	(52,375)	(695)	(2,151,933)
	-	(1,803)	(340)	(1,955)	(608)	(290)	(4,996)

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the credit commitments of the Group:

(in RMB million)	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2022						
Credit commitments	93,804	203,173	679,558	486,699	363,726	1,826,960
31 December 2021						
Credit commitments	97,420	164,186	456,632	517,234	325,735	1,561,207

Management expects the credit commitments will not be entirely used during the commitment period.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management. The Group manages liquidity risk related to the investment-linked contracts by investing mainly in assets with high liquidity, as disclosed in Note 38.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match the maturity and interest rates of assets and liabilities. Under the current constraints of the shortage of long-term interest rate bond market, however, the Group does not have sufficient long-duration assets for investment to match the duration of insurance and investment contract liabilities. As permitted by law regulations and market conditions, the Group actively invests in preferred stocks and other broad-term duration assets, and continuously improves the allocation of long-duration assets, considering the requirements for asset-liability duration matching and revenue-cost matching.

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. Operational risk in this context includes legal risk, but does not include strategic risk and reputational risk. The Group is exposed to many types of operational risks in the conduct of its business. The Group manages operational risk by establishing and continuously improving risk management framework, formalizing policies and standards, using management tools and reporting mechanism, strengthening staff education and training.

(7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale, products of insurance business, and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

In accordance with the Notice on the Formal Implementation of China Risk Oriented Solvency System (the "C-ROSS Phase I") issued by the former CIRC, the Group has implemented the C-ROSS Phase I since 1 January 2016, and adjusted the objective, policy and process of capital management accordingly. In addition, pursuant to the *Notice on the Implementation of Regulatory Rules on Solvency of Insurance Companies (II)* (the "C-ROSS Phase II") issued by the CBIRC, the Group computes solvency margin ratios and recognizes, assesses and manages related risks from 2022 in accordance with the C-ROSS Phase II. As at 31 December 2022, the Group was compliant with the CBIRC's requirements for solvency margin ratios.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2022		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	1,363,413	495,845	101,193
Actual capital	1,783,772	877,807	125,337
Minimum capital	819,568	399,557	56,976
Core solvency margin ratio	166.4%	124.1%	177.6%
Comprehensive solvency margin ratio	217.6%	219.7%	220.0%

	31 December 2021		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	1,861,487	1,026,410	112,277
Actual capital	1,899,989	1,046,410	125,777
Minimum capital	813,781	454,175	45,171
Core solvency margin ratio	228.7%	226.0%	248.6%
Comprehensive solvency margin ratio	233.5%	230.4%	278.4%

Note: The data as of 31 December 2022 is computed in accordance with the C-ROSS Phase II, while the data as of 31 December 2021 is computed in accordance with the C-ROSS Phase I.

The banking business subsidiary measures the capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) issued by the former CBRC in June 2012. According to the requirements, risk weighted assets for credit risk is measured by Weighted Approach, risk weighted assets for market risk is measured by Standardised Approach, and risk weighted assets for operation risk is measured by the Basic Indicator Approach.

53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The banking operation's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

	31 December 2022	31 December 2021
Core Tier 1 capital adequacy ratio	8.64%	8.60%
Tier 1 capital adequacy ratio	10.40%	10.56%
Capital adequacy ratio	13.01%	13.34%

(8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of beneficiary notes or trust units to investors. Refer to Note 3.(6) for the Group's consolidation consideration related to structured entities.

The following table also shows the size, the Group's funding and the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

31 December 2022 (in RMB million)	Unconsolidated structured entities			
	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	43,748	3,856	3,856	Investment income and service fee
Assets management products managed by affiliated entities	2,562,045	234,248	234,248	Investment income and service fee
Assets management products managed by third parties	Note 1	337,773	337,773	Investment income
Wealth management products managed by affiliated entities	886,840	9,075	9,075	Investment income and service fee
Wealth management products managed by third parties	Note 1	7,228	7,228	Investment income

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53. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES (CONTINUED)

31 December 2021 (in RMB million)	Unconsolidated structured entities			
	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	57,756	5,848	5,848	Investment income and service fee
Assets management products managed by affiliated entities	2,417,458	253,973	253,973	Investment income and service fee
Assets management products managed by third parties	Note 1	333,527	333,527	Investment income
Wealth management products managed by affiliated entities	872,066	7,995	7,995	Investment income and service fee
Wealth management products managed by third parties	Note 1	8,844	8,844	Investment income

Note 1: These assets management products and wealth management products are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are recorded as wealth management investments under FVPL, FVOCI and AC, and beneficial right under trust schemes under assets purchased under reverse repurchase agreements.

The unconsolidated structured entities held by the Group included the trust plans consolidated by Lufax Holding.

54. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, term deposits, bonds, funds, stocks, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc.

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying amount and fair value of the Group's major financial instruments by classification:

(in RMB million)	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial assets				
Cash and amounts due from banks and other financial institutions	770,751	584,995	770,751	584,995
Balances with the Central Bank and statutory deposits for insurance operations	295,559	320,954	295,559	320,954
Financial assets purchased under reverse repurchase agreements	91,315	61,429	91,315	61,429
Accounts receivable	36,118	26,628	36,118	26,628
Derivative financial assets	29,278	30,957	29,278	30,957
Finance lease receivable	186,858	200,701	186,858	200,701
Loans and advances to customers	3,238,054	2,980,975	3,238,054	2,980,975
Financial assets at fair value through profit or loss	1,631,416	1,426,677	1,631,416	1,426,677
Financial assets at amortized cost	3,004,502	2,768,995	3,176,002	2,919,483
Debt financial assets at fair value through other comprehensive income	467,031	428,530	467,031	428,530
Equity financial assets at fair value through other comprehensive income	255,103	268,215	255,103	268,215
Other assets	114,013	100,725	114,013	100,725
Financial liabilities				
Due to banks and other financial institutions	918,977	797,646	918,977	797,646
Financial liabilities at fair value through profit or loss	88,770	57,376	88,770	57,376
Derivative financial liabilities	39,738	35,049	39,738	35,049
Assets sold under agreements to repurchase	271,737	127,477	271,737	127,477
Accounts payable	10,349	6,663	10,349	6,663
Customer deposits and payables to brokerage customers	3,431,999	3,002,049	3,431,999	3,002,049
Bonds payable	931,098	1,097,523	927,784	1,098,380
Other liabilities	268,954	271,853	268,954	271,853

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

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

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair value for those financial instruments which are not recorded at fair value in the financial statements, i.e., financial assets at amortized costs and loans and receivables.

Financial instruments for which fair value approximates to carrying amount

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, adjustment is also made to reflect the subsequent changes in the market rate after initial recognition.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for financial products with similar credit risk and maturity. For quoted debts issued, the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main quoted market price used for financial assets held by the Group is the current closing price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds;

Level 2: either directly (such as price) or indirectly (such as calculated based on price) other than quoted prices included within Level 1 that are observable for the asset or liability. This valuation method maximizes the use of observable market data and minimizes the use of unobservable inputs;

Level 3: inputs which are based on parameters other than observable market data (unobservable inputs).

The level of fair value measurement is determined by the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

Valuation methods for Level 2 and Level 3 financial instruments

For Level 2 financial instruments, valuations are generally using observable market inputs, or recent quoted market prices. The valuation providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from public valuation service providers. The fair value of debt investments denominated in RMB is determined based upon the valuation results by the CCDC. All significant inputs are observable in the market.

For Level 3 financial instruments, the consideration of being classified as Level 3 is mainly based on the significance of the unobservable factors to the overall fair value measurement.

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(in RMB million)	31 December 2022			Total fair value
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	19,212	485,472	864	505,548
Funds	295,606	203,885	4,704	504,195
Stocks	79,086	1,154	498	80,738
Wealth management investments, debt schemes and other investments	134	343,320	197,481	540,935
	394,038	1,033,831	203,547	1,631,416
Derivative financial assets				
Interest rate swaps	-	11,893	-	11,893
Currency forwards and swaps	-	15,602	-	15,602
Others	-	1,718	65	1,783
	-	29,213	65	29,278
Debt financial assets at fair value through other comprehensive income				
Bonds	46,739	318,356	766	365,861
Wealth management investments, debt schemes and other investments	-	51,898	49,272	101,170
	46,739	370,254	50,038	467,031
Equity financial assets at fair value through other comprehensive income				
Stocks	174,046	1	-	174,047
Preferred shares	-	76,116	-	76,116
Other equity investments	-	1,949	2,991	4,940
	174,046	78,066	2,991	255,103
Placements with banks and other financial institutions measured at fair value through other comprehensive income				
	-	2,777	-	2,777
Loans and advances to customers measured at fair value through other comprehensive income				
	-	331,880	-	331,880
Total financial assets	614,823	1,846,021	256,641	2,717,485
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	10,062	-	10,062
Currency forwards and swaps	-	23,498	-	23,498
Others	-	6,128	50	6,178
	-	39,688	50	39,738
Financial liabilities at fair value through profit or loss				
	6,858	78,093	3,819	88,770
Total financial liabilities	6,858	117,781	3,869	128,508

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued):

(in RMB million)	31 December 2021			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	8,862	410,261	220	419,343
Funds	202,292	144,823	4,068	351,183
Stocks	97,966	2,519	-	100,485
Wealth management investments, debt schemes and other investments	79	358,843	196,744	555,666
	309,199	916,446	201,032	1,426,677
Derivative financial assets				
Interest rate swaps	-	14,164	-	14,164
Currency forwards and swaps	-	15,687	-	15,687
Others	-	1,037	69	1,106
	-	30,888	69	30,957
Debt financial assets at fair value through other comprehensive income				
Bonds	12,116	315,344	856	328,316
Wealth management investments, debt schemes and other investments	-	41,557	58,657	100,214
	12,116	356,901	59,513	428,530
Equity financial assets at fair value through other comprehensive income				
Stocks	189,540	1	-	189,541
Preferred shares	-	76,115	-	76,115
Other equity investments	-	-	2,559	2,559
	189,540	76,116	2,559	268,215
Placements with banks and other financial institutions measured at fair value through other comprehensive income				
	-	11,228	-	11,228
Loans and advances to customers measured at fair value through other comprehensive income				
	-	248,054	-	248,054
Total financial assets	510,855	1,639,633	263,173	2,413,661
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	13,237	-	13,237
Currency forwards and swaps	-	15,855	-	15,855
Others	-	5,957	-	5,957
	-	35,049	-	35,049
Financial liabilities at fair value through profit or loss				
	11,976	42,438	2,962	57,376
Total financial liabilities	11,976	77,487	2,962	92,425

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments not recorded at fair value but for which fair value is disclosed by level of the fair value hierarchy:

(in RMB million)	31 December 2022			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at amortized cost	135,295	2,904,900	135,807	3,176,002
Total	135,295	2,904,900	135,807	3,176,002
Financial liabilities				
Bonds payable	19,599	907,886	299	927,784
Total	19,599	907,886	299	927,784

(in RMB million)	31 December 2021			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at amortized cost	145,590	2,622,420	151,473	2,919,483
Total	145,590	2,622,420	151,473	2,919,483
Financial liabilities				
Bonds payable	16,765	1,080,510	1,105	1,098,380
Total	16,765	1,080,510	1,105	1,098,380

Financial assets and liabilities for which fair value approximates carrying amount are not included in the above disclosure.

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

(in RMB million)	2022	2021
Financial assets at fair value through profit or loss		
As at 1 January	201,032	198,912
Additions	65,906	184,884
Disposals	(61,689)	(193,205)
Transfers into Level 3	859	5,112
Transfers from Level 3	(192)	(1,231)
Total gains/losses		
Gains through profit or loss	(2,369)	6,560
As at 31 December	203,547	201,032
Debt financial assets at fair value through other comprehensive income		
As at 1 January	59,513	47,652
Purchase	2,204	32,369
Disposals	(8,904)	(33,667)
Issue	546,191	696,323
Settlement	(551,693)	(686,779)
Transfers into Level 3	-	965
Total gains/losses		
Gains through profit or loss	2,759	2,650
Losses through other comprehensive income	(32)	-
As at 31 December	50,038	59,513
Equity financial assets at fair value through other comprehensive income		
As at 1 January	2,559	1,924
Additions	784	632
Disposals	-	(2)
Total gains/losses		
Losses/gains through other comprehensive income	(352)	5
As at 31 December	2,991	2,559
Loans and advances to customers at fair value through other comprehensive income		
As at 1 January	-	202,088
Additions	-	2,481,850
Disposals	-	(2,687,938)
Total gains/losses		
Gains through profit or loss	-	4,000
As at 31 December	-	-

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

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The gains or losses of level 3 financial instruments included in the income statement for the year are presented as follows:

(in RMB million)	2022		
	Realized gains	Unrealized gains	Total
Financial assets at fair value through profit or loss	2,394	(4,763)	(2,369)
Debt financial assets at fair value through other comprehensive income	2,759	-	2,759
	5,153	(4,763)	390

(in RMB million)	2021		
	Realized gains	Unrealized gains	Total
Financial assets at fair value through profit or loss	7,204	(644)	6,560
Debt financial assets at fair value through other comprehensive income	2,930	(280)	2,650
Loans and advances to customers at fair value through other comprehensive income	4,000	-	4,000
	14,134	(924)	13,210

Transfers

For the year ended 31 December 2022 and the year ended 31 December 2021, there were no significant transfers between Level 1 and Level 2 fair value measurements.

55. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset and retained control of the asset, the Group continues to recognize the financial asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. In other cases where the transferred financial assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

The Group's subsidiaries, Ping An Bank and Ping An Financial Leasing, entered into loan securitization transactions. The Group may retain risks or rewards in the securitization business which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognized on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognized.

55. TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Other transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require the counterparties to provide additional or return collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties that did not qualify for derecognition or continuing involvement and their associated financial liabilities:

(in RMB million)	31 December 2022		31 December 2021	
	Carrying amount of transferred or continuing involvement financial assets	Carrying amount of associated liabilities	Carrying amount of transferred or continuing involvement financial assets	Carrying amount of associated liabilities
Repurchase transactions	1,070	998	2,923	2,819
Assets securitization	2,115	2,115	2,581	2,581

56. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2022	31 December 2021
Cash		
Cash and amounts due from banks and other financial institutions		
Cash on hand	4,165	3,686
Term deposits	11,357	15,208
Due from banks and other financial institutions	238,978	174,345
Placements with banks and other financial institutions	58,175	70,821
Balances with the Central Bank	40,450	84,028
Subtotal	353,125	348,088
Cash equivalents		
Bonds	5,225	365
Financial assets purchased under reverse repurchase agreements	84,541	54,672
Subtotal	89,766	55,037
Total	442,891	403,125

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57. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

(in RMB million)	2022	2021
Profit before tax	105,815	139,580
Adjustments for:		
Depreciation of investment properties	3,645	1,620
Depreciation of property and equipment	7,508	6,718
Amortization of intangible assets	3,171	3,024
Depreciation of right-of-use assets	5,982	6,520
Amortization of long-term deferred expenses	47	539
Gains on disposal of investment properties, property and equipment, intangible assets and other long-term assets	(311)	(14)
Investment income and interest revenue from non-banking operations	(160,815)	(224,411)
Fair value losses/(gains) on investments at fair value through profit or loss	32,942	22,613
Interest expenses on non-banking operations	22,888	28,082
Foreign exchange gains/(losses)	(3,342)	(1,267)
Net impairment losses of financial assets and other assets	83,649	105,042
Operating profit before working capital changes	101,179	88,046
Changes in operating assets and liabilities:		
Changes in balances with the Central Bank and statutory deposits	(18,183)	(6,157)
Changes in amounts due from banks and other financial institutions	(59,021)	15,105
Changes in premium receivables	6,470	13,540
Changes in account receivable	(3,529)	(694)
Changes in inventories	706	(1,169)
Changes in reinsurers' share of insurance liabilities	1,883	(6,633)
Changes in loans and advances to customers	(332,746)	(454,989)
Changes in assets purchased under agreements to resell of banking and securities business	588	(221)
Changes in other assets	(51,959)	(101,248)
Changes in due to banks and other financial institutions	127,431	(114,037)
Changes in customer deposits and payables to brokerage customers	380,410	294,760
Changes in insurance payables	2,742	11,238
Changes in insurance contract liabilities	265,701	260,088
Changes in investment contract liabilities for policyholders	50,472	56,082
Changes in policyholder dividend payable	4,169	3,470
Changes in assets sold under agreements to repurchase of banking and securities business	(25,252)	16,037
Changes in other liabilities	63,491	43,859
Cash generated from operations	514,552	117,077
Less: Current income tax charged for the year	(27,643)	(26,816)
Changes in income tax payable	(1,004)	(145)
Net cash flows from operating activities	485,905	90,116

57. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) NET DEBT RECONCILIATION:

This section sets out an analysis of net debt and movements in net debt of current year.

(in RMB million)	Short-term borrowings	Long-term borrowings	Bonds payable	Total
As at 1 January 2022	94,491	88,586	1,074,280	1,257,357
Cash flows	7,393	(28,825)	(225,514)	(246,946)
Foreign exchange adjustments	752	1,106	1,264	3,122
Other non-cash movements	5,864	178	60,207	66,249
As at 31 December 2022	108,500	61,045	910,237	1,079,782

58. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) KEY MANAGEMENT PERSONNEL COMPRISE THE COMPANY'S DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND KEY PERSONNEL

The summary of compensation of key management personnel for the year is as follows:

(in RMB million)	2022	2021
Salaries and other short-term employee benefits after tax	66	68
Individual income tax	42	46

The estimated amount of total compensation has been provided in the Group's 2022 financial statements. The total compensation for certain key management personnel has not yet been finalized in accordance with relevant policies. The remaining compensation will be disclosed in a separate announcement when approved.

Parts of the performance-based remunerations of the Company's key management personnel will be deferred and paid over a period of 3 years in accordance with the *Code of Corporate Governance of Banking and Insurance Institutions* and the *Guidelines for Insurance Companies' Remuneration Management (Trial)* issued by the CBIRC. The deferred, unpaid parts are included in the total remunerations received by the Company's key management personnel from the Company during the Reporting Period.

(2) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS

(in RMB million)	2022	2021
Salaries and other short-term employee benefits after tax	26	25
Individual income tax	17	17

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58. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of every director and supervisor is set out below:

For the year ended 31 December 2022:

(in RMB thousand)	2022								Total	Individual income tax
	Fees	Salaries	Discretionary bonuses(ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking		
Directors										
Ma Mingzhe (iii)	-	2,850	1,099	2	8	-	-	-	3,959	2,821
Xie Yonglin	-	4,091	233	31	49	79	-	-	4,483	2,966
Tan Sin Yin	-	5,708	2,500	-	25	42	-	-	8,275	6,172
Yao Jason Bo	-	5,708	1,246	-	21	42	-	-	7,017	5,146
Cai Fangfang	-	3,000	769	31	46	68	-	-	3,914	2,602
Soopakij Chearavanont	520	-	-	-	-	-	-	-	520	110
Yang Xiaoping	520	-	-	-	-	-	-	-	520	110
He Jianfeng (v)	255	-	-	-	-	-	-	-	255	65
Cai Xun (vi)	255	-	-	-	-	-	-	-	255	65
Ouyang Hui	535	-	-	-	-	-	-	-	535	115
Ng Sing Yip	520	-	-	-	-	-	-	-	520	110
Chu Yiyun	510	-	-	-	-	-	-	-	510	130
Liu Hong	503	-	-	-	-	-	-	-	503	127
Ng Kong Ping Albert (vii)	520	-	-	-	-	-	-	-	520	110
Jin Li (viii)	510	-	-	-	-	-	-	-	510	130
Huang Wei (ix)	248	-	-	-	-	-	-	-	248	62
Subtotal	4,896	21,357	5,847	64	149	231	-	-	32,544	20,841
Supervisors										
Sun Jianyi	-	2,130	1,940	2	8	-	-	-	4,080	2,930
Wang Zhiliang	-	1,201	464	111	13	70	-	-	1,859	787
Gu Liji (x)	270	-	-	-	-	-	-	-	270	67
Zhang Wangjin (xi)	287	-	-	-	-	-	-	-	287	51
Huang Baokui (xii)	270	-	-	-	-	-	-	-	270	67
Zhu Xinrong (xiii)	234	-	-	-	-	-	-	-	234	58
Liew Fui Kiang (xiv)	236	-	-	-	-	-	-	-	236	57
Hung Ka Hai Clement (xv)	236	-	-	-	-	-	-	-	236	57
Subtotal	1,533	3,331	2,404	113	21	70	-	-	7,472	4,074
Total	6,429	24,688	8,251	177	170	301	-	-	40,016	24,915

58. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2021:

2021										
(in RMB thousand)	Fees	Salaries	Discretionary bonuses (ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total	Individual income tax
Directors										
Ma Mingzhe (iii)	-	2,850	1,759	2	7	-	-	-	4,618	3,361
Xie Yonglin	-	4,088	906	28	39	72	-	-	5,133	3,626
Tan Sin Yin	-	5,708	3,913	-	18	36	-	-	9,675	7,329
Yao Jason Bo	-	5,563	2,353	-	14	36	-	-	7,966	6,334
Cai Fangfang	-	2,997	1,407	28	36	61	-	-	4,529	3,127
Soopakij Chearavanont	509	-	-	-	-	-	-	-	509	91
Yang Xiaoping	524	-	-	-	-	-	-	-	524	96
Wang Yongjian (iv)	318	-	-	-	-	-	-	-	318	79
Huang Wei (ix)	189	-	-	-	-	-	-	-	189	51
Ge Ming (xvi)	337	-	-	-	-	-	-	-	337	85
Ng Kong Ping Albert (vii)	199	-	-	-	-	-	-	-	199	40
Ouyang Hui	539	-	-	-	-	-	-	-	539	101
Ng Sing Yip	509	-	-	-	-	-	-	-	509	91
Chu Yiyun	510	-	-	-	-	-	-	-	510	130
Liu Hong	488	-	-	-	-	-	-	-	488	122
Jin Li (viii)	189	-	-	-	-	-	-	-	189	51
Subtotal	4,311	21,206	10,338	58	114	205	-	-	36,232	24,714
Supervisors										
Sun Jianyi	-	2,130	1,940	2	8	-	-	-	4,080	2,930
Wang Zhiliang	-	946	565	220	18	66	-	-	1,815	889
Gu Liji (x)	518	-	-	-	-	-	-	-	518	132
Zhang Wangjin (xi)	517	-	-	-	-	-	-	-	517	94
Huang Baokui (xii)	510	-	-	-	-	-	-	-	510	130
Subtotal	1,545	3,076	2,505	222	26	66	-	-	7,440	4,175
Total	5,856	24,282	12,843	280	140	271	-	-	43,672	28,889

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58. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(i) Other non-monetary benefits include the Key Employee Share Purchase Plan and the Long-Term Service Plan

The participation of the Company's directors and supervisors in the Key Employee Share Purchase Plan is as follows:

Period of purchase	Average price of shares purchased	Name	Unvested as at 1 January 2022	Addition during the year	Vested during the year	Unvested as at 31 December 2022
From 25 March 2019 to 27 March 2019	RMB72.79 per share	Ma Mingzhe	150,000	-	150,000	-
		Xie Yonglin	86,855	-	86,855	-
		Tan Sin Yin	65,925	-	65,925	-
		Yao Jason Bo	63,177	-	63,177	-
		Cai Fangfang	38,456	-	38,456	-
		Sun Jianyi	96,139	-	96,139	-
		Wang Zhiliang	2,748	-	2,748	-
From 24 February 2020 to 27 February 2020	RMB80.17 per share	Ma Mingzhe	200,000	-	100,000	100,000
		Xie Yonglin	239,408	-	119,703	119,705
		Tan Sin Yin	149,630	-	74,814	74,816
		Yao Jason Bo	119,704	-	59,851	59,853
		Cai Fangfang	79,802	-	39,901	39,901
		Wang Zhiliang	4,988	-	2,493	2,495
From 26 April 2021 to 29 April 2021	RMB73.13 per share	Ma Mingzhe	500,000	-	166,666	333,334
		Xie Yonglin	461,464	-	153,821	307,643
		Tan Sin Yin	262,475	-	87,491	174,984
		Yao Jason Bo	229,666	-	76,555	153,111
		Cai Fangfang	164,047	-	54,682	109,365
		Wang Zhiliang	8,202	-	2,734	5,468
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Ma Mingzhe	-	777,593	-	777,593
		Xie Yonglin	-	741,021	-	741,021
		Tan Sin Yin	-	455,256	-	455,256
		Yao Jason Bo	-	447,689	-	447,689
		Cai Fangfang	-	264,074	-	264,074
		Wang Zhiliang	-	17,445	-	17,445

58. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

- (i) Other non-monetary benefits include the Key Employee Share Purchase Plan and the Long-Term Service Plan (continued)

The participation of the Company's directors and supervisors in the Long-term Service Plan is as follows:

Period of purchase	Average price of shares purchased	Name	Unvested as at 1 January 2022	Addition during the year	Vested during the year	Unvested as at 31 December 2022
From 7 May 2019 to 14 May 2019	RMB79.10 per share	Ma Mingzhe	252,762	-	-	252,762
		Xie Yonglin	189,571	-	-	189,571
		Tan Sin Yin	189,571	-	-	189,571
		Yao Jason Bo	126,381	-	-	126,381
		Cai Fangfang	126,381	-	-	126,381
		Sun Jianyi	126,381	-	-	126,381
		Wang Zhiliang	12,638	-	-	12,638
From 24 February 2020 to 28 February 2020	RMB80.15 per share	Ma Mingzhe	249,504	-	-	249,504
		Xie Yonglin	187,128	-	-	187,128
		Tan Sin Yin	187,128	-	-	187,128
		Yao Jason Bo	124,752	-	-	124,752
		Cai Fangfang	124,752	-	-	124,752
		Wang Zhiliang	18,712	-	-	18,712
From 26 April 2021 to 29 April 2021	RMB72.92 per share	Ma Mingzhe	274,224	-	-	274,224
		Xie Yonglin	205,668	-	-	205,668
		Tan Sin Yin	205,668	-	-	205,668
		Yao Jason Bo	137,112	-	-	137,112
		Cai Fangfang	137,112	-	-	137,112
		Wang Zhiliang	13,985	-	-	13,985
From 18 March 2022 to 25 March 2022	RMB47.56 per share	Ma Mingzhe	-	420,446	-	420,446
		Xie Yonglin	-	315,335	-	315,335
		Tan Sin Yin	-	315,335	-	315,335
		Yao Jason Bo	-	210,223	-	210,223
		Cai Fangfang	-	210,223	-	210,223
		Wang Zhiliang	-	23,124	-	23,124

- (ii) Discretionary bonuses for the Group's executive directors and senior management are determined on the bonus scheme approved by the Board of Directors and the personal performance of senior management.
- (iii) MA Mingzhe is the Founder, Chairman (Executive Director) of the Company.
- (iv) Wang Yongjian resigned as a Non-Executive Director of the Company on 23 August 2021.
- (v) He Jianfeng was appointed as a Non-executive Director of the Company on 1 July 2022.
- (vi) Cai Xun was appointed as a Non-executive Director of the Company on 1 July 2022.
- (vii) Ng Kong Ping Albert was appointed as an Independent Non-executive Director of the Company on 20 August 2021.
- (viii) Jin Li was appointed as an Independent Non-executive Director of the Company on 20 August 2021.
- (ix) Huang Wei ceased to be a Non-executive Director of the Company on 1 July 2022 due to the change of his personal work arrangements.
- (x) Gu Liji resigned as an Independent Supervisor on 18 July 2022 since his term of office exceed six years.
- (xi) Zhang Wangjin resigned as a Shareholder Representative Supervisor on 18 July 2022 due to personal work arrangements.
- (xii) Huang Baokui resigned as an Independent Supervisor on 18 July 2022 since his term of office exceed six years.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

58. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(xiii) Zhu Xinrong was appointed as an Independent Supervisor of the Company on 18 July 2022.

(xiv) Liew Fui Kiang was appointed as an Independent Supervisor of the Company on 18 July 2022.

(xv) Hung Ka Hai Clement was appointed as an Independent Supervisor of the Company on 18 July 2022.

(xvi) Ge Ming resigned as an Independent Non-executive Director of the Company on 20 August 2021 because his six-year term of office expired.

59. FIVE HIGHEST PAID INDIVIDUALS

The total emoluments of the five highest paid individuals in the Group, except for key management personnel whose emoluments were reflected in Note 58, are as follows:

(in RMB million)	2022	2021
Salaries and other short-term employee benefits after tax	122	106

The number of five highest paid individuals in the Group whose emoluments after tax fell within the following bands is as follows:

	2022	2021
RMB5,000,001 – RMB10,000,000	1	–
RMB10,000,001 – RMB15,000,000	1	2
RMB15,000,001 – RMB20,000,000	–	–
RMB20,000,001 – RMB25,000,000	1	1
RMB25,000,001 – RMB30,000,000	–	2
RMB30,000,001 – RMB35,000,000	–	–
RMB35,000,001 – RMB40,000,000	2	–

The five highest paid individuals in the Group pay individual income tax in strict accordance with the local tax rules. The tax rate is between 15% and 45%.

60. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARE ARE AS SET OUT BELOW:

Name of related parties	Relationship with the Company
Charoen Pokphand Group Co., Ltd. ("CP Group")	Parent of shareholders
Shenzhen Investment Holdings Co., Ltd. ("SIHC")	Shareholder

As at 31 December 2022, CP Group indirectly held 6.52% (31 December 2021: 6.80%) equity interests in the Company and is the largest shareholder of the Company.

60. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) THE SUMMARY OF SIGNIFICANT MAJOR RELATED PARTY TRANSACTIONS IS AS FOLLOWS:

(in RMB million)	2022	2021
CP Group		
Premiums income from	63	29
Claims expenses to	29	9
Rental revenue from	26	29
Other expenses to	10	11
SIHC		
Rental revenue from	1	1
Premiums income from	5	9
Interest revenue from	7	21
Interest expenses to	62	48
Other expenses to	2	-
Lufax Holding		
Interest revenue from	21	-
Interest expenses to	624	827
Other revenues from	2,948	3,360
Other expenses to	2,879	4,880
Ping An Health		
Interest expenses to	144	192
Other revenues from	440	361
Other expenses to	2,071	2,587
Ping An HealthKonnnect		
Interest revenue from	32	-
Interest expenses to	27	23
Other revenues from	306	448
Other expenses to	47	178
OneConnect		
Interest revenue from	3	16
Interest expenses to	10	12
Other revenues from	1,708	1,795
Other expenses to	2,598	2,325

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

60. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) THE SUMMARY OF BALANCES OF THE GROUP WITH MAJOR RELATED PARTIES IS AS FOLLOWS:

(in RMB million)	31 December 2022	31 December 2021
CP Group		
Customer deposits	101	-
SIHC		
Customer deposits	3,266	2,127
Loans and advances to customers	590	280
Lufax Holding		
Customer deposits	14,316	9,798
Loans and advances to customers	821	-
Derivative financial assets	-	26
Derivative financial liabilities	447	38
Accounts payable and other payables	4,457	8,714
Accounts receivable and other receivables	4,304	661
Ping An Health		
Customer deposits	4,083	4,075
Accounts payable and other payables	2,885	3,465
Accounts receivable and other receivables	82	66
Ping An HealthKonnnect		
Customer deposits	1,286	851
Loans and advances to customers	818	-
Accounts payable and other payables	213	232
Accounts receivable and other receivables	5,289	6,780
OneConnect		
Customer deposits	788	1,132
Loans and advances to customers	-	301
Derivative financial assets	10	191
Derivative financial liabilities	56	-
Accounts payable and other payables	1,511	1,617
Accounts receivable and other receivables	1,110	1,173

In addition to transactions and balances stated above, the Group transferred 100% shareholding of Gem Alliance Limited to Lufax Holding, which issued convertible bonds amounting to USD1,953.8 million to the Group as the consideration in 2016, and pay interest to the Group every six months at an annual rate of 0.7375%. In December 2022, Lufax Holding entered into an amended and supplemental agreement with the Group pursuant to which the maturity date of 50% of the outstanding principal amount of the convertible bonds was extended from October 2023 to October 2026 and the remaining 50% outstanding principal amount was redeemed. As at 31 December 2022, the par value of these convertible bonds held by the Group amounted to USD976.9 million.

61. COMMITMENTS

(1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to investments and property development projects.

(in RMB million)	31 December 2022	31 December 2021
Contracted, but not provided for	10,031	59,273
Authorized, but not contracted for	9,517	6,898
	19,548	66,171

(2) CREDIT COMMITMENTS

(in RMB million)	31 December 2022	31 December 2021
Bank acceptances	703,902	576,355
Guarantees issued	111,005	99,355
Letters of credit issued	122,487	66,869
Subtotal	937,394	742,579
Unused limit of credit cards	889,566	818,628
Total	1,826,960	1,561,207
Credit risk weighted amounts of credit commitments	506,034	431,405

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

(3) INVESTMENT COMMITMENTS

The Group's investment commitments to associates and joint ventures are as follows:

(in RMB million)	31 December 2022	31 December 2021
Contracted but not provided for	11,784	15,810

62. EMPLOYEE BENEFITS

(1) PENSION

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by relevant government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

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For the year ended 31 December 2022

62. EMPLOYEE BENEFITS (CONTINUED)

(2) HOUSING BENEFITS

The employees of the Group are entitled to participate in and make contributions to various government sponsored funds for housing purposes. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(3) MEDICAL BENEFITS

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(4) KEY EMPLOYEE SHARE PURCHASE PLAN

The Group has adopted a Key Employee Share Purchase Plan for the key employees of the Company and its subsidiaries. Refer to Note 41 for more details.

(5) LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Refer to Note 42 for more details.

63. CONTINGENT LIABILITIES

Owing to the nature of the insurance, bank and other financial services business, the Group is involved in contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigations and arbitrations. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any applicable legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

64. EVENTS AFTER THE REPORTING PERIOD

(1) PROFIT DISTRIBUTION

On 15 March 2023, the Board of Directors of the Company approved the Profit Distribution Plan of the Company for 2022, and declared a final cash dividend of 2022 in the amount of RMB1.50 (tax inclusive) per share as disclosed in Note 17.

65. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

66. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(1) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(in RMB million)

31 December 2022

31 December 2021

Assets

Cash and amounts due from banks and other financial institutions	31,324	32,706
Financial assets purchased under reverse repurchase agreements	1,770	4,786
Financial assets at fair value through profit or loss	8,452	6,460
Financial assets at amortized cost	1,214	1,036
Debt financial assets at fair value through other comprehensive income	8,531	2,903
Investments in subsidiaries and associates	236,919	219,972
Investment properties	1,020	926
Property and equipment	27	38
Intangible assets	995	1,002
Right-of-use assets	31	87
Other assets	11,335	10,165
Total assets	301,618	280,081

Equity and liabilities

Equity

Share capital	18,280	18,280
Reserves	144,503	144,483
Treasury shares	(10,996)	(9,895)
Retained profits	128,895	108,854
Total equity	280,682	261,722

Liabilities

Due to banks and other financial institutions	19,417	17,081
Income tax payable	10	28
Lease liabilities	31	91
Other liabilities	1,478	1,159
Total liabilities	20,936	18,359

Total equity and liabilities	301,618	280,081
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The statement of financial position of the Company was approved by the Board of Directors on 15 March 2023 and was signed on its behalf.

MA Mingzhe
Director

XIE Yonglin
Director

YAO Jason Bo
Director

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

66. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(2) RESERVE MOVEMENT OF THE COMPANY

For the year ended 31 December 2022							
(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January	128,737	211	2,976	12,164	395	108,854	253,337
Profit for the year	-	-	-	-	-	63,861	63,861
Other comprehensive income	-	4	(36)	-	-	-	(32)
Dividend declared	-	-	-	-	-	(43,820)	(43,820)
Employee Share Purchase Plan	-	-	44	-	-	-	44
Others	-	-	8	-	-	-	8
As at 31 December	128,737	215	2,992	12,164	395	128,895	273,398

For the year ended 31 December 2021							
(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January	128,737	181	2,826	12,164	395	120,592	264,895
Profit for the year	-	-	-	-	-	29,731	29,731
Other comprehensive income	-	30	5	-	-	-	35
Dividend declared	-	-	-	-	-	(41,469)	(41,469)
Employee Share Purchase Plan	-	-	144	-	-	-	144
Others	-	-	1	-	-	-	1
As at 31 December	128,737	211	2,976	12,164	395	108,854	253,337

According to the Company's articles of association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used to offset prior year losses before allocations to such reserves.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

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