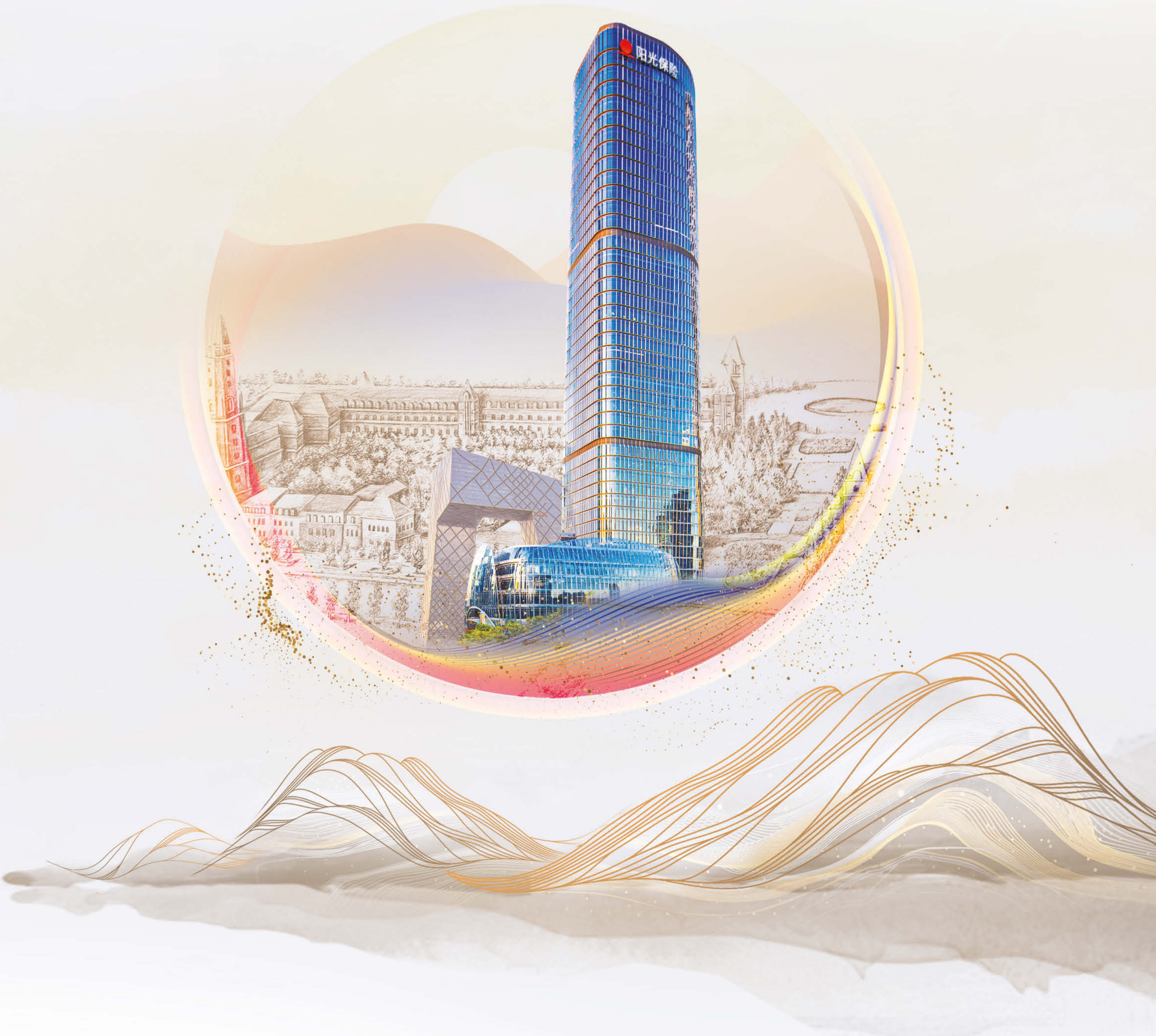
2023
ANNUAL REPORT



阳光保险集团
Sunshine Insurance Group

Sunshine Insurance Group Company Limited

陽 光 保 險 集 團 股 份 有 限 公 司

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

(Stock Code: 06963)

DEFINITIONS

"Articles of Association"	the articles of association of Sunshine Insurance Group Company Limited
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018, and, if the context requires, includes its predecessors, namely CBRC and CIRC
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with the CIRC to form CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018
"China" or "PRC"	the People's Republic of China, for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" or "PRC" do not include Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), which was merged with the CBRC to form the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司), a joint stock company established on June 27, 2007 under the laws of the PRC with limited liability, and if the context requires, includes its predecessors prior to the incorporation of the Company
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended by the Standing Committee of the Thirteenth National People's Congress on October 26, 2018 and effective on the date of its promulgation, as amended, supplemented and otherwise modified from time to time
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under PRC laws
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we" or "us"	our Company and its subsidiaries
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which have been listed and traded on the Hong Kong Stock Exchange with effect from December 9, 2022
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

Definitions

"Hong Kong Offer Shares"	the 14,501,000 H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the offer price on the terms and conditions described in the Prospectus, as further described in the section headed "Structure of the Global Offering" in the Prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Independent Third Party(ies)"	person(s) or company(ies) which to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company
"International Offer Shares"	the 1,135,651,500 H Shares offered by our Company pursuant to the International Offering
"International Offering"	the offer of the International Offer Shares by the international underwriters at the offer price outside the United States to non-US persons in offshore transactions in accordance with Regulation S as further described in "Structure of the Global Offering" in the Prospectus
"Latest Practicable Date"	April 3, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing"	listing of our H Shares on the Main Board
"Listing Date"	the date of December 9, 2022, on which dealings in our H Shares first commence on the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"Ministry of Finance"	the Ministry of Finance of the PRC (中國財政部)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"National Administration of Financial Regulation"	The National Administration of Financial Regulation (國家金融監督管理總局), a regulatory authority formed on the basis of the former CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知)(Guo Fa [2023] No. 5) issued by the State Council on March 20, 2023, and if the context requires, includes its predecessor (i.e. CBIRC)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Insurance Law"	Insurance Law of the PRC, enacted by the Standing Committee of the Eighth National People's Congress on June 30, 1995 and effective on October 1, 1995, as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus of the Company dated November 30, 2022 issued in connection with the Global Offering and the Listing
"province"	all provincial-level administrative regions of the PRC, including provinces, autonomous regions, municipalities directly under the Central Government and special administrative regions of the PRC
"Regulation S"	Regulation S under the US Securities Act

Definitions

"Reporting Period"	for the year ended December 31, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Sunshine AMC"	Sunshine Asset Management Corporation Limited (陽光資產管理股份有限公司), a joint stock company established on December 4, 2012 under the laws of the PRC with limited liability, in which the Company directly and indirectly held approximately 80% equity interest as of the Latest Practicable Date
"Sunshine Life"	Sunshine Life Insurance Corporation Limited (陽光人壽保險股份有限公司), a joint stock company established on December 17, 2007 under the laws of the PRC with limited liability, in which the Company held 99.9999% equity interest as of the Latest Practicable Date

"Sunshine P&C"	Sunshine Property and Casualty Insurance Company Limited (陽光財產保險股份有限公司), a joint stock company established on July 28, 2005 under the laws of the PRC with limited liability, in which the Company held approximately 100% equity interest as of the Latest Practicable Date
"Sunshine Surety"	Sunshine Surety Insurance Company Limited (陽光信用保證保險股份有限公司), formerly known as Sunshine Yurong Credit and Guarantee Insurance Company Limited (陽光渝融信用保證保險股份有限公司), a joint stock company established on January 11, 2016 under the laws of the PRC with limited liability, in which the Company held approximately 87.33% equity interest as of the Latest Practicable Date
"Sunshine Union Hospital"	Shandong Sunshine Union Hospital Co., Ltd. (山東陽光融和醫院有限責任公司) a company established on September 29, 2014 under the laws of the PRC with limited liability in which the Company indirectly held approximately 80% equity interest as of the Latest Practicable Date
"Supervisor(s)"	the member(s) of our Board of Supervisors
"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	US dollars, the lawful currency of the United States

HONORS AND AWARDS

AWARDS OF SUNSHINE INSURANCE GROUP FOR 2023

Awarding Entity	Honors and Awards
FORTUNE	2023 China's top 500
China Enterprise Confederation, China Enterprise Directors Association	Ranked among the "Top 500 Chinese Enterprises" for 13 consecutive years
All-China Federation of Industry and Commerce	62nd among the Top 500 Chinese Private Enterprises
World Brand Lab	Awarded "China's 500 Most Valuable Brands" for 12 consecutive years
National Business Daily	Annual Award of Annual Financial Contribution for Serving the Real Economy
Securities Times	2023 Ark Award for Insurance Industry with Outstanding Social Responsibility
Financial Times	Best Technology Innovation Insurance Group Company of the Year
the Paper	Fintech Outstanding Enterprise of the Year

AWARDS OF SUNSHINE P&C FOR 2023

Awarding Entity	Honors and Awards
National Business Daily	Excellent Property and Casualty Insurance Company of the Year
Securities Times	2023 Ark Award of Gold Medal Insurance Service
Shanghai Securities News	Insurance Service Award of the Year

AWARDS OF SUNSHINE LIFE FOR 2023

Awarding Entity	Honors and Awards
China Times	2023 Best Life Insurance Company
21st Century Business Herald	2023 Outstanding Customer Service Organization of the Year
China Securities Journal	Investment Golden Bull Awards for China's Insurance Industry

AWARDS OF SUNSHINE AMC FOR 2023

Awarding Entity	Honors and Awards
Investment & Pensions Europe (IPE)	2023 Top 500 Global Asset Management Association
China Securities Journal	Investment Golden Bull Awards for China's Insurance Industry

AWARD OF SUNSHINE UNION HOSPITAL FOR 2023

Awarding Entity	Honors and Awards
Shandong Red Cross Society	5·8 Humanitarian Devotion Award

Ranked among the "Top 500 Chinese Enterprises" for 13 consecutive years

CHINA ENTERPRISE CONFEDERATION, CHINA ENTERPRISE DIRECTORS ASSOCIATION

Awarded "China's 500 Most Valuable Brands" for 12 consecutive years

WORLD BRAND LAB

2023 Ark Award for Insurance Industry with Outstanding Social Responsibility

SECURITIES TIMES

Best Technology Innovation Insurance Group Company of the Year

FINANCIAL TIMES

Excellent Property and Casualty Insurance Company of the Year

NATIONAL BUSINESS DAILY

Insurance Service Award of the Year

SHANGHAI SECURITIES NEWS

2023 Best Life Insurance Company

CHINA TIMES

2023 Outstanding Customer Service Organization of the Year

21ST CENTURY BUSINESS HERALD

Investment Golden Bull Awards for China's Insurance Industry

CHINA SECURITIES JOURNAL

CORPORATE INFORMATION

REGISTERED NAME

Legal Chinese Name:
陽光保險集團股份有限公司

Abbreviation in Chinese:
陽光保險

Legal English Name:
Sunshine Insurance Group Company Limited

Abbreviation in English:
SUNSHINE INS

REGISTERED OFFICE

17th Floor, Block A, First World Plaza
No. 7002, Hongli West Road
Futian District
Shenzhen, PRC
(Postcode: 518034)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

CLASS OF SHARES

H Shares

STOCK NAME

SUNSHINE INS

STOCK CODE

6963

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.sinosig.com

INVESTOR RELATIONS DEPARTMENT

The Securities Affairs Department
Telephone: (8610) 5828 9818
E-mail: ir@sinosig.com

LEGAL REPRESENTATIVE

Mr. ZHANG Weigong

SECRETARY TO THE BOARD

Mr. NIE Rui

AUTHORIZED REPRESENTATIVES

Mr. PENG Jihai
Mr. Shu Gaoyong
(Mr. Shu Gaoyong was appointed on January 10, 2024, and Mr. NIE Rui has resigned on January 10, 2024)

JOINT COMPANY SECRETARIES

Mr. Shu Gaoyong
(Mr. Shu Gaoyong was appointed on January 10, 2024, and Mr. NIE Rui has resigned on January 10, 2024)
Mr. LAU Kwok Yin

AUDITOR

Ernst & Young
(Certified Public Accountants and Registered Public Interest Entity Auditor)

HONG KONG LEGAL ADVISOR

Clifford Chance

PRC LEGAL ADVISOR

Commerce & Finance Law Offices

COMPLIANCE ADVISOR

Huatai Financial Holdings (Hong Kong) Limited

UNIFIED SOCIAL CREDIT CODE

91440300664161245Y

Chairman Statements

2023 was a landmark year for the financial and insurance industry. The Central Financial Work Conference has drawn up a grand blueprint for "building a strong financial power", pointed out the path of financial development with Chinese characteristics, and further clarified the proposition of the times for high-quality financial development. The year 2023 was also an important year for Sunshine's development. Sunshine ushered in the 18th anniversary of its establishment as a coming-of-age ceremony, went through the first full operating year of its listing in a steady and sustainable way, and comprehensively laid out the "New Sunshine" strategy of creating "Technological Sunshine, Valuable Sunshine, and Caring Sunshine (科技陽光、價值陽光、知心陽光)", and achieved favorable operating results and remarkable development achievements.

ZHANG Weigong

Founder, Chairman of the Board

Operating results achieved steady growth. The Company adhered to the value development philosophy of "seeking progress amidst quality", adhered to the principle of "quality" as the first priority, "progress" as the driving force, and value as the key. The Group's gross written premiums (GWPs) were RMB118.91 billion, representing a year-on-year increase of 9.3%; insurance revenue of RMB59.9 billion, representing a year-on-year increase of 7.5%; net profit attributable to equity owners of the parent was RMB3.74 billion. Embedded value amounted to RMB104.06 billion, representing an increase of 6.4% from the end of the previous year on a comparable basis. Sunshine Life's first-year regular premiums (FYRPs) were RMB18.1 billion, with an increase of 22.7% year on year, while the value of new business amounted to RMB3.6 billion, with an increase of 44.2% year on year on a comparable basis. The original premium income of Sunshine P&C was RMB44.24 billion, with an underwriting combined ratio of 98.7%.

Technological capability has been comprehensively enhanced. We have been focusing on the "technological finance" and "digital finance" proposed by the Central Financial Work Conference, improving the innovation mechanism, creating an innovation culture, deepening the product orientation, and making full efforts in the three major robotics projects of sales, service and management, and gradually shaping AI products and started testing at the business in branches. The first Insurance Technology Digital Intelligence Conference (保險科技數智大會) initiated by the Company gathered more than 150 entities inside and outside the industry, released the first white book on the application of big model technology in the insurance industry, established the insurance technology digital intelligence innovation consortium, gathered the industrial strength of insurance technology and intelligence, and comprehensively pushed forward the innovation breakthroughs of Technological Sunshine.

Value-oriented projects have shown results. Sunshine P&C's intelligent mortality table for automobile insurance(車險智能生命表) project has broken through the "last mile" and achieved industry-leading risk pricing capabilities, rigid risk cost management and optimal resource allocation with full intelligence, providing a technological model guarantee for building automobile insurance into a stable source of profit for Sunshine P&C. The non-automobile data mortality table (非車數據生命表) and credit insurance mortality table (信用保險生命表) have also made substantial progress and have been gradually applied to business. Sunshine Life's path of differentiation for "One Body (一身)" and value-orientation for "Two Wings (兩翼)" has gradually been made clear, and the pursuit of "Five Highs (五高)" of the Company with high quality, high productivity, high value, high income and high persistency has been initially realised. During the year, the first-year regular premiums from individual insurance channel were RMB4.3 billion, representing a year-on-year increase of 46.5%; the first-year regular premiums from worksite marketing channel have more than doubled; business indicators such as team education level, productivity per capita, product NBV margin, 13-month premium persistency ratio and sales-force income have been improved in all directions.

Chairman Statements

Customer management has reached a higher level. We firmly promoted customer-centric ideas and actions based on the implementation of the "Matrix Plan and Partnership Action". Focusing on the needs of the whole life cycle of customer's family, based on the large-scale survey of more than 20,000 customers, and through the in-depth research and thorough analysis of multi-dimensional issues such as life stage, demand classification and product correspondence, Sunshine Life has creatively launched the "three/five/seven (三／五／七)" product system that truly has a customer-centric mindset, which makes Sunshine the first company in the industry to make clear a hard-to-answer question of how many insurance policies are needed in a person's life to the society in a simple way. Focusing on advantageous areas, Sunshine P&C has implemented industry-based risk management solutions and continuously explored new models of risk reduction management. In accordance with the principle of "four properties" of "value, characteristic, practicality and usability", we have reshaped the value-added service system of Sunshine, and upgraded the unique "customer experience officer" team of Sunshine to better "speak for customers". The number of Group's active customer amounted to 31.54 million by the end of 2023.

We have been solidly performing our social responsibilities. We stick to serving the real economy and actively respond to national strategies. During the year, we have provided a total of RMB61 trillion of risk protection for the real economy, and offered RMB12.2 trillion of green insurance protection, and the balance of sustainable investment exceeding RMB50.0 billion; we provided risk protection of RMB304.02 billion for about 26,000 micro, small and medium-sized enterprises and assisted about 68,200 micro, small and medium-sized enterprises in financing RMB11.3 billion. As at the end of 2023, the Company has contributed more than RMB680 million in various public welfare and charitable undertakings, helped establish a total of 73 schools in 24 provinces across the country, trained a total of 19,478 rural doctors, and granted parent-supporting subsidies to a total of 40,716 employees.

We have been improving our management mechanisms. On the basis of the Company's excellent, unique governance culture and professional, flexible governance mechanisms, we introduced "CEO+Co-CEOs" mechanism at the management level to optimize the decision-making process of the executive committee and continuously improve the Company's management and operation capabilities. The Group took the lead in implementing a "three-pronged" organizational and human resources reform covering the entire headquarters, including organizational changes, management system, and competitive recruitment and dual election, which has achieved the objectives of "enhancing corporate vitality, clearing the slack off phenomenon and increasing the number of youth in management level". The efficient, professional and flexible management mechanism has acted as a system guarantee for the speedy and timely implementation of the "New Sunshine" strategy.

The year 2024 is critical to achieving objectives and completing tasks under the 14th Five-year Plan. With favorable factors such as the general trend of long-term positive development of China's economy, national policy orientation to support the insurance industry development, the sound market environment created by departments of financial supervision and management as well as the continuous promotion of high-quality development by various industries, the room for the insurance industry development is expected to be further expanded, and the fundamentals of insurance industry's long-term growth will remain unchanged. At the same time, the five aspects including scientific and technological finance, green finance, inclusive finance, elderly care finance and digital finance proposed by the Central Financial Work Conference and the roles of insurance as an economic damper and social stabilizer also act as guiding lights for the industry to help implement the 14th Five-year Plan and serve the Chinese modernization with high-quality development.

Sunshine Insurance always integrates its own development into the overall national status. In the following year, we will understand and carry out principles of the Central Financial Work Conference, and give top priority on implementing the "New Sunshine" strategy featuring high-quality development. Based on the strategic focus on "endearing under a blueprint that includes all objectives" and requirements on executive capabilities, we will make continuous efforts to move toward the development goal of "pioneering scientific and technological capabilities, value creating strength, and customer-centric mentality".

Focusing on "Technological Sunshine", with our technology strategy implementation roadmap in place, we will improve the "Lop Nor Project (羅布泊計劃)" innovation mechanism and make breakthroughs on the three robotics project. Meanwhile, inclusive and open-minded as we are, we will provide resources and platforms for scientific and technological innovation within and outside the industry and pool advanced data algorithm capabilities to improve customer experience and operational efficiency. Focusing on "Valuable Sunshine", Sunshine Life will take the three strategy projects of "One Body, Two Wings (一身兩翼)", upgrading product value, and the "three/five/seven (三／五／七)" Matrix Plan as the starting point, implementing them simultaneously and pushing forward the achievement of "Five Highs" pursuit. Sunshine P&C will focus on upgrading its product structure and on three life tables to build itself a more competitive company with high-quality development. Sunshine AMC will help improve the sound and stable development of its main business through its clear strategic focus, right choices and excellent match of assets and liabilities. Focusing on "Caring Sunshine", we will firmly uphold the original aspiration of "insurance for the people" and our mission of " bring more sunshine to people", and we will concentrate our efforts on sales behaviors, product functions, product services, value-added services and brand perception throughout all links from the perspectives of our customers in order to allow Sunshine to be a real caring friend of our customers.

Development and advancement are an ongoing process. We are well aware that building a new Sunshine is not an overnight task. We adhere to the entrepreneurial spirit of tackling challenges with courage and perseverance, unrelentingly implement the "New Sunshine" strategy and strive to turn our blueprint into a reality so as to make contributions to promoting the high-quality financial development and facilitate the national strategy of building a strong power in finance.

Sunshine Insurance Group Company Limited
陽光保險集團股份有限公司
ZHANG Weigong
Founder, Chairman of the Board

RESULTS HIGHLIGHTS

Unit: RMB in millions, except for percentages

KEY PERFORMANCE DATA	**December 31, 2023[1]**	December 31, 2022[1]	Increase/ decrease	December 31, 2021[2]	December 31, 2020[2]	December 31, 2019[2]
Total assets	**513,686**	453,569	13.3%	441,623	406,494	332,558
Total liabilities	**451,897**	394,216	14.6%	382,407	349,547	281,415
Total equity	**61,789**	59,353	4.1%	59,216	56,947	51,143
Net assets per share (RMB)[3]	**5.26**	5.05	4.1%	5.60	5.39	4.83

KEY PERFORMANCE DATA	**2023[1]**	2022[1]	Increase/ decrease	2021[2]	2020[2]	2019[2]
Insurance revenue	**59,900**	55,738	7.5%	N/A	N/A	N/A
GWPs	**118,907**	108,740	9.3%	101,759	92,569	87,907
Net profit	**3,866**	4,628	(16.5%)	6,020	5,681	5,151
Net profit attributable to equity owners of the parent	**3,738**	4,494	(16.8%)	5,883	5,619	5,086
Earnings per share (RMB/share)[3]	**0.32**	0.43	(24.6%)	0.57	0.54	0.49
Weighted average return on equity[3]	**6.0%**	8.3%	(2.3%)	10.3%	10.6%	11.0%

Note 1: The Company restates and presents the comparative information on insurance contract in accordance with IFRS 17 Insurance Contracts (the "New Accounting Standards for Insurance Contracts"). The Company has chosen not to restate and present the comparative information on financial instruments in accordance with IFRS 9 Financial Instruments (the "New Accounting Standards for Financial Instruments"). As a result, the above performance measures as at December 31, 2023 and for the year ended December 31, 2023 are financial data under the New Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts, and the above performance measures as at December 31, 2022 and for the year ended December 31, 2022 are financial data under IAS 39 Financial Instruments: Recognition and Measurement (the "Old Accounting Standards for Financial Instruments") and the New Accounting Standards for Insurance Contracts.

Note 2: The Company adopted the New Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts on 1 January, 2023. As a result, the above performance measures as at December 31, 2019 and for the year ended December 31, 2019, as at December 31, 2020 and for the year ended December 31, 2020, and as at December 31, 2021 and for the year ended December 31, 2021 were prepared in accordance with the IFRS 4 Insurance Contracts and the Old Accounting Standards for Financial Instruments.

Note 3: Based on the data attributable to equity owners of the Company. The percentage of increase or decrease in earnings per share and net assets per share is calculated based on the data before rounding.

Management Discussion and Analysis

Management Discussion and Analysis

I. BUSINESS OVERVIEW

In 2023, in order to realize Sunshine's strategic upgrading and another leap in its value creation capability, the Company has rationally studied the macroeconomy, market and industry trends, and thoroughly summarized its development experience in the past 19 years, so as to formulate and fully launch the "New Sunshine Strategy", which refers to building a "Technological Sunshine" through data intelligence, a "Valuable Sunshine" through model innovation, and a "Caring Sunshine" through the benevolent culture of "love and responsibility". As a result, the main business of insurance has been developing steadily, business value has been continuously enhanced, and the idea of "all for customers" has been effectively realized.

Focusing on "Technological Sunshine", the Company has taken institutional innovation as a breakthrough, and built a dual-drive technology innovation system with internal independent innovation and external collaborative innovation. Grasping the opportunities of the times and leveraging on artificial intelligence, we pioneered in building the Sunshine Zhengyan (陽光正言) GPT model in the insurance professional field, promoting the application of sales, service and management intelligence to real-life scenarios such as customer service, sales support, intelligent claims settlement and administration. We continued to deepen digital transformation by accelerating the construction of five core competencies including digital customer insight, digital marketing, digital risk control, digital product innovation and digital operation, so as to promote the Company's high-quality development through digitalization and intelligent transformation.

Focusing on "Valuable Sunshine", life insurance sticked to taking value development as its core by strengthening basic management such as asset-liability matching and solvency adequacy, continuously optimized business structure and enhanced business quality. Under the strategy of simultaneous advancement of diversified sales channels, we made great efforts to promote the development of "One Body, Two Wings (一身兩翼)" and further strengthened the core ability of customer operation and value development through product and service system, strategic channel layout and salesforce capacity enhancement; the property and casualty insurance business has focused on the three mortality tables including "intelligent automobile insurance mortality table (車險智能生命表)" and "non-automobile data mortality table (非車數據生命表)" as well as the "credit insurance mortality table (信用保險生命表)" to build up the core competence of risk pricing and resource allocation in a comprehensive manner, so as to make automobile insurance a stable and profitable foundation for property and casualty insurance, and at the same time, to realize the balanced development of non-automobile business.

Focusing on "Caring Sunshine", the Company has continued to build a customer-driven development model and to promote the "Matrix Plan" and "Partnership Action". Life insurance promotes the "Matrix Plan" in depth by conducting extensive customer research based on the needs of customers' families in different stages of their life, and has successfully launched the "three/five/seven (三／五／七)" product allocation concept and policy system; the property and casualty insurance focuses on the "Partnership Action" business model to build a trustworthy risk management partner for enterprises. It has successfully created industry-specific risk management solutions for a number of industries through the form of "insurance + technology + service". In terms of customer service, the Company follows the principles of "love, attentiveness and thoughtfulness" and "value, characteristics, practicality and usability" to continuously strengthen the operational efficiency of basic insurance services, the ability to provide value-added services and straight-through services to customers.

(I) Results of operations

In 2023, the Company's overall operating performance grew steadily, and its ability to create value has been continuously enhanced, maintaining a sound growth momentum. The gross written premiums ("GWPs") of the Group were RMB118.91 billion, representing a year-on-year increase of 9.3%, and the insurance revenue reached RMB59.90 billion, representing a year-on-year increase of 7.5%. The net profit attributable to equity owners of the parent was RMB3.74 billion, representing a year-on-year decrease of 16.8%. The embedded value was RMB104.06 billion, up 6.4% from the end of the previous year on a comparable basis(1). The total investment yield was 3.3%, and the comprehensive investment yield was 4.8%. As at the end of 2023, the Group had approximately 31.54 million active customers(2).

Note 1: For growth rate on a comparable basis, the embedded value of 2022 was restated using the same valuation methods and economic assumptions as at the end of 2023.

Note 2: The active customers refer to the applicants and insureds who hold at least one valid insurance policy at the end of the reporting period, excluding free policies. In the event that the applicants and insureds are the same person, they shall be deemed as one customer. The number of customers of subsidiaries does not add up to the total number of customers of the group because of the de-duplication process for customers who purchase multiple products.

Management Discussion and Analysis

The life insurance business achieved rapid new business value growth with further optimized business structure.

- The life insurance GWPs were RMB74.60 billion, representing a year-on-year increase of 9.2%;

- The first-year regular premiums ("FYRPs") were RMB18.10 billion, representing a year-on-year increase of 22.7%, and single premiums decreased by 28.3% year on year;

- The value of new business was RMB3.6 billion, with a year-on-year increase of 44.2% on a comparable basis[1].

The property and casualty insurance[2] rapidly grew in terms of business volume with enhanced profitability.

- The original premium income (OPI) was RMB44.24 billion, representing a year-on-year increase of 9.6%. The business volume achieved rapid growth and the business structure and quality were continuously optimized. The Group continued to tighten the risk exposure of credit and guarantee insurance business, proactively reduced the volume of business and optimized the product structure, resulting in a year-on-year decrease of 25.8% in the volume of guarantee insurance business and a year-on-year increase of 15.5% in non-guarantee insurance business.

- The major value-oriented business and strategically-focused areas achieved rapid growth, of which the growth rate of personal vehicle premiums was 10.8%, of agricultural insurance premiums was 42.1%, and of policy-supported health insurance premiums was 65.3%;

- With strengthened business management and risk screening, the underwriting combined ratio[3] was 98.7%, representing a year-on-year decrease of 0.7 percentage points.

Note 1: For growth rate on a comparable basis, the new business value of 2022 was restated using the same valuation methods and economic assumptions as at the end of 2023.

Note 2: Property and casualty insurance business refers to the business of Sunshine P&C.

Note 3: Underwriting combined ratio under the New Accounting Standards for Insurance Contracts = (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 premium reserves)/insurance revenue.

Asset management business developed steadily by sticking to long-term investment strategy.

- The Group firmly implemented the strategic asset allocation based on the characteristics of liabilities and tided through economic cycles, and the investment performance remained stable. The Group achieved total investment income of RMB14.62 billion, with total investment yield of 3.3% and comprehensive investment yield of 4.8%;

- The Group has been promoting the professional and market-oriented development of the third-party asset management business and pays equal attention on quality and speed, with RMB410.67 billion of third-party assets under management.

We focused on AI innovation and deepened digital transformation.

- We have comprehensively upgraded "Technological Sunshine 3.0" with data intelligence as the core, and taken sales robot, service robot and management robot as the breakthrough, to build a customer-centered intelligent technology platform and promote the Company's high-quality development and transformation in a digital and intelligent manner.

- Grasping the trend of AI innovation and development with all its strength, the Company has incorporated the independent development of AI model as its strategic project, and has taken the lead in studying and developing the Sunshine Zhengyan (陽光正言) GPT model with its own intellectual property rights, which has been applied to the customer service, sales support, intelligent claims settlement, and other scenarios. We led in publishing the Deeply Empowering Insurance Industry with Big Model Technology, China's first white book of big model in the financial industry.

- We strengthened digital customer insight, marketing, operation, risk control and product innovation and achieved fruitful results. In terms of customer insight, with the integration of big data and application of customer profiles, the customer conversion rate increased by 99.5% over the same period. In terms of sales support, we utilized big data, text mining and other means to facilitate sales, which empowered the telephone sales channel to increase per capita productivity by 10.8%. In terms of operational services, we provided customers with intelligent consultation, intelligent loss assessment and other intelligent business operations. The online automatic service rate of property and casualty insurance business and life insurance business exceeded 91%, the intelligent service rate without manual service was 40.6%, and the customer satisfaction rate of intelligent service was 90.2%. In terms of risk prevention, 210 risk monitoring and identification indicators were added, and 147 optimized during the year, which effectively monitored, identified and controlled sales behavioral risks. In terms of product innovation, the "Mileage-based New Energy Vehicle Model" utilized data mining technology to significantly enhance the risk identification and screening capabilities of the new energy vehicle business.

Management Discussion and Analysis

We practiced sustainable development by supporting the real economy and fulfilling social responsibility.

- We served national strategies and supported the real economy. We promoted rural revitalization, carried out comprehensive insurance assistance, expanded the coverage of insurance for agricultural products, and provided key groups with a package of products such as "Poverty Prevention Insurance" and supplementary medical insurance. In 2023, we provided over RMB28.60 billion of agricultural insurance risk protection for 917,000 farmers, and paid out RMB460 million in claims, benefiting 368,000 farmers; we also helped building the "Belt and Road", providing RMB98.16 billion of risk protection for 402 "Belt and Road" projects, and RMB60.07 billion of long-term financial support for large-scale investment projects. Adhering to the development orientation of "serving the real sector and securing universal benefits", the Company actively supported the real economy, providing risk protection of RMB61.0 trillion for the real economy in 2023, and fulfilled its financial responsibility of "helping enterprises to alleviate their difficulties" by providing risk protection of RMB304.02 billion for about 26,000 small- and medium-sized enterprises (SMEs), which has helped about 68,000 SMEs obtain financing amount of RMB11.30 billion.

- We fulfilled our social responsibilities and devoted ourselves to public welfare. We gave full play to the advantages of financial technology and medical resources, and actively organized and participated in various public welfare activities in the fields of education, helping the elderly and poverty alleviation. As of the end of December 2023, Sunshine Insurance has invested more than RMB680 million in various public welfare and charitable undertakings, established 73 schools in 24 provinces across the country and trained a total of 19,478 rural doctors. We sincerely care for our employees and their families, and parent-supporting subsidies were granted to a total of 40,716 employees.

- We promoted green development and achieved harmonious coexistence. In 2023, we continued to explore research on green and low-carbon insurance products, completed the development and implementation of three innovative products, vigorously developed green insurance business, provided green insurance protection of RMB12.2 trillion for 1.77 million enterprises and individuals, and provided compensation support of over RMB4.1 billion; optimized the sustainable investment framework and strengthened ESG (Environmental, Social, and Governance) risk management during the investment process. As of the end of December 2023, the balance of sustainable investment exceeded RMB50 billion, of which green investment exceeded RMB18 billion. We firmly establish the concept of green operation, practice green and low-carbon office, focus on building green buildings and green data centers, promote energy conservation and consumption reduction, and improve resource recycling efficiency; actively promote paperless green services such as electronic policies and electronic endorsements, and strive to reduce the impact of our own operational activities on the environment.

(II) Major indicators

Unit: RMB in millions, except for percentages

Major accounting data	December 31, 2023/January-December 2023(1)	December 31, 2022/January-December 2022(1)	Increase/decrease
Insurance revenue	59,900	55,738	7.5%
Net profit	3,866	4,628	(16.5%)
Net profit attributable to equity owners of the parent	3,738	4,494	(16.8%)
Total assets	513,686	453,569	13.3%
Total liabilities	451,897	394,216	14.6%
Total equity	61,789	59,353	4.1%
Equity attributable to owners of the parent	60,446	58,075	4.1%
Earnings per share (RMB/share)(2)	0.32	0.43	(24.6%)
Net assets per share (RMB)(2)	5.26	5.05	4.1%

Note 1: The Company restates and presents the comparative information on insurance contract in accordance with the New Accounting Standards for Insurance Contracts. The Company has chosen not to restate and present the comparative information on financial instruments in accordance with the New Accounting Standards for Financial Instruments. As a result, the above performance measures as at December 31, 2023 and for the year ended December 31, 2023 are financial data under the New Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts, and the above performance measures as at December 31, 2022 and for the year ended December 31, 2022 are financial data under the Old Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts.

Note 2: Based on the data attributable to equity owners of the Company. The percentage of increase or decrease in earnings per share and net assets per share is calculated based on the data before rounding.

Management Discussion and Analysis

Unit: RMB in millions, except for percentages

Major accounting data	December 31, 2023/January-December 2023	December 31, 2022/January-December 2022	Increase/decrease
The Group			
Weighted average return on equity[1]	6.0%	8.3%	(2.3pt)
Net investment yield[2]	4.0%	3.9%	0.1pt
Total investment yield[3]	3.3%	4.9%	(1.6pt)
Comprehensive investment yield[4]	4.8%	2.8%	2.0pt
Life insurance			
Total investment yield[3]	3.4%	5.3%	(1.9pt)
Contractual service margin[5]	45,177	43,178	4.6%
Property and casualty insurance			
Underwriting combined ratio[6]	98.7%	99.4%	(0.7pt)
Total investment yield[3]	2.3%	4.8%	(2.5pt)

Note 1: Weighted average return on equity equals net profit for the period attributable to equity owners of the parent divided by the weighted average total net assets attributable to equity owners of the parent.

Note 2: Net investment yield equals net investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, operating lease income from investment properties, share of profits and losses of associates and joint ventures, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits. Opening and closing investment assets for the year ended December 31, 2023 refer to cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, term deposits, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, investments in associates and joint ventures, statutory deposits and investment properties. Opening and closing investment assets for the year ended December 31, 2022 refer to cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, investments in associates and joint ventures, statutory deposits and investment properties.

Note 3: Total investment yield equals total investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Total investment income equals the sum of net investment income, realised gains and gains or losses from fair value changes, less impairment losses on investment assets.

Note 4: Comprehensive investment yield equals comprehensive investment income for the period less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Comprehensive investment income for the year ended December 31, 2023 equals the sum of total investment income, changes in the fair value of equity instruments at fair value through other comprehensive income that will not be reclassified to profit or loss in subsequent periods, changes in the fair value of debt instruments at fair value through other comprehensive income, share of other comprehensive income of associates and joint ventures and net changes in the credit risks provision of debt instruments at fair value through other comprehensive income. Comprehensive investment income for the year ended December 31, 2022 equals the sum of total investment income, changes in the fair value of available-for-sale financial assets and share of other comprehensive income of associates and joint ventures.

Note 5: Contractual service margin refers to the unearned profit that will be recognised in the future due to the provision of insurance contract services in the future.

Note 6: Underwriting combined ratio = (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 premium reserves)/insurance revenue.

Unit: RMB in millions, except for percentages

	December 31, 2023/January-December 2023	December 31, 2022/January-December 2022	Increase/decrease
Embedded value of the Group	104,060	101,273	2.8%
Embedded value of the Group, restated[1]	104,060	97,840	6.4%
Sunshine Life's value of one year's new business	3,596	3,018	19.2%
Sunshine Life's value of one year's new business, restated[1]	3,596	2,493	44.2%
Comprehensive solvency ratio (%)[2]			
– The Group	221	198	23pt
– Sunshine Life	183	156	27pt
– Sunshine P&C	245	224	21pt

Note 1: The embedded value and new business value of 2022 was restated using the valuation methods and economic assumptions as at the end of 2023.

Note 2: The minimum regulatory requirement for comprehensive solvency ratio is 100%.

Management Discussion and Analysis

(III) Main items on consolidated statements with change of over 30% and reasons

Unit: RMB in millions, except for percentages

Balance sheet items	December 31, 2023[1]	December 31, 2022[1]	Change	Major reasons
Financial assets at fair value through profit or loss	125,367	23,809	426.6%	
Debt financial assets at fair value through other comprehensive income	260,618	N/A	N/A	
Equity financial assets at fair value through other comprehensive income	31,831	N/A	N/A	Impact of the adoption of the New Accounting Standards for Financial Instruments
Held-to-maturity financial assets	N/A	114,704	N/A	
Investments classified as loans and receivables	N/A	35,288	N/A	
Available-for-sale financial assets	N/A	169,489	N/A	
Interest receivables	N/A	3,660	N/A	
Securities purchased under agreements to resell	13,129	7,375	78.0%	The needs for liquidity management
Term deposits	9,588	22,383	(57.2%)	The maturity of term deposits
Insurance contract assets	1,111	813	36.7%	Reclassification effects of the accounting standards for insurance contracts
Deferred tax assets	1,260	2,548	(50.5%)	Impact of the decrease in deductible temporary differences
Deferred tax liabilities	101	61	65.6%	Impact of the increase in taxable temporary differences
Premiums received in advance	569	2,375	(76.0%)	Timing difference
Securities sold under agreements to repurchase	29,662	17,480	69.7%	The needs for liquidity management
Bonds payable	19,414	12,125	60.1%	Impact of Sunshine Life's issuance of capital supplementary bonds

Unit: RMB in millions, except for percentages

Income statement items	January-December 2023[1]	January-December 2022[1]	Change	Major reasons
Interest income	9,894	N/A	N/A	Impact of the adoption of the New Accounting Standards for Financial Instruments
Investment income	5,348	18,681	N/A	
Share of profits and losses of associates and joint ventures	(216)	313	N/A	
Income tax	1,908	177	978.0%	Impact of the increase in taxable temporary differences

Note 1: The Company restates and presents the comparative information on insurance contract at the end of 2022 and for the year 2022 in accordance with the New Accounting Standards for Insurance Contracts. The Company has chosen not to restate and present the comparative information on financial instruments in accordance with the New Accounting Standards for Financial Instruments. As a result, the above performance measures as at December 31, 2023 and for the year ended December 31, 2023 are financial data under the New Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts, and the above performance measures as at December 31, 2022 and for the year ended December 31, 2022 are financial data under the Old Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts.

Management Discussion and Analysis

II. ANALYSIS OF ANNUAL RESULTS

Life Insurance

(I) Business Analysis

In 2023, Sunshine Life kept pursuing sustainable value growth, strengthened its implementation capabilities, and steadily implemented the strategy of "New Sunshine". Through our insight into customer needs, product system improvement, service system upgrading, sales-force transformation and development, and digital and intelligent innovation, we further promoted our sound development and achieved rapid business growth.

In 2023, GWPs reached RMB74.60 billion, a year-on-year increase of 9.2%, of which, FYRPs were RMB18.10 billion, a year-on-year increase of 22.7%; the value of one year's new business was RMB3.60 billion, an increase of 44.2% year on year on a comparable basis. As of the end of 2023, Sunshine Life had 13.07 million active customers.

1. Channel Development

In 2023, the individual insurance channel deepened its differentiated management model and has seen initial development results. The bancassurance channel continuously optimized its business structure while maintaining its advantages. The business model of diversified and synergistic development of sales channels has been further consolidated.

Unit: RMB in millions

For the year ended December 31	2023	2022	YOY
Individual insurance channel[1]	**18,672**	**15,806**	**18.1%**
First-year premiums	4,873	3,553	37.2%
Including: long-term insurance (more than one year)	4,515	3,154	43.2%
– Including: regular premium	4,297	2,933	46.5%
– Including: single premium	218	221	(1.4%)
Including: short-term insurance (one year or below)	358	399	(10.3%)
Renewal premiums	13,799	12,253	12.6%
Bancassurance channel	**49,147**	**45,296**	**8.5%**
First-year premiums	25,402	28,359	(10.4%)
Including: long-term insurance (more than one year)	25,402	28,359	(10.4%)
– Including: regular premium	13,294	11,311	17.5%
– Including: single premium	12,108	17,048	(29.0%)
Including: short-term insurance (one year or below)	–	–	–
Renewal premiums	23,745	16,937	40.2%
Other channels[2]	**6,781**	**7,193**	**(5.7%)**
GWPs	**74,600**	**68,295**	**9.2%**
First-year premiums	33,246	34,867	(4.6%)
Including: long-term insurance (more than one year)	30,552	32,117	(4.9%)
– Including: regular premium	18,096	14,745	22.7%
– Including: single premium	12,456	17,372	(28.3%)
Including: short-term insurance (one year or below)	2,694	2,750	(2.0%)
Renewal premiums	41,354	33,428	23.7%

Note 1: Individual insurance channel includes the former individual insurance agent channel and worksite marketing channel, but worksite marketing channel in 2022 was included in other channels. The GWPs from the worksite marketing channel amounted to RMB167 million in 2022.

Note 2: Other channels include the group insurance channel, telemarketing channel, online sales channel, and insurance agencies and insurance brokers channel.

Management Discussion and Analysis

(1) Individual insurance channel

Based on market regions, characteristics of branches and salesforce, we continued to promote and deepen the differentiated business and management model in individual insurance channel and accurately identified differentiated customers' needs, resulting in quality and efficiency improvement in business development. In 2023, the GWPs from the individual insurance channel amounted to RMB18.67 billion, a year-on-year growth of 18.1%, of which, FYRPs amounted to RMB4.3 billion, a year-on-year growth of 46.5%. Under the implementation of customer segmentation business strategy, the channel has forged a distinctive and excellent performance system to align with the changes in customer structure and diversified needs, resulting in a significant increase in team productivity and the number of elite agents. The productivity per capita[1] amounted to approximately RMB21,000, a year-on-year growth of 44.4%. The number of insurance agents meeting the MDRT standard was 519, representing a year-on-year growth of 84.7%.

In terms of the traditional marketing, we comprehensively strengthened the management capabilities of grassroots business branches, deepened the construction of elite recruitment and training system, identified elite subjects, upgraded the new agent cultivation system and improved customer management capabilities of new agents. In 2023, the new agents' productivity per capita amounted to approximately RMB15,000, a year-on-year increase of 50.2%.

In terms of elite team, the Company has been promoting breakthroughs in central cities and provincial capitals, made every effort to build elite teams for customers with medium to high net worth, and continued to optimize the quality and productivity of agents. In 2023, Sunshine Life had an elite team of 1,735 agents, a year-on-year increase of 21.6%, with 84.8% of them having college education and above, and a productivity per capita amounting to RMB49,000, which is 2.4 times that of the whole individual insurance team.

In terms of worksite marketing, the Company kept expanding and deepening coverage of more industries, developed a standardized development model in key industries, and continued to strengthen its ability to develop group customers and convert individual customers. As a result, we gradually formed the worksite marketing value development model with Sunshine characteristics. In 2023, FYRPs more than doubled.

Note 1: Productivity per capita refers to the ratio of average monthly first-year standard premiums to average monthly active agents. First-year standard premiums=FYRPs with a coverage term of more than one year X a conversion coefficient + single premiums with a coverage term of more than one year X 0.1 + premiums of short-term insurance with a coverage term of one year or below X 1.0. The conversion coefficient for regular premiums with a payment term of more than one year and less than ten years can be calculated using years of payment divided by 10, and the conversion coefficient for regular premiums with a payment term of more than ten years is 1.0.

For the year ended December 31	2023	2022	YOY
Average number of agents per month[(1)]	53,432	63,197	(15.5%)
Average ratio of active agents per month[(2)]	17.4%	16.5%	0.9pt
Productivity per capita (RMB)	20,653	14,299	44.4%

Note 1: Average number of agents per month refers to the sum of the averages of the number of agents at the beginning and at the end of the month of a year divided by 12. Individual insurance channel includes the former individual insurance agent channel and worksite marketing channel. The 2022 statistics are subject to corresponding adjustment.

Note 2: Average ratio of active agents per month refers to the ratio of the average number of active agents per month to the average number of agents per month. The average number of active agents per month refers to the sum of the number of active agents for each month in a year divided by 12; active agent refers to the agent who has standard premiums no less than RMB1,000 in that month.

(2) Bancassurance channel

The bancassurance channel insisted on value development as its core, and was committed to meeting the all-round insurance protection needs of customers' families. Upon the optimisation of business structure, the volume of single premiums decreased sharply, and the proportion of value-oriented business increased significantly. In 2023, the GWPs from the bancassurance channel amounted to RMB49.15 billion, a year-on-year growth of 8.5%, of which FYRPs amounted to RMB13.29 billion, a year-on-year growth of 17.5%. Benefiting from the Company's commitment to channel diversification and well-targeted branches and outlets management, the average productivity of branches and outlets[(1)] reached RMB87,000, a year-on-year growth of 32.6%. As the Company strengthened the professional capacity of the team, the quality and efficiency of development have steadily improved. The productivity per capita of the team[(2)] amounted to approximately RMB165,000, representing a year-on-year increase of 37.3%.

(3) Other channels

The Company firmly pursued progress while ensuring stability in group insurance channel, integrated channel, online sales channel, insurance agencies and insurance brokers channel, and continued to explore new models of value development to meet the needs of customers in multiple scenarios. In 2023, the GWPs from the other channels amounted to RMB6.78 billion, a year-on-year decrease of 5.7%.

Note 1: The average productivity of branches and outlets refers to the ratio of the average monthly first-year regular standard premiums in the reporting period to the number of active branches and outlets average monthly; the number of active branches and outlets refers to the number of branches and outlets whose average monthly first-year regular standard premiums are more than RMB0 for the year. First-year regular standard premiums=FYRPs with a term of more than one year × a conversion coefficient. The conversion coefficient for regular premiums with a term of more than one year and less than ten years can be calculated using years of payment divided by 10, and the conversion coefficient for regular premiums with a term of more than ten years is 1.0.

Note 2: The productivity per capita of the team refers to the ratio of average monthly first-year regular standard premiums in the reporting period to average monthly active agents; the active agents of the bancassurance channel refers to the agents whose first-year regular standard premiums in the current month are greater than RMB0.

Management Discussion and Analysis

2. Customer Management

In 2023, under the guidance of "Caring Sunshine" strategy, Sunshine Life continuously promoted the "Matrix Plan" and continued to enrich the "insurance + service" product supply system to optimise customer experience. Breakthrough was continuously made in the management of mid-to-high-end customers. The number of customers with in-force policies of first-year standard premiums of RMB150,000 and above increased by 25.2%, and the number of customers with in-force policies of first-year standard premiums of RMB50,000 and above increased by 17.5%.

Sunshine Life promoted large-scale surveys on over 10,000 customers focusing on the needs of customers' families throughout their life cycle. Based on an in-depth understanding and recognition of customers, it launched a creative product allocation concept, namely "3 insurance policies can cover your whole life, 5 insurance policies can cover your whole family, and 7 insurance policies can help you achieve huge success (三張保單保一生，五張保單全家福，七彩陽光滿堂紅)", and built a product system and supporting value-added service system that meet the needs of customers' families throughout their life cycle.

Sunshine Life continued to enrich the connotation of the "three/five/seven (三／五／七)" product system and created a series of star products. In terms of family protection needs, the Company has upgraded the "Sunshine Protection" series of critical illness products by modularising product portfolio to increase exclusive benefits of family policies and achieve flexible matching of family member protection solutions at different stages of their life. In terms of education, retirement and wealth inheritance for families, products with different design types and coverage terms were launched to match the customers needs of family with different risk preferences. With the acceleration of the aging process, the Company actively participated in the construction of the third pillar of pension and launched personal pension products.

Adhering to the concept of "perceived love, attentive products and thoughtful services" and the principles of value, characteristics, practicability and usability of Sunshine services, Sunshine Life has launched the "Caring Sunshine" service system, built six service categories of "health, retirement, education, wealth, life, and travel", and formed 88 service products. According to the "three/five/seven (三／五／七)" insurance product allocation concept, combined with the core needs of different customers, we provide services that meet the protection attributes. We continuously improve service quality and continue to upgrade the unified platform of customer value-added services, so as to make customers satisfied.

3. Product Management

(1) Analysis by business type

Unit: RMB in millions

For the year ended December 31	2023	2022	YOY
Life insurance	**63,330**	56,589	11.9%
– Traditional	**48,856**	36,232	34.8%
– Participating	**14,270**	20,148	(29.2%)
– Universal	**204**	209	(2.4%)
Accident insurance	**571**	711	(19.7%)
Health insurance	**10,699**	10,995	(2.7%)
GWPs	**74,600**	68,295	9.2%

(2) Information of the top five products

Unit: RMB in millions

Ranking	**Name**	**Type**	**GWPs in 2023**	**Major sales channel**
1	Sunshine Life Insurance Zhen Xin Bei Zhi Whole Life (陽光人壽臻鑫倍致終身壽險)	Traditional life insurance	31,463	Bancassurance
2	Sunshine Life Insurance Jin Wen Ying B Endowment (Participating) (陽光人壽金穩盈B款兩全保壽(分紅型))	Participating life insurance	6,854	Bancassurance
3	Sunshine Life Insurance Sunshine Rise B Whole Life (陽光人壽陽光升B款終身壽險)	Traditional life insurance	5,059	Individual insurance
4	Sunshine Life Insurance Jin Wen Ying Endowment (Participating) (陽光人壽金穩盈兩全保險(分紅型))	Participating life insurance	4,417	Bancassurance
5	Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (陽光人壽臻愛倍致終身壽險)	Traditional life insurance	3,665	Bancassurance

Management Discussion and Analysis

4. Premium persistency ratio

For the year ended December 31	2023	2022	YOY
13-month premium persistency ratio (%)[1]	**93.9**	90.5	3.4pt
25-month premium persistency ratio (%)[2]	**86.6**	78.5	8.1pt

The premium persistency ratio increased constantly due to the continuous optimization of business quality of Sunshine Life. The 13-month premium persistency ratio in 2023 was 93.9%, a year-on-year increase of 3.4 percentage points, while the 25-month persistency ratio was 86.6%, increased by 8.1 percentage points year on year.

5. Premiums in the top ten regions

Unit: RMB in millions

For the year ended December 31	2023	2022	YOY
Guangdong	4,727	3,982	18.7%
Zhejiang	4,214	4,219	(0.1%)
Beijing	4,106	2,783	47.5%
Hubei	3,934	3,842	2.4%
Chongqing	3,916	3,380	15.9%
Shenzhen	3,732	2,912	28.2%
Shandong	3,712	3,387	9.6%
Fujian	2,918	2,518	15.9%
Hebei	2,634	3,056	(13.8%)
Henan	2,617	2,798	(6.5%)
Subtotal	**36,510**	32,877	11.1%
Subtotals of other regions	**38,090**	35,418	7.5%
GWPs	**74,600**	68,295	9.2%

Note 1: The 13-month premium persistency ratio: the denominator is the premiums from long-term regular insurance policies which entered into force 13 months prior to the giving year, while the nominator is the premiums from such policies which have remained in force in the giving year.

Note 2: The 25-month premium persistency ratio: the denominator is the premiums from long-term regular insurance policies which entered into force 25 months prior to the giving year, while the nominator is the premiums from such policies which have remained in force in the giving year.

6. Application of Science and Technology

In 2023, Sunshine Life continued to make efforts in digital transformation, focused on deepening the application of intelligent technology, improved core capabilities such as "customer service, sales support, risk control", and empowered the high-quality development of its main business with data intelligence.

(1) Sales Support

Based on characteristics research on front-line user groups in different typical regions across the country, the sales robot continued to develop the core functional experience, realized face-to-face interaction with customers in the form of a virtual digital person, and initially realized the output of the four capabilities of "introducing products, giving opinions, answering questions and impressing customers" based on the "three/five/seven (三／五／七)" product allocation logic, insurance vertical knowledge base, massive internal and external data labels and the base of Sunshine Zhengyan (陽光正言) big model, providing powerful support for the intelligent upgrading of first-line business scenarios.

(2) Customer Services

The Company continues to expand the application channels and scenarios of service robots, responds to customers' needs in a timely manner with the help of the Consonance Experience Plan (靈犀體驗計劃), realizes the seamless connection between consultation and handling, significantly improves the service efficiency and customer satisfaction, and continues to increase the rate of one-time completion of customer service. Combined with our intelligent service platform "My Home Sunshine" APP, the Company continued to improve the service journey from the customer's perspective, optimizing the customer experience and enhancing customer satisfaction as guided by refined service and technological innovation. A new family account feature, namely Colorful Sunshine (七彩陽光), was launched in 2023 and was dedicated to providing one-stop quality service to Sunshine family customers. As at the end of 2023, the total number of registered users of "My Home Sunshine" APP reached approximately 4.828 million.

Management Discussion and Analysis

(3) Risk Management and Control

The Company has deepened the application of the "Sky Eye Risk Monitoring and Early Warning Platform (天眼風險監控預警平台)", strengthened the construction of the risk monitoring, identification and control system for key positions personnel, and monitored and identified risky personnel and teams through intelligent measures. In 2023, 210 risk monitoring and identification indicators were added in the system, and 147 were optimized, so as to effectively improve the accuracy of risk identification of insurance policies sales behavior. Construction of "Data Configuration Development and Governance Platform (數據配置化開發及治理平台)" can provide fundamental platform support for the Company's data collection, efficient data processing, and unified application of data in the segments of risk control and governance, operation management and customer risk.

(II) Profit Source Analysis

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	YOY
Insurance service results	**2,348**	**1,024**	**129.3%**
Including: Insurance revenue	14,394	14,437	(0.3%)
Insurance service expenses	(12,075)	(13,408)	(9.9%)
Investment results	**4,891**	**4,725**	**3.5%**
Including: Total investment income[1]	13,318	18,125	(26.5%)
Other results[2]	**(2,321)**	**(2,100)**	**10.5%**
Profit before tax	**4,918**	**3,649**	**34.8%**
Income tax	(1,712)	279	N/A
Net profit	**3,206**	**3,928**	**(18.4%)**

Note 1: Total investment income represents the sum of net investment income, realised gains and gains or losses on changes in fair value, less impairment losses on investment assets. Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, operating lease income from investment properties, share of profits and losses of associates and joint ventures, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

Note 2: Other results include other income, finance costs and other operating and administrative expenses.

Insurance revenue

Insurance revenue from the life insurance segment decreased by 0.3% from RMB14,437 million in 2022 to RMB14,394 million in 2023, which was basically stable for both years. In 2023, the contractual service margin (CSM) release was RMB3,624 million, and the non-financial risk adjustment release was RMB415 million.

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	YOY
Insurance revenue	**14,394**	**14,437**	**(0.3%)**
Non-premium allocation approach	12,449	12,331	1.0%
Premium allocation approach	1,945	2,106	(7.6%)

Insurance service expenses

Insurance service expenses from the life insurance segment decreased by 9.9% from RMB13,408 million in 2022 to RMB12,075 million in 2023, primarily due to a year-on-year decrease in costs related to the participating business.

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	YOY
Insurance service expenses	**12,075**	**13,408**	**(9.9%)**
Non-premium allocation approach	**10,266**	11,654	(11.9%)
Premium allocation approach	**1,809**	1,754	3.1%

Investment results

Investment results from the life insurance segment increased by 3.5% from RMB4,725 million in 2022 to RMB4,891 million in 2023. Among them, total investment income from the life insurance segment decreased by 26.5% from RMB18,125 million in 2022 to RMB13,318 million in 2023, primarily due to the combined effect of New Financial Accounting Standard and market volatility on total investment asset.

Net profit

As a result of the foregoing, net profit from the life insurance segment decreased by 18.4% from RMB3,928 million in 2022 to RMB3,206 million in 2023.

Management Discussion and Analysis

Property and Casualty Insurance[1]

(I) Business Analysis

In 2023, Sunshine P&C continued to adhere to the development concept of "seeking progress amidst quality", and solidly pushed forward the implementation of the "New Sunshine" strategy, with rapid growth in business volume, improvement in profitability, continuous optimization of business structure and quality. Therefore, Sunshine P&C took a leap in its high-quality development. In 2023, the OPI was RMB44.24 billion, representing a year-on-year increase of 9.6%. The underwriting combined ratio was 98.7%, representing a year-on-year decrease of 0.7 percentage points. The underwriting profit[2] was RMB572 million, representing a year-on-year increase of RMB336 million. As of December 31, 2023, the number of active customers was 19.20 million.

Unit: RMB in millions, except for percentages

	For the year ended December 31		
Original premium income	**2023**	2022	YOY
Automobile insurance	**26,143**	**24,630**	**6.1%**
Non-automobile insurance	**18,095**	**15,746**	**14.9%**
Accident and short-term health insurance	5,581	4,775	16.9%
Guarantee insurance	4,316	5,816	(25.8%)
Liability insurance	3,232	2,262	42.9%
Cargo insurance	2,352	735	220.0%
Others[3]	2,614	2,158	21.1%
Total	**44,238**	**40,376**	**9.6%**

Note 1: We provide property and casualty insurance products and services mainly through Sunshine P&C. In 2023, Sunshine P&C's GWPs accounted for 99.97% of our GWPs generated from property and casualty insurance business. Unless otherwise specified, this section shall only describe the business of Sunshine P&C.

Note 2: Under the New Accounting Standards for Insurance Contracts, underwriting profit = insurance revenue – insurance service expenses – net reinsurance expenses for reinsurance contracts held – net insurance finance expenses for insurance contracts issued and others.

Note 3: Others mainly include commercial property insurance, agricultural insurance, engineering insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

Unit: RMB in millions, except for percentages

All types	2023	2022	YOY
	For the year ended December 31		
Underwriting profit	572	236	142.4%
Underwriting expense ratio[1]	33.7%	35.7%	(2.0pt)
Underwriting loss ratio[2]	65.0%	63.7%	1.3 pt
Underwriting combined ratio	98.7%	99.4%	(0.7pt)

Note 1: Underwriting expense ratio = (amortization of acquisition expenses + maintenance expenses)/insurance revenue.

Note 2: Underwriting loss ratio = (settled loss + changes in outstanding loss reserves + gain/loss on loss contracts + (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 premium reserves)/insurance revenue.

1. Business by insurance type

Unit: RMB in millions, except for percentages

Insurance name	Original premium income	Insured amount	Insurance revenue	Insurance service expenses	Underwriting profit	Underwriting combined ratio
	For the year ended December 31, 2023					
Automobile insurance	**26,143**	**22,714,393**	**25,549**	**24,774**	**286**	**98.9%**
Non-automobile insurance	**18,095**	**122,020,833**	**19,938**	**19,959**	**286**	**98.6%**
Accident and short-term health insurance	5,581	80,019,953	5,412	4,940	420	92.3%
Guarantee insurance	4,316	449,965	6,659	6,471	81	98.8%
Liability insurance	3,232	28,867,863	2,998	3,822	(62)	102.1%
Cargo insurance	2,352	4,011,524	2,297	2,355	(84)	103.6%
Others	2,614	8,671,528	2,572	2,371	(69)	102.7%

Management Discussion and Analysis

(1) Automobile insurance

In 2023, the OPI from automobile insurance was RMB26.14 billion, representing a year-on-year increase of 6.1%, of which the proportion of personal vehicle premiums increased by 2.7 percentage points through the full implementation of the "New, Renewal and Conversion (新續轉)" model, and the volume of premiums rose to the fifth in the industry. The underwriting combined ratio was 98.9%, and underwriting profit was RMB286 million.

By continuously deepening the project of "intelligent automobile insurance mortality table (車險智能生命表)" and building four algorithmic intelligent models of "branches, customer group, price and fee, fixed expenses", Sunshine P&C has realized industry-leading risk pricing capability, rigid risk cost management and optimal resource allocation in a fully-intelligent manner. We have built a unique competitive advantage in automobile insurance and further strengthened the foundation for stable profitability in automobile insurance. Meanwhile, we strengthened external data cooperation and deepened the research on the risk characteristics of new energy vehicles in terms of intelligent assisted driving and three electric systems, which significantly improved the risk differentiation and pricing accuracy of new energy vehicles, and achieved rapid business development with a premium growth rate of 46.4% on the premise of cost control.

In the future, the Company will continue to build the core competitiveness of automobile insurance, further deepen the construction and application of intelligent automobile insurance mortality table, strengthen the implementation of the "New, Renewal and Conversion (新續轉)" model and channel construction transformation, upgrade the intelligent claims management system, enhance the operating capacity of new energy automobile insurance, and continue to consolidate the foundation for stable profitability of automobile insurance.

(2) Non-automobile insurance

In 2023, the OPI of non-automobile insurance was RMB18.1 billion, representing a year-on-year increase of 14.9%. Among them, the risk exposure of the guarantee insurance business continued to tighten, resulting in a year-on-year decrease of 25.8% in the guarantee insurance business. Non-guarantee insurance benefited from the pull of the rapid development of agricultural, health and liability insurance, resulting in a year-on-year increase of 38.8% in premiums. The underwriting combined ratio was 98.6%, achieving underwriting profit of RMB286 million.

Based on serving the national strategy and supporting the real economy, Sunshine P&C has striven to improve its ability in pricing non-automobile products and risk service solutions, established the system for non-automobile data mortality table (非車數據生命表) with "one table and two manuals (一表兩冊)" as the overall framework, and clearly differentiated the pricing direction of disperse and project-based businesses. In addition, it has constructed a differentiated underwriting factor library and formed the "underwriting" manual and "sales" manual, which supports the enhancement of underwriters' quoting ability, leads and supports the enhancement of sales team's market expansion ability, and further strengthens the foundation for the balanced development of the non-automobile business. It also abandoned the traditional thinking of prioritize safeguarding when discussing insurance, and contemplate economic compensation in the context of products. Instead, Sunshine P&C has provided customers with an exclusive package of risk management solutions to maximise the satisfaction of the customer's service needs for risk prevention and control beforehand and loss control afterhand. At the same time, it has run through the "Partnership Action" business model with risk management services as the entry point, gradually transformed from a pure financial compensation insurance provider to a risk management service supporter, and initially formed a professional advantage and customer reputation in the segment to continuously enhance the ability of high-quality development of non-automobile business.

In the future, the Company will focus on national strategies and policy guidance, continue to deepen the construction and application of non-automobile data mortality table and the implementation of "Partnership Action" model and strengthen the non-automobile risk pricing, market development and risk reduction service capacity, to strive to strengthen the non-automobile balanced development foundation.

Accident and short-term health insurance

In 2023, the OPI of accident and short-term health insurance was RMB5.58 billion, representing a year-on-year increase of 16.9%. The underwriting combined ratio was 92.3%.

The Company actively participated in serving the construction of a multi-level medical care system and extensively participated in social security supplementary insurance projects in various regions. Policy-supported health insurance premiums achieved growth rate of 65.3% in 2023, covering over 40 million people. Meanwhile, based on Sunshine Insurance Group's advantages in the medical field, the Company has created a professional solution of "insurance solutions + health management + technology empowerment", explored ways to promote the integration and development of social insurance and commercial insurance, and developed a series of innovative insurance products for chronic disease and specific groups of people.

In the future, the Company will continue to proactively serve the strategy of Healthy China (健康中國), continuously expand its health insurance business coverage and product and service innovations, and sustainably improve the quality of its business development, so as to satisfy the health protection needs of a wider range of people with more diversified needs.

Guarantee insurance

In 2023, the OPI of guarantee insurance was RMB4.32 billion, representing a year-on-year decrease of 25.8%. The underwriting combined ratio was 98.8%.

Management Discussion and Analysis

The Company continued to adhere to its prudent development strategy, continued to reduce the volume of guarantee business, proactively optimised its product mix and implemented a policy of regional differentiation. At the same time, the Company has built a system of credit insurance mortality table based on the "customer base risk segmentation model + policy life cycle model" for credit insurance customers, which effectively improves its risk identification and risk control capabilities, enhances the quality of new assets, and further improves the stability of operations.

In the future, on the basis of accurately grasping the overall requirements of the state for inclusive finance, the Company will continue to maintain a prudent development strategy, continue to deepen the system of credit insurance mortality table risk model, further optimise the customer base structure, and consolidate the foundation for stable operations.

Liability insurance

In 2023, the OPI of liability insurance was RMB3.23 billion, representing a year-on-year increase of 42.9% and the underwriting combined ratio was 102.1%, representing a year-on-year decrease of 4.2 percentage points.

Based on the new development pattern, the Company actively responded to the national policy guidance and market demand, and strongly promoted the rapid development of business in the fields of social governance, safety production, scientific and technological innovation, public service, etc. At the same time, the Company has continued to improve its ability at providing risk identification and risk reduction services through the construction of non-automobile data mortality table and the implementation of the "Partnership Action", which has resulted in continued improvement in the quality of underwriting, and a sustained improvement in combined ratio.

In the future, the Company will continue to focus on key areas, intensify its efforts to serve the modernisation of national governance, continue to innovate its product and service models, and continue to strengthen its risk management capabilities and optimise its business structure, with a view to promoting the high-quality and healthy development of liability insurance.

Cargo insurance

In 2023, the OPI of cargo insurance was RMB2.35 billion, representing a year-on-year increase of 220.0% and the underwriting combined ratio was 103.6%, representing a year-on-year decrease of 7.9 percentage points.

The Company has actively engaged in the insurance market for e-commerce platforms, increased cooperation with dominant internet platforms, and continued to expand the cooperation scenarios for products such as return freight insurance, which has driven the business to achieve rapid growth with continuously optimised costs.

In the future, the Company will steadily promote the development of traditional cargo insurance, continue to deepen the internet platform scenario-based business cooperation, and further strengthen the business risk selection and specialised operation to achieve sustainable and healthy development.

2. Customer Management

Sunshine P&C adheres to the core value of "all for customers", continues to deepen the research on customer needs, and is committed to establishing a convenient customer service system, actively providing warm, caring, professional and trustworthy service products, and practicing the service motto of "making our services the reason for customers to choose Sunshine".

In terms of individual customers, we have gained in-depth insight into customers' needs for diversified insurance services, continuously upgraded and iterated our products, enriched our value-added services, and innovatively launched the "0-deductible" medical insurance of Hao Yi Bao (好醫保) as well as Sunshine's "Love+" series of products, which cover the personal and household property of family members, to further enhance customer retention and customer conversion. In 2023, the renewal rate of personal vehicle insurance customers was 64.2%, representing a year-on-year increase of 1.7 percentage points. The proportion of non-automobile insurance products purchased by individual auto insurance customers reached 50.0%, representing a year-on-year increase of 3.3 percentage points.

Management Discussion and Analysis

In terms of institutional customers, we have continued to promote the implementation of the "Partnership Action" risk management service, focusing on the innovation and practice of the "insurance + service + technology" model, established a nationwide risk management team directly under the head office, accelerated the integration of scientific and technological innovation with risk reduction services, and utilised technological means such as big data, cloud computing, artificial intelligence and the Internet of Things to reshape the concept of risk reduction services and compress service time and space. We have launched a number of risk control service products such as "infrared thermal imaging", "Internet of Things disaster prevention" and "sound, vibration and temperature sensing technology", and created exclusive risk management solutions for hotels, hospitals, small and micro-merchants and other industries. We have built a lightweight enterprise customer service platform integrating "disaster early warning, online service, and risk control and security", i.e. the "Sunshine Partner" applet program, which effectively helps customers identify and dispose of potential safety hazards, and truly consider for customers to jointly manage risks. In 2023, we provided technology-based disaster mitigation and professional risk consulting services to 14,000 corporate customers.

3. Premiums in the top ten regions

Unit: RMB in millions

	For the year ended December 31		
Original premium income	**2023**	2022	YOY
Shandong	5,091	4,833	5.3%
Henan	3,868	3,751	3.1%
Hubei	3,426	1,398	145.1%
Zhejiang	3,282	3,245	1.1%
Hebei	3,004	2,845	5.6%
Guangdong	2,291	2,091	9.6%
Jiangsu	1,825	1,815	0.6%
Sichuan	1,642	1,876	(12.5%)
Anhui	1,590	1,456	9.2%
Beijing	1,474	1,325	11.2%
Subtotal	**27,493**	**24,635**	**11.6%**
Subtotal in other regions	**16,745**	**15,741**	**6.4%**
Total	**44,238**	**40,376**	**9.6%**

Management Discussion and Analysis

4. Application of Science and Technology

In 2023, Sunshine P&C solidly pushed forward the implementation of "Technological Sunshine" strategy with a focus on deepening intelligent technology application and enhancing IT infrastructure construction, further improving customer experience and operational efficiency, with a view to promoting high quality development of the Company through digital transformation.

(1) Sales support

We continued to improve digital sales capability and built a "transformation. "network intelligent sales assistant (網電智能銷售助手)" based on AI technology application, which formed a digital closed-loop system for multi-functional sales activities, and achieved targeted matching of team, customer and product. Sales representatives' efficiency have been effectively improved through dynamic customer insight and content mining as well as communication skills recommendation that intelligently supports sales scenarios, the analysis of customer suitability, the dynamic supervision of sales communication skills, and the dynamic correction of sales behavior. Meanwhile, we further upgraded the mobile sales management platform "All-in-one for P&C" APP, which shortens the average mobile policy issuance time in 3 minutes. Online issuance took up 99.6% of all auto insurance policies in 2023.

(2) Customer service

We continued to enhance digital operation capacity, upgraded the lightweight service platform for individual customers – "Sunshine Auto • Life" applet program, built a lightweight corporate customer service platform integrating "disaster early warning, online service, and risk control" – "Sunshine Partner" applet program, and kept optimizing functions of platforms such as the "Sunshine Auto • Life" APP and Sunshine P&C WeChat public account, so as to provide customers with more convenient policy search, claim settlement, value-added services, risk mitigation and other one-stop services online. As of December 2023, our online customer platforms had a total of 12.70 million registered users, providing over 210 million times of services to customers in total, and to 1 million customers on average per month. We deepened the application of the "One-click Compensation (一鍵賠)" remote inspection tool for customers, and 950,000 cases were settled quickly through the "One-click Compensation (一鍵賠)" online video in 2023, which was nearly half of the total auto insurance cases, and payment cycle decreased by 3.2 days year on year. We upgraded and iterated the "Sunshine Sky Eye" risk map platform and offered early warning information on meteorological disasters to customers and the public for over 800,000 times in 2023.

(3) Management empowerment

We focused on building core capacity of Sunshine auto insurance, based on digital integration and technology intelligence application. By upholding "underlying data reconstruction, getting through process breakpoints, and internal and external resources integration", we deepened construction and application of the "intelligent mortality table for automobile insurance (車險智能生命表)", built a "digital claim settlement platform" and "claim settlement risk control platform" and upgraded the construction of "digital operation platform". We have achieved industry-leading risk pricing capabilities, rigid risk cost management, and optimal resource allocation in a fully digital manner for underwriting, and integrated functions such as "intelligent scheduling, repair partner, repair control, and value-added services" for claim settlement to achieve integrated operation, with direct damage reduction by RMB120 million under the risk control rules. For management, we intelligently assisted business managers at all levels to improve their panoramic closed-loop operation capabilities, intelligent attribution analysis capabilities, and target execution tracking capabilities. Our digital management level has been effectively improved.

(II) Profit Source Analysis

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	YoY
Insurance revenue	45,487	41,273	10.2%
Insurance service expenses	(44,733)	(40,352)	10.9%
Net reinsurance expenses from reinsurance contracts held[1]	401	(125)	N/A
Net insurance finance expenses for insurance contracts issued and others[2]	(583)	(560)	4.1%
Underwriting profit[3]	**572**	**236**	**142.4%**
Underwriting combined ratio	98.7%	99.4%	(0.7pt)
Total investment income[4]	**1,073**	**2,123**	**(49.5%)**
Other income and expense, net	**(628)**	**(653)**	**(3.8%)**
Profit before tax	**1,017**	**1,706**	**(40.4%)**
Income tax	(39)	(176)	(77.8%)
Net profit	**978**	**1,530**	**(36.1%)**

Note 1: Net reinsurance expenses for reinsurance contracts held = allocation of reinsurance premiums paid – amount recovered from reinsurer.

Note 2: Net insurance finance expenses for insurance contracts issued and others = net insurance finance expenses for insurance contracts issued – net reinsurance finance income for reinsurance contracts held + changes in premium reserves.

Note 3: Underwriting profit = insurance revenue – insurance service expenses – net reinsurance expenses for reinsurance contracts held – net insurance finance expenses for insurance contracts issued and others.

Note 4: Total investment income represents the sum of net investment income, realised gains and gains or losses on changes in fair value, less impairment losses on investment assets. Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, operating lease income from investment properties, share of profits and losses of associates and joint ventures, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

Management Discussion and Analysis

Insurance revenue

The insurance revenue of Sunshine P&C increased by 10.2% from RMB41,273 million in 2022 to RMB45,487 million in 2023, primarily due to the high growth rate of non-automobile insurance business.

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	YoY
Insurance revenue	**45,487**	**41,273**	**10.2%**
Automobile insurance	25,549	24,228	5.5%
Non-automobile insurance	19,938	17,045	17.0%

Insurance service expenses

The insurance service expenses of Sunshine P&C increased by 10.9% from RMB40,352 million in 2022 to RMB44,733 million in 2023, primarily due to the increase in corresponding expenses arising from the expansion of the total premiums coverage, as well as the increase in claim expenses following the lift of pandemic.

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	YoY
Insurance service expenses	**44,733**	**40,352**	**10.9%**
Automobile insurance	24,774	23,233	6.6%
Non-automobile insurance	19,959	17,119	16.6%

Underwriting profit

The underwriting profit of Sunshine P&C increased by 142.4% from RMB236 million in 2022 to RMB572 million in 2023; and its underwriting combined ratio decreased by 0.7 percentage point from 99.4% in 2022 to 98.7% in 2023.

Total investment income

The total investment income of Sunshine P&C decreased by 49.5% from RMB2,123 million in 2022 to RMB1,073 million in 2023, primarily due to the impact of the adoption of the new accounting standards for financial instruments and the volatility of capital markets.

Net profit

As a result of the foregoing, the net profit of Sunshine P&C decreased by 36.1% from RMB1,530 million in 2022 to RMB978 million in 2023.

Asset Management

The Group upholds the philosophy of long-term value investment, fully considers the impact of the implementation of new accounting standards, and continuously optimizes the asset-liability management system. By harnessing the full-range investment qualifications and diversified investment capabilities, we maintain a clear strategic focus to develop the strategic asset allocation that aligns with the characteristics of insurance liabilities and spans across macroeconomic cycles. Furthermore, we keep enhancing our investment research capacity, and effectively improving our judgment on market trends. Meanwhile, we conduct a scientific and flexible tactical asset allocation anchored in rigorous investment risk management, to create long-term, stable, and sustainable investment performance.

(1) Our Group's investment assets

In 2023, China's economy continued to recover with the implementation of macro policies, while the endogenous growth was not robust and the external environment remained complex. The global capital market persisted in its volatile trajectory, imposing pressure on asset management. Within the domestic sphere, the A-share market experienced downward pressure, while government bond yields exhibited a declining trend, and the credit spreads were narrowing. Adhering to the foundational principle of asset-liability management, our Group maintained a sound risk appetite. Guided by the medium- and long-term strategic asset allocation, we methodically adjusted investment strategies, and proactively responded to the challenges presented by the fluctuations in the equity market and the declines in the interest rates, seeking a balance between long-term and short-term objectives, as well as between stability and profitability.

In fixed-income investment, we enhanced our allocation in long-term bonds and premium non-standard debt assets meeting the credit criteria, with a view to extend the asset duration, stabilize coupon income and enhance cost-return matching. In equity investment, we maintained a rational position level, strengthened long-term investment in value-based equity assets to enhance our investment capacity in future trending industries, and extensively sought for potential investment opportunities with the objective of securing excess returns to cover the cost of insurance liability over the long term. Moreover, we actively explored innovating investment varieties and product models, thereby diversifying and expanding the source of investment returns. As of December 31, 2023, our Group's total investment assets reached RMB479.75 billion, representing an increase of 15.5% over that at the end of previous year, and the total investment income reached RMB14.62 billion throughout the year.

Management Discussion and Analysis

1. Investment portfolio

Unit: RMB in millions, except for percentages

	December 31, 2023 Amount	December 31, 2023 Percentage	Change in percentage from the end of the previous year	Change in amount from the end of the previous year
Fixed-income financial assets	**331,991**	**69.2%**	**2.1pt**	**19.2%**
Term deposits	9,588	2.0%	(3.4pt)	(57.2%)
Bonds	249,276	52.0%	7.8pt	35.9%
Wealth management products(1)	49,026	10.2%	(1.9pt)	(2.4%)
Other debt investments(2)	24,101	5.0%	(0.4pt)	7.7%
Equity financial assets	**101,295**	**21.1%**	**(1.2pt)**	**9.3%**
Stocks	52,628	11.0%	(2.3pt)	(4.8%)
Equity funds	4,946	1.0%	(0.5pt)	(18.8%)
Wealth management products(1)	35,730	7.4%	1.4pt	43.2%
Other equity investments(3)	7,991	1.7%	0.2pt	26.5%
Investments in associates and joint ventures	**10,476**	**2.2%**	**(0.3pt)**	**2.4%**
Investment properties	**9,308**	**1.9%**	**(0.3pt)**	**2.5%**
Cash and cash equivalents and others(4)	**26,682**	**5.6%**	**(0.3pt)**	**7.5%**
Investment assets (total)	**479,752**	**100.0%**	**–**	**15.5%**

Note 1: Wealth management products include trust schemes from trust companies, products from insurance asset management companies, wealth management products from commercial banks and private equity funds.

Note 2: Other debt investments include statutory deposits, bond funds and monetary market funds.

Note 3: Other equity investments include unlisted equities, preferred shares and equity perpetual bonds.

Note 4: Cash and cash equivalents and others include cash deposits and securities purchased under agreements to resell.

(1) By investment category

Bonds investment. Under the environment of interest rates fluctuating at low levels, the Group continued to allocate long-term government bonds based on asset-liability matching principle, and lengthened the asset duration. As of December 31, 2023, bond investments accounted for 52.0% of the total investment assets, an increase of 7.8 percentage points from the end of the previous year; among them, government bonds accounted for 59.4% of the bond investments, an increase of 0.4 percentage points from the end of the previous year. The Group continued to enhance its credit risk management and post-investment management system, and explored high-quality investment targets under the premise of strictly controlling risk exposure. Overall, the issuers of the Group's bond investments are of strong financial strength, hence, the credit risk of bond portfolio is well managed. 99.2% of domestic bonds (excluding government bonds and policy bank bonds) held by us received an external credit rating of AA+ or above, of which 95.7% received a credit rating of AAA or above; 100% of overseas bonds held by us were investment-grade bonds with an external credit rating of A- or above.

Fixed-income wealth management products. As of December 31, 2023, the fixed-income wealth management products held by the Group amounted to RMB49.03 billion, accounting for 10.2% of the Group's total investment assets. 93.7% of the debt investment schemes and trust schemes we held received credit ratings of AAA. In terms of industry concentration, the underlying projects are spread across sectors including infrastructure, real property, non-banking financial services, manufacturing, public services and other industries. For the risk management of fixed-income wealth management products, the Group adheres to the principle of substantive risk management and control, and strictly manages the credit risk throughout the full life cycle of the products, including asset allocation, investment field and product selection.

Equity financial assets. As of December 31, 2023, the Group's investment in equity financial assets amounted to RMB101.3 billion, accounting for 21.1% of the total investment assets, a decrease of 1.2 percentage points from the end of the previous year, of which the investment in stocks and equity funds accounted for 12.0% of the total investment assets. The Group proactively manages equity investments driven by in-depth research, actively explores investment opportunities, and prefers value stocks with high dividend yield and high-quality growth stocks, with sustainable performance.

Management Discussion and Analysis

(2) By accounting measurement

Unit: RMB in millions

	December 31, 2023		December 31, 2022	
	Amount	Percentage	Amount	Percentage
Financial assets at fair value through profit or loss	125,367	26.1%	N/A	N/A
Financial assets at fair value through other comprehensive income	292,449	61.0%	N/A	N/A
Others[1]	61,936	12.9%	N/A	N/A
Investment assets (total)	**479,752**	**100.0%**	**N/A**	**N/A**
Financial assets at fair value through profit or loss	N/A	N/A	23,809	5.7%
Available-for-sale financial assets	N/A	N/A	169,489	40.8%
Held-to-maturity investments	N/A	N/A	114,704	27.6%
Investments in associates and joint ventures	N/A	N/A	10,230	2.5%
Loans and others[2]	N/A	N/A	97,004	23.4%
Investment assets (total)	**N/A**	**N/A**	**415,236**	**100.0%**

Note 1: Others mainly include cash and bank balances, term deposits, securities purchased under agreements to resell, and statutory deposits, investments in associates and joint ventures, and investment properties.

Note 2: Loans and others mainly include cash and bank balances, term deposits, securities purchased under agreements to resell, statutory deposits, investments classified as loans and receivables, and investment properties.

2. Investment income

Unit: RMB in millions, except for percentages

For the year ended December 31[4]	2023	2022	Changes
Net investment income[1]	17,696	15,263	15.9%
Realised gains	(869)	6,819	N/A
Gains or losses on changes in fair value	(1,552)	560	N/A
Impairment loss on investment assets	(656)	(3,568)	N/A
Total investment income[2]	14,619	19,074	(23.4%)
Change in other comprehensive income	6,282	(8,288)	N/A
Comprehensive investment income[3]	20,901	10,786	93.8%
Net investment yield (%)[1]	**4.0**	**3.9**	**0.1pt**
Total investment yield (%)[2]	**3.3**	**4.9**	**(1.6pt)**
Comprehensive investment yield (%)[3]	**4.8**	**2.8**	**2.0pt**

Note 1: Net investment yield equals net investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, operating lease income from investment properties, share of profits and losses of associates and joint ventures, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

Note 2: Total investment yield equals total investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Total investment income equals the sum of net investment income, realised gains and gains or losses on changes in fair value, less impairment losses on investment assets.

Note 3: Comprehensive investment yield equals comprehensive investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Comprehensive investment income for the year ended 31 December 2023 equals to the sum of total investment income, fair value changes of equity instruments at fair value through other comprehensive income that cannot be reclassified into profit or loss in subsequent periods, fair value changes of debt instruments at fair value through other comprehensive income, share of other comprehensive income of associates and joint ventures, and net changes in the credit risks provision of debt instruments at fair value through other comprehensive income. Comprehensive investment income for the year ended 31 December 2022 equals the sum of total investment income, changes in fair value of available-for-sale financial assets and share of other comprehensive income of associates and joint ventures.

Note 4: The above performance indicators for the year ended December 31, 2023 were based on financial data under the New Accounting Standards for Financial Instruments, while the above performance indicators for the year ended December 31, 2022 were based on financial data under the Old Accounting Standards for Financial Instruments.

In 2023, the Group's comprehensive investment yield was 4.8%, an increase of 2.0 percentage points year on year; total investment yield was 3.3%, a decrease of 1.6 percentage points year on year, mainly due to decline in the capital markets; and net investment yield was 4.0%, an increase of 0.1 percentage point year on year.

Management Discussion and Analysis

(II) Third-party assets under management

Sunshine AMC is responsible for entrusted management of investment assets of insurance funds within the Group, and is also vigorously developing third-party asset management business, providing professional asset management, investment consultancy and services for other investors, and helping customers achieve robust asset appreciation through insurance asset management products and customized special accounts. As of December 31, 2023, Sunshine AMC's assets under management (AUM) amounted to RMB808.57 billion, representing an increase of 6.8% from the end of the previous year, among which the third-party AUM amounted to RMB410.67 billion.

Unit: RMB in millions

	December 31, 2023	December 31, 2022	Changes
Assets under management entrusted to Sunshine AMC	808,572	756,955	6.8%
Including: AUM entrusted by Group	397,902	341,979	16.4%
Including: AUM entrusted by third party	410,670	414,976	(1.0%)

In 2023, Sunshine AMC persisted in promoting the development of third-party asset management business from the perspectives of compliant operation, risk control and value development, and actively responded to the changes in industry competitive landscape and the fluctuations in capital market. We continuously enhanced our comprehensive asset management capabilities and optimized customer service level through a multi-asset and multi-strategy product system, and promoted marketing with services to assure a sound development of the third-party business. The portfolio asset management products managed by the Company operated steadily and were granted "Insurance Investment Golden Bull Award (保險業投資金牛獎)" for three consecutive years. In particular, three products were granted "Portfolio Insurance Asset Management Product Golden Bull Award (組合類保險資管產品金牛獎)" and "Insurance Asset Management Company Golden Bull Award (保險資管公司金牛獎)". Moreover, we keep supporting the real economy through our debt business by increasing investments in infrastructure projects such as the water conservancy, highways, and municipal construction. In recent years, products in the debt investment schemes under our management were granted "Ark Prize (創新保險資管產品方舟獎)" for Innovative Insurance Asset Management Products organized by "Securities Times (證券時報)". In that year, Sunshine AMC ranked among the top 500 global asset management institutions on IPE for the first time, ranking 202nd in the world and 39th in China.

III. ANALYSIS ON SPECIAL ITEMS

(I) Liquidity Analysis

1. Gearing Ratio

	December 31, 2023	December 31, 2022
Gearing Ratio(1)	88.0%	86.9%

Note 1: gearing ratio = total liabilities/total assets

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

For the year ended December 31	2023	2022	Increase/decrease
Net cash flows from operating activities	20,334	25,917	(21.5%)
Net cash flows used in investing activities	(36,411)	(28,415)	28.1%
Net cash flows from financing activities	18,126	1,875	866.7%

3. Liquidity Analysis

The Company manages the liquidity of the Group Company and its subsidiaries from the group level. As a holding company, the Group Company mainly conducts business operations through its subsidiaries, and its cash flow is mainly derived from dividends and other investment income of its operating subsidiaries.

The Company's major sources of capital include premium income, interests and dividend income, and cash inflows from the sale or maturity of investment assets, etc. The demand for working capital mainly includes the reimbursement or payment of insurance contracts, withdrawals or other forms of early termination of insurance contracts by policyholders, dividends paid to shareholders, and cash payments for daily expenses.

The Company's cash and bank deposits provide the Company with liquid resources to meet its cash disbursement needs. As of the end of the Reporting Period, the Company had cash and cash equivalents of RMB26.7 billion and term deposits of RMB9.59 billion. In the case of interest loss, substantially all of the Company's term bank deposits are available. In addition, the Company's investment portfolio also provides the Company with liquidity resources to meet unforeseen cash disbursement needs. As of the end of the Reporting Period, the book value of the Company's fixed-income financial assets investment was RMB331.99 billion and the book value of equity financial assets investment was RMB101.3 billion.

The Company believes that it has sufficient working capital to meet its current working capital needs.

Management Discussion and Analysis

(II) Solvency

The Group and each of its insurance subsidiaries prepare and report solvency data in accordance with the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》) issued by the CBIRC and the Circular on Optimization of Solvency Supervision Standard for Insurance Companies (《關於優化保險公司償付能力監管標準的通知》) issued by the National Administration of Financial Regulation.

As of December 31, 2023, the comprehensive solvency ratio and the core solvency ratio of the Group and each of its insurance subsidiaries were significantly higher than the regulatory requirements, and their capital positions were sufficient and sound.

The table below sets forth the solvency data of the Group and its main insurance subsidiaries as at the dates indicated:

Unit: RMB in millions, except for percentages

	December 31,2023	December 31,2022	Increase or decrease
The Group			
Core capital	**73,869**	69,751	5.9%
Actual capital	**107,874**	95,311	13.2%
Minimum capital	**48,758**	48,081	1.4%
Core solvency ratio (%)	**152**	145	7pt
Comprehensive solvency ratio (%)	**221**	198	23pt
Sunshine Life			
Core capital	**46,615**	43,133	8.1%
Actual capital	**74,519**	62,540	19.2%
Minimum capital	**40,611**	40,038	1.4%
Core solvency ratio (%)	**115**	108	7pt
Comprehensive solvency ratio (%)	**183**	156	27pt
Sunshine P&C			
Core capital	**12,691**	10,837	17.1%
Actual capital	**18,792**	16,990	10.6%
Minimum capital	**7,660**	7,590	0.9%
Core solvency ratio (%)	**166**	143	23pt
Comprehensive solvency ratio (%)	**245**	224	21pt

Note 1: Core solvency ratio = core capital/minimum capital; comprehensive solvency ratio = actual capital/minimum capital.

Note 2: The minimum regulatory requirements for core solvency ratio and comprehensive solvency ratio are 50% and 100% respectively.

(III) Asset Charge

Some subsidiaries of the Group sold and repurchased securities in the market due to liquidity management needs. During the transactions, the securities held by subsidiaries of the Company will be used as collateral for transaction. As at December 31, 2023, the charge information of the relevant securities is set out in Note 34 to the consolidated financial statements of this annual report.

(IV) Bank Borrowings and Bonds Payable

The aggregate balance of bank borrowings of the Group as at December 31, 2023 was RMB200 million, excluding the bonds issued by some subsidiaries of the Group and the securities sold under repurchase agreements of its investment business. The total balance of bonds payable by the Group was RMB19.41 billion. The bonds payable by the Group are set out in Note 33 to the consolidated financial statements of this annual report.

(V) Risk of Exchange Rate Fluctuations

The vast majority of the Group's assets and liabilities are denominated in Renminbi (RMB), but some of its assets and liabilities are denominated in Hong Kong dollars, US dollars and other foreign currencies. The fluctuations of the value of RMB relative to such currencies expose us to foreign exchange risk. We controlled the adverse impact of exchange rate fluctuations by strengthening the management of asset liability matching of different currencies and controlling foreign exchange positions. The sensitivity to foreign exchange risk is calculated based on the net exposure to fluctuations in exchange rates by assuming a simultaneous and uniform depreciation of 10% against the Renminbi of all foreign currency denominated financial assets and financial liabilities would cause a decrease in equity before tax by RMB1.58 billion and a decrease in profit before tax by RMB940 million. If the above currencies appreciate by the same proportion, the appreciation will have an inverse effect of the same amount on equity before tax and profit before tax.

(VI) Contingent Liabilities

Given the nature of insurance business, in the ordinary course of its business, the Group is involved in various estimates, contingencies and legal proceedings, including as plaintiff and defendant in litigation and as applicant and respondent in arbitration. The adverse effects of the above disputes mainly include insurance policies and other claims. The Group has made provision for possible losses, including provisions for claims such as insurance policies, when management has consulted counsel (if any) and is able to make a reasonable estimate of the outcome of the above litigation. No provision shall be made for audits, contingencies or legal proceedings where the outcome cannot be reasonably predicted and management considers that the likelihood of failure is low. As at December 31, 2023, with respect to the above pending litigation, the management believes that the obligations arising from the final ruling will not have a material adverse impact on the financial position and operating results of the Group.

Management Discussion and Analysis

IV. MAJOR EVENTS

(I) Connected Transactions

1. Continuing Connected Transactions

Provision of Investment Management Services by Sunshine AMC to the Group

Principal terms

On November 21, 2022, the Group entered into an entrusted investment management services framework agreement with Sunshine AMC (the "Entrusted Investment Management Services Framework Agreement"), which is effective from the Listing Date to December 31, 2024. Pursuant to the Entrusted Investment Management Services Framework Agreement, the Group entrusted Sunshine AMC to manage part of our investment assets. Sunshine AMC shall manage the entrusted assets in accordance with the Entrusted Investment Management Services Framework Agreement, specific entrusted investment management services agreements, relevant laws, regulations, regulatory requirements as well as the investment guidelines formulated by the Group, and the Group shall pay investment management fees, consulting service fees and other service fees to Sunshine AMC.

Pursuant to the Entrusted Investment Management Services Framework Agreement, Sunshine AMC shall provide investment management and investment advisory services to the Group in connection with traditional financial products (such as stocks, funds and bonds traded in the secondary markets) and alternative investments (such as direct equity investments, real estate investments and investments in private equity funds).

Connected persons

Sunshine AMC is our non-wholly owned subsidiary and pursuant to Rule 14A.16(1) of the Hong Kong Listing Rules, a connected subsidiary of the Company, and therefore constitutes a connected person of the Company. As a result, the transactions under the Entrusted Investment Management Services Framework Agreement constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Reasons for the transactions

Sunshine AMC has been providing investment management services to the Group since April 2013. Sunshine AMC offers investment management services that are highly recognised by the market and possesses the experience and expertise in asset management with sound investment management skills. Given that Sunshine AMC has a profound understanding of the Group's business, it is in the best interests of the Group and its Shareholders as a whole to continue such transaction to leverage Sunshine AMC's advantage to promote the Group's investment business development and to provide better investment returns for our Shareholders.

Pricing policy

For traditional financial products, the Group will pay investment management fees (including base management fee and performance-based management fee) and other relevant service fees to Sunshine AMC. The base management fee is calculated by multiplying the net asset value of the entrusted assets by the fixed management fee rate (0.4% per annum for equity assets and 0.1% per annum for fixed-income assets) and shall be paid monthly, whereas the performance-based management fee equals to 10% or 15% of the return exceeding the performance benchmarks for each type of assets and is normally determined at the year end. Sunshine AMC may subscribe financial products managed by itself with the entrusted assets of the Group, for which Sunshine AMC will charge service fee with reference to the above-mentioned fee rates.

For alternative investments, the Group will pay consulting service fees (including base service fee and performance-based service fee) to Sunshine AMC. The base service fee is calculated by multiplying the investment principal of each project by the base fee rate of each type of project as agreed under specific transaction agreements, with the highest fee rate not exceeding 1% per annum of the investment principal; whereas the performance-based service fee is charged based on the actual contribution of consulting services provided by Sunshine AMC, which in principle shall not exceed 20% of the net return from our alternative investment portfolio under which Sunshine AMC provides services and is normally determined at the year end. The Group shall only pay such performance-based service fees to Sunshine AMC when the return rate of the alternative investment portfolio is higher than the benchmark return rate as agreed between the Group and Sunshine AMC.

The pricing of the investment management services is determined by both parties after arm's-length negotiations with reference to the Group's business needs for such investment management services. The fee rates charged by Sunshine AMC under the Entrusted Investment Management Services Framework Agreement are no less favorable to the Group compared to the fee rates typically charged by Sunshine AMC against its other Independent Third Parties customers for similar business, as well as the fee rates paid by the Group to Independent Third Parties asset managers for similar business.

Annual caps and transaction amounts

For the three years ended/ending December 31, 2024, the annual caps of the fees for investment management services to be paid by the Group to Sunshine AMC are expected to be as follows:

Unit: RMB in millions

	For the year ended/ending December 31		
	2022	**2023**	2024
Fees cap for investment management services expected to be paid by the Group to Sunshine AMC	946	**1,111**	1,258

For the year ended December 31, 2023, the fees for investment management services paid by the Group to Sunshine AMC were RMB678 million in aggregate.

Confirmation from independent non-executive directors and auditor of the Company

In respect of the above continuing connected transactions, the Company confirms that it has complied with the requirements of Chapter 14A of the Listing Rules as amended from time to time. The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions as set out above have been and will continue to be conducted in the ordinary and usual course of business of the Company under agreements relating to the continuing connected transactions, be entered into on ordinary commercial terms (as defined in the Listing Rules), and are fair and reasonable; and are conducted on the terms of the relevant transaction agreements and are in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Management Discussion and Analysis

The Board of Directors of the Company has received a confirmation letter from the Company's auditor in respect of the continuing connected transactions as set out above, and based on the work performed by it, the auditor drew the following conclusions on the disclosed continuing connected transactions (among others):

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.

b. for transactions involving the provision of goods or services by the Company, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out in the attached table, nothing has come to the auditor's attention that causes the auditor to believe that the amounts of the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

2. Confirmation for Related Party Transactions

Details of the Group's related party transactions are set out in the consolidated financial statements and Note 43. Save for the connected transactions and continuing connected transactions disclosed in this report, there are no related party transactions that constitute connected transactions or continuing connected transactions that are required to be announced or approved by independent Shareholders under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions of the Company.

(II) Material Contracts and Their Implementation

Investment is one of the core business activities of the Company. The Company mainly adopts the model of entrusted investment management. Sunshine AMC, as the manager within the Sunshine Insurance, is entrusted to manage most of the investment assets. The Company also cooperates with professional investment management institutions such as fund companies as external managers to complete the diversified pattern of entrusted investment management. The Company sets different investment strategies and performance benchmarks through different account liability attributes and risk-return characteristics of broad asset class to enhance the stability of returns while reasonably diversifying investment risks. Under the entrusted investment management contracts entered into with Sunshine AMC, the Company guides and supervises investment managers' investment behaviors through investment guidelines, dynamic tracking, performance evaluation and other measures, and adopts targeted risk management measures according to the characteristics of different investment assets.

During the Reporting Period, except as otherwise disclosed in this report, there were no other material contractual matters required to be disclosed by the Company.

(III) Performance of Commitments

The Company complies with the undertakings made in the Prospectus. On March 16, 2023 and April 6, 2023, the Board and the general meeting of the Company considered and approved the proposed conversion of not less than 600,000,000 domestic unlisted shares and not more than 3,000,000,000 domestic unlisted shares of the Company into H Shares of the Company. Subject to obtaining all relevant approvals and filings in accordance with applicable domestic and overseas laws and regulation and the Hong Kong Listing Rules, the Company has completed converting 2,328,616,013 Domestic Shares into H Shares on January 12, 2024, and the converted H Shares have been listed on the Main Board of the Hong Kong Stock Exchange on January 15, 2024. Upon the completion of such matter, the Company's H Shares accounted for approximately 30.25% of its total shares.

For details of the above matter, please refer to corresponding announcements and circulars of the Company.

(IV) Material Litigation and Arbitration

During the Reporting Period, the Company had no material litigation or arbitration.

(V) Major Acquisition and Investment

During the Reporting Period, the Company had no major acquisition or investment.

Management Discussion and Analysis

(VI) Use of Proceeds

The Company completed initial public offering (the "IPO") and listing of overseas listed foreign shares ("H Shares") on the Main Board of the Hong Kong Stock Exchange on December 9, 2022. The Company issued approximately 1,150 million H Shares in total with a nominal value of RMB1 per share to Hong Kong and overseas investors at an issue price of HK$5.83 per share. The total proceeds from the IPO amounted to approximately HK$6.705 billion. As of December 31, 2022, the balance amount of such proceeds was HK$6.458 billion. On July 14, 2023, as resolved by the Board, the Company made additional capital contributions to Sunshine P&C and Sunshine Life. In particular, the total unused IPO proceeds were used for the capital contributions. For the Company's additional capital contributions to Sunshine P&C and Sunshine Life, approvals have been obtained from the National Administration of Financial Regulation on December 20, 2023 and January 9, 2024, respectively, in respect of increase in registered capital. As of the Latest Practicable Date, the proceeds from the IPO were HK$6.705 billion, in particular:

(1) HK$247 million has been used to settle the underwriting fees and estimated expenses in connection with the IPO;

(2) HK$6.458 billion has been used for the Company's targeted capital contribution to its subsidiaries, Sunshine P&C and Sunshine Life, for enhancing their capital bases and supporting their ongoing business growth.

As at the Latest Practicable Date, the Company's use of proceeds from the IPO complies with the use of proceeds and expected timetable promised by the Company in the Prospectus.

V. PROSPECTS

(I) Market Environment

In the medium to long run, as one of the most important growth engines in the global insurance market, China's insurance density and insurance penetration are lower than those of the global average, and the overall coverage and protection degree are still at a low level, with great room for improvement. Given strong resilience, great potential and vitality of Chinese economy, coupled with the deepening of aging population and residents' wealth accumulation, residents' awareness of health will continue to increase, with strong demands for elderly care. The Central Financial Work Conference cleared the goal of "building a strong financial power" from the five aspects of "technology finance, green finance, inclusive finance, elderly care finance and digital finance", providing broad development opportunities for the insurance industry. In the future, the insurance industry, as a "stabilizer" and "shock absorber" of the social economy, will definitely play an increasingly important role in serving the national strategy, supporting the real economy, and ensuring the health and pension of residents.

In the short term, the international landscape will remain complicated, and the domestic economic operation will pick up in general. However, the foundation for economic recovery is not yet solid enough to cope with risks and challenges faced in the high-quality development of the insurance industry. Life insurance has entered a period of deep adjustment, with the investment yields of long-term bonds declining on average and team transformation being still at the critical stage. Property and casualty insurance needs to highlight its role in serving the real economy, promoting risk reduction, and maintaining social stability.

Looking forward to 2024, with the continuous development of policies, boosted confidence, stronger domestic demands, and release of residents' demands for pension and wealth management, the insurance industry will embrace a broader room for development.

(II) Development Outlook

Our mission is still to "bring more sunshine to people". We are dedicated to "becoming the leading professional insurance service provider for families, as well as the trusted risk management partner for enterprises". Based on the general keynote of "pursuing progress while maintaining stability", we will extensively implement the development idea of "seeking progress amidst quality", make unswerving efforts to achieve the development goal of "high-quality development and high-value growth", solidly promote the "New Sunshine Strategy", and continuously improve Sunshine's value creation capabilities.

In terms of life insurance, we will further deepen value development, and optimize business structure. For individual insurance, we will adhere to differentiated development, stabilize the team foundation through optimization of the team structure, and improve the operating capabilities of grassroots organizations. In terms of bancassurance channel, we will maintain professional and refined operation and keep enhancing value development capacity to maintain our competitiveness; further deepen our understanding of customer needs, enrich insurance service supply system and optimize customer service experience; and put continuous efforts in digital and intelligence transformation to improve operational efficiency.

In terms of property and casualty insurance, we will keep a foothold in serving national strategy, support real economy along the development direction of "technology, professionalism and value", create sustained and stable competitiveness in automobile insurance and develop strong and high quality non-automobile development model by focusing on continuous optimization of product structure and intelligent life table for automobile insurance as well as life table for non-automobile data and centering on the two main lines in core capability construction and fundamental capability enhancement, further strengthen the leading role of technology and effectively stimulate workforce vitality to further reinforce the Company's new impetus for high quality development.

In the investment segment, we will firmly execute long-term investment strategy, build portfolios that match the characteristics of insurance liabilities and navigate through macroeconomic cycles, and support the healthy development of principal insurance business. We will insist on innovative thinking, improve our comprehensive asset management capability from such dimensions as products, customers and channels, and achieve quality improvement and volume increment of third-party asset management business.

EMBEDDED VALUE REPORT

I. BACKGROUND

In order to provide investors with an additional tool to understand the Company's economic value and business results, we have prepared the results of embedded value and value of new business in accordance with the "Actuarial Practice Standard: Assessment Standard for Embedded Value of Life Insurance" published by the China Association of Actuaries in November 2016 ("CAA [2016] No. 36") (thereafter referred to as "the EV Assessment Standard"), as well as general accepted actuarial principles and relevant laws and regulations. We have engaged KPMG Advisory (China) Limited Beijing Branch to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results of embedded value and value of new business of the Company as of December 31, 2023.

The embedded value is an actuarial estimation of the economic value of an insurance company based on a set of assumptions for future. It does not include any value attributed by future new business sales. The embedded value of the Group is defined as the sum of:

- The adjusted net worth of Sunshine Insurance Group; and

- Sunshine Insurance Group's share in Sunshine Life's value of in-force business after cost of capital.

The adjusted net worth of Sunshine Insurance Group is defined as the Group's net asset value based on the China Accounting Standards, inclusive of net-of-tax adjustments for differences between the carrying value and market value of certain assets, together with net-of-tax adjustments for differences between policy liabilities under China Accounting Standards and policy liabilities under the EV Assessment Standard.

Sunshine Life's value of in-force business and value of one year's new business is defined as the present value of projected after-tax distributable interest emerging in the future from the existing business as at the valuation date, and from the sales of new business in the 12 months prior to the valuation date. The distributable interest is determined based on policy liabilities and required capital valued under the EV Assessment Standard.

Sunshine Life uses the traditional deterministic discounted cash flow methodology for determining its value of in-force business and value of new business. This methodology makes implicit allowance for the cost of investment guarantees and policyholder options, asset and liability mismatch risk, credit risk, the risk of operating experience fluctuation, and for the economic cost of capital through the use of risk discount rates.

There are uncertainties in the assumptions applied when calculating the embedded value and the value of new business, and the results may change significantly as the key assumptions change. The actual experience in the future may be different from the assumptions shown in this report, thus investors should use it carefully when making any investment decisions.

Please note that the values in some of the tables in this report may not be additive due to rounding.

II. KEY ASSUMPTIONS

This section summarizes the key assumptions used in determining the embedded value and value of new business as of December 31, 2023. These assumptions have been made on a going concern basis under the current economic and regulatory environment, and based on the Company's own experience in recent years, expectation of current and future experience, and the overall knowledge of the Chinese insurance market.

1. Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and the value of new business of Sunshine Life is 9.5%.

2. Investment Returns

The investment return assumption is 4.5%, and remains 4.5% in subsequent years.

3. Mortality

Mortality assumptions have been developed based on the China Life Insurance Mortality Table (2010-2013), considering Sunshine Life's past mortality experience, expectation of current and future experience, and the overall knowledge of the Chinese insurance market.

4. Morbidity

Morbidity assumptions have been developed based on China Life Insurance Critical Illness Table (2020) or Sunshine Life's pricing tables, considering Sunshine Life's past morbidity experience, expectation of current and future experience, and the overall knowledge of the Chinese insurance market. The trend of long-term morbidity deterioration has been taken into consideration.

5. Lapse and Surrender Rates

Lapse and surrender rates have been developed based on Sunshine Life's past lapse and surrender experience, expectation of current and future experience, and the overall knowledge of the Chinese insurance market. The assumptions vary by product type, premium payment mode and distribution channel.

6. Expenses

Expense assumptions are classified into two categories: the acquisition expense assumption and the maintenance expense assumption. Both are set based on unit cost, reflecting the expense analysis results and best estimates of future expenses. Inflation rate assumption of 3% per annum has also been applied.

7. Commission and Handling Fees

The assumed level of commission and commission override, as well as handling fees, have been set consistently with the actual level being paid.

8. Policyholder Dividends

Policyholder dividends have been derived in accordance with participating account's historical operational experience, expected future returns and policyholders' reasonable expectations, as well as to ensure that no less than 70% of distributable earnings arising from participating business are paid to policyholders.

9. Tax Rate

Corporate tax rate is assumed to be 25%. The tax exemption assumption relating to investment return is based on the allocation of tax-exempted assets at present and expected in the future.

EMBEDDED VALUE REPORT

III. RESULTS OF EMBEDDED VALUE AND VALUE OF NEW BUSINESS

The tables below show the embedded value of Sunshine Insurance Group, the embedded value and value of new business of Sunshine Life as of December 31, 2023 (in RMB million):

1. Embedded value

Valuation Date	December 31, 2023	December 31, 2022
The adjusted net worth of Sunshine Insurance Group	**66,027**	**70,807**
The adjusted net worth of Sunshine Life	**40,622**	**45,447**
Sunshine Life's value of in-force business before cost of capital	44,691	38,164
Cost of capital	(6,657)	(7,697)
Sunshine Life's value of in-force business after cost of capital	**38,033**	**30,466**
Embedded value of Sunshine Insurance Group	**104,060**	**101,273**
Embedded value of Sunshine Life	**78,656**	**75,913**

If restated with the valuation method and economic assumptions as of December 31, 2023, the embedded value of Sunshine Insurance Group as of December 31, 2022 would be RMB97,840 million, and the embedded value of Sunshine Life would be RMB72,481 million.

2. Value of one year's new business

Valuation Date	December 31, 2023	December 31, 2022
Sunshine Life's value of one year's new business before cost of capital	5,825	5,265
Cost of capital	(2,228)	(2,247)
Sunshine Life's value of one year's new business after cost of capital	**3,596**	**3,018**

3. Value of one year's new business from main channels

Valuation Date	December 31, 2023	December 31, 2022
Total of Sunshine Life	**3,596**	**3,018**
Of which: Individual insurance channel	1,321	1,152
Bancassurance channel	1,997	1,797

If restated with the valuation method and economic assumptions as of December 31, 2023, the value of one year's new business of Sunshine Life as of December 31, 2022 would be RMB2,493 million, including RMB1,109 million for individual insurance channel and RMB1,310 million for bancassurance channel.

IV. ANALYSIS OF EMBEDDED VALUE MOVEMENT

The table below shows the change in the embedded value of Sunshine Insurance Group from December 31, 2022 to December 31, 2023 (in RMB million):

Items		Amount
1.	**Embedded value of Sunshine Life at beginning of period**	**75,913**
2.	Impact of new business	3,596
3.	Expected return	5,510
4.	Investment experience variance	(288)
5.	Other experience variance	(77)
6.	Methodology, Model and Assumptions change	(5,201)
7.	Diversification effects	1,045
8.	Capital injection/shareholder dividend	(1,816)
9.	Others	(27)
10.	**Embedded value of Sunshine Life at end of period**	**78,656**
11.	**Adjusted net worth of the Group's other business at end of period**	**26,748**
12.	Adjustment for minority shareholders' interest	(1,343)
13.	**Embedded value of Sunshine Insurance Group at end of period**	**104,060**

Notes: Items of change are explained below

Item 2. Reflects the value of new business in the relevant period.

Item 3. Expected return earned on adjusted net worth, value of in-force business and value of new business in the relevant period.

Item 4. Reflects the difference between actual and expected investment returns in the relevant period.

Item 5. Reflects the difference between actual operating experience in the relevant period and the assumptions at beginning of period.

Item 6. Reflects changes of methodology, model and assumptions between valuation dates.

Item 7. Refers to the difference in cost of capital evaluated on different level under C-ROSS embedded value framework, that is, cost of capital of new business is evaluated on the policy level while cost of capital of in-force business is evaluated on the company level.

Item 8. Capital injection for Sunshine Life and dividend to shareholders.

Item 9. Other miscellaneous items.

Item 12. Relevant adjustment for minority shareholders' interest of the Group.

EMBEDDED VALUE REPORT

V. SENSITIVITY TESTS

We have conducted sensitivity tests on the value of in-force business and value of one year's new business of Sunshine Life as of December 31, 2023 under alternative assumptions. In each of these tests, only the assumption referred to is changed, while all other assumptions remain unchanged. The table below shows the results of sensitivity tests (in RMB million):

Scenario	Sunshine Life's value of in-force business after cost of capital	Sunshine Life's value of one year's new business after cost of capital
Base Scenario	**38,033**	**3,596**
Risk discount rate increased by 50 base points	36,207	3,285
Risk discount rate decreased by 50 base points	40,037	3,940
Investment returns increased by 50 base points	50,351	5,863
Investment returns decreased by 50 base points	25,673	1,319
Mortality increased by 10% (i.e. 110% of Base)	37,561	3,533
Mortality decreased by 10% (i.e. 90% of Base)	38,516	3,661
Morbidity increased by 10% (i.e. 110% of Base)	37,035	3,570
Morbidity decreased by 10% (i.e. 90% of Base)	39,049	3,623
Lapse and surrender rates increased by 10% (i.e. 110% of Base)	37,762	3,495
Lapse and surrender rates decreased by 10% (i.e. 90% of Base)	38,308	3,702
Expenses assumptions increased by 10% (i.e. 110% of Base)	37,620	3,223

INDEPENDENT ACTUARIES OPINION ON REVIEW OF EMBEDDED VALUE INFORMATION

To the Board of Directors of Sunshine Insurance Group Company Limited

KPMG Advisory (China) Limited Beijing Branch ("We") have reviewed the Embedded Value ("EV") of Sunshine Insurance Group Company Limited ("the Company" or "Sunshine Insurance Group") as of 31 December 2023 and Embedded Value of Sunshine Life Insurance Corporation Limited ("Sunshine Life") set out in the 2023 Annual Report of the Company ("the EV Information").

The management of the Company are responsible for the preparation and presentation of the EV Information in accordance with the "Actuarial Practice Standard: Assessment Standard for Embedded Value of Life Insurance" published by the China Association of Actuaries ("the EV Assessment Standard") and industry practice for publicly listed companies in Hong Kong. This responsibility includes designing, implementing and maintaining internal control relevant to the maintenance of underlying data and information on the in-force business and preparation of the EV Information which is free from material misstatement, whether due to fraud or error; selecting and applying appropriate methodologies; making assumptions that are consistent with market information and are reasonable in the circumstances; and performing EV calculations.

Our responsibility, as independent actuaries, is to perform certain review procedures set out in our letter of engagement, and based on these procedures, conclude whether the EV methodologies and assumptions are consistent with the EV Assessment Standard, available market information and industry practice for publicly listed companies in Hong Kong.

We have reviewed the methodology and assumptions used in preparing the EV Information, including the following:

- The EV as of 31 December 2023;
- Value of one-year's new business of the Sunshine Life as of 31 December 2023; and
- Movement analysis of the EV and sensitivity analysis of value in-force business and value of one-year's new business.

EMBEDDED VALUE REPORT

Our review procedures included, but were not limited to, reviewing the methodology and assumptions, inspecting documentation relating thereto, and considering whether the methodologies and assumptions are consistent with the EV Assessment Standard, available market information, and industry practice for publicly listed companies in Hong Kong.

The preparation of the EV Information requires assumptions and projections to be made about future uncertain events, many of which are outside the control of Sunshine Insurance Group. Therefore, actual experience may differ from these assumptions and projections, and this will affect the value of in-force business and the value of new business.

Our conclusion has relied on the integrity, accuracy and completeness of audited and unaudited data and information provided by Sunshine Insurance Group. Our work did not involve reperforming the EV calculations, nor verifying the data and information underlying the EV Information.

Based on our review procedures, we have concluded that the methodologies and assumptions used in preparing the EV Information are consistent with the EV Assessment Standard, available market information, and industry practice for publicly listed companies in Hong Kong.

This report has been prepared for and only for the Board of Directors of the Company in accordance with our letter of engagement and for no other purpose. We do not accept or assume responsibility for any other purpose or to any other person whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing.

For and on behalf of **KPMG Advisory (China) Limited Beijing Branch**
Zhenhua Lu, *FSA*

25 March 2024

Directors, Supervisors, Senior Management and Employees

OVERVIEW OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Month and year of birth	Position	Date of appointment
ZHANG Weigong (張維功)	December 1963	Executive Director, Chairman of the Board	August 2007
ZHAO Zongren (趙宗仁)	February 1956	Executive Director, Vice Chairman of the Board	July 2013
LI Ke (李科)	September 1964	Executive Director	September 2012
PENG Jihai (彭吉海)	March 1970	Executive Director	August 2015
WANG Yongwen (王永文)	April 1963	Executive Director	December 2020
CAI Qiwu (蔡其武)	June 1963	Non-executive Director	August 2023
WANG Jingwei (王京偉)	September 1978	Non-executive Director	December 2018
CHEN Yong (陳勇)	March 1971	Non-executive Director	August 2023
QIAN Yiqun (錢毅群)	October 1978	Non-executive Director	August 2023
HOU Huisheng (侯惠勝)	November 1982	Non-executive Director	August 2023
LIU Zhanqing (劉湛清)	June 1965	Independent Non-executive Director	December 2018
GAO Bin (高濱)	October 1962	Independent Non-executive Director	May 2018
JIA Ning (賈寧)	May 1980	Independent Non-executive Director	November 2021
WU Xiaoqiu (吳曉球)	February 1959	Independent Non-executive Director	August 2023
HONG Qi (洪崎)	January 1957	Independent Non-executive Director	October 2023

Notes:

1. Due to the expiry of the term of office of the fifth session of the board of directors of the Company, on April 6, 2023, as approved by the extraordinary general meeting of the Company, Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai and Mr. WANG Yongwen were appointed as the executive directors of the sixth session of the board of directors of the Company, Mr. CAI Qiwu, Mr. WANG Jingwei, Mr. CHEN Yong and Ms. QIAN Yiqun were appointed as the non-executive directors of the sixth session of the board of directors of the Company, Mr. LIU Zhanqing, Mr. GAO Bin, Ms. JIA Ning, Mr. WU Xiaoqiu and Mr. HONG Qi were appointed as the independent non-executive directors of the sixth session of the board of directors of the Company. On March 16, 2023, the Company held the employee representatives' meeting by which Mr. HOU Huisheng was elected as the employee director of the sixth session of the board of directors of the Company. The terms of office of Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai, Mr. WANG Yongwen, Mr. WANG Jingwei, Mr. LIU Zhanqing, Mr. GAO Bin and Ms. JIA Ning as Directors took effect from April 6, 2023. Approved by the National Administration of Financial Regulation, the terms of office of Mr. CAI Qiwu, Mr. CHEN Yong, Ms. QIAN Yiqun, Mr. HOU Huisheng and Mr. WU Xiaoqiu as Directors took effect from August 28, 2023. The term of office of Mr. HONG Qi as a Director took effect from October 20, 2023.

2. Due to the expiry of term of office, Mr. YUAN Mouzhen ceased to be the non-executive director of the Company from April 6, 2023; Mr. MA Guangyuan ceased to be the independent non-executive director of the Company from August 28, 2023. Mr. WANG Jianxin ceased to be the independent non-executive director of the Company from October 20, 2023.

3. For details of Directors' positions in the special committees under the Board, please refer to the section headed "Corporate Governance Report" in this annual report.

Directors, Supervisors, Senior Management and Employees

Supervisors

Name	Month and year of birth	Position	Date of appointment
ZHUANG Liang (莊良)	July 1963	Employee Supervisor, Chairman of the Board of Supervisor	December 2020
ZHANG Di (張迪)	February 1984	Shareholder Supervisor	June 2022
WANG Zhe (王哲)	November 1981	External Supervisor	November 2021

Note: Due to the expiry of the term of office of the fifth session of the board of supervisors of the Company, on April 6, 2023, approved by the extraordinary general meeting of the Company, Ms. ZHANG Di was appointed as a shareholder supervisor of the sixth session of the board of supervisors of the Company, and Ms. WANG Zhe was appointed as an external supervisor of the sixth session of the board of supervisors of the Company. On March 16, 2023, Mr. ZHUANG Liang was elected as an employee supervisor of the Company at the Company's employee representatives' meeting. The terms of office of Mr. ZHUANG Liang, Ms. ZHANG Di and Ms. WANG Zhe took effect from April 6, 2023.

Senior Management

Name	Month and year of birth	Position	Date of appointment
ZHANG Weigong (張維功)	December 1963	Chief Executive Officer	August 2007
LI Ke (李科)	September 1964	Joint Chief Executive Officer, General Manager	March 2023 March 2013
PENG Jihai (彭吉海)	March 1970	Joint Chief Executive Officer, Chief Investment Officer, Head of Investment, Deputy General Manager and Chief Financial Officer	March 2023 October 2020 July 2015 May 2014 January 2010

Name	Month and year of birth	Position	Date of appointment
WANG Yongwen (王永文)	April 1963	Deputy General Manager	August 2019
XIA Fangchen (夏芳晨)	March 1965	Deputy General Manager	July 2016
LI Wei (李偉)	May 1973	Assistant to General Manager	July 2016
WANG Xiaopeng (王霄鵬)	December 1973	Deputy General Manager	February 2024
		Chief Auditor	February 2024
GU Wei (谷偉)	February 1969	Deputy General Manager	April 2023
NIE Rui (聶鋭)	June 1968	Secretary to the Board	November 2023
		Chief Risk Officer	July 2015
		Chief Compliance Officer	May 2014
GAO Yongmei (高永梅)	September 1969	Assistant to General Manager	July 2021
LIU Yingchun (劉迎春)	April 1969	Assistant to General Manager	May 2022
WANG Zhenling (王震凌)	September 1976	Assistant to General Manager	July 2021
YANG Xueli (楊學理)	June 1975	Assistant to General Manager	February 2022

Directors, Supervisors, Senior Management and Employees

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

Directors

Executive Directors

Mr. ZHANG Weigong (張維功) is the founder, chairman of the Board, executive Director and chief executive officer of our Company.

Mr. Zhang has served as the chairman and an executive Director of our Company since August 2007 and as the chief executive officer of our Company since March 2013. He has served as the chairman of Sunshine AMC since January 2015. Mr. Zhang served as the general manager of our Company from August 2007 to March 2013 and successively served as the chairman and general manager of Sunshine Life from November 2007 to June 2015, successively served as the chairman and general manager of Sunshine P&C from July 2005 to March 2014. He resigned and started his own business from May 2004 to December 2004, and was the head of the founding group of Sunshine P&C from December 2004 to July 2005. Before founding the Company, Mr. Zhang served as the secretary of the Party Committee and director of the Guangdong Bureau of the CIRC (中國保監局廣東監管局) and assumed other positions from September 2003 to May 2004, successively as secretary of the Party Committee and head of the Nanjing Special Commissioner's Office of CIRC (中國保監局南京特派員辦事處) from September 2000 to September 2003 and deputy general manager of the People's Insurance Company of China (中國人民保險公司) (now known as the People's Insurance Company (Group) of China Limited) (hereinafter referred to as the "**PICC**"), Shandong Branch from July 1999 to September 2000. Before July 1999, Mr. Zhang served as manager and secretary of the Party Committee of PICC, Weifang Branch. Mr. Zhang obtained an EMBA from Tsinghua University (清華大學) in January 2016.

Mr. ZHAO Zongren (趙宗仁) is the vice chairman of the Board and an executive Director of our Company.

Mr. Zhao has served as the vice chairman of our Company since November 2016 and an executive Director of our Company since July 2013. He joined the Company from August 2007 and has served as the director of the Labor Union, the chief Supervisor and the assistant to general manager of the Company. Mr. Zhao has been a non-executive director of Huishang Bank Corporation Limited since October 2014. Prior to joining the Company, Mr. Zhao served as the director and secretary of the Party Committee of China Cinda Asset Management Corporation (中國信達資產管理公司) (now known as China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)) (hereinafter referred to as the "**China Cinda**"), Nanning Office, the deputy director, member of Party Committee and secretary of the Disciplinary Committee of China Cinda, Jinan Office, the director of the Capital Planning Department as well as the director of the Planning and Finance Department of China Construction Bank (中國建設銀行) (now known as China Construction Bank Corporation (中國建設銀行股份有限公司)), Shandong Branch, and vice president of China Construction Bank, Jining Branch. Mr. Zhao obtained a Master's Degree in National Economics from Dongbei University of Finance & Economics (東北財經大學) in April 2002.

Mr. LI Ke (李科) is an executive Director, joint chief executive officer and the general manager of our Company.

Mr. Li has served as joint chief executive officer of the Company since March 2023, the chairman of Sunshine P&C since October 2015, the chairman of Sunshine Life since June 2015, the general manager of the Company since March 2013 and an executive Director of the Company since September 2012. Mr. Li joined the Company from January 2005 and has served as a deputy general manager of the Company, the vice chairman and the deputy general manager of Sunshine P&C. Prior to joining the Company, Mr. Li joined PICC Property and Casualty Company Limited (hereinafter referred to as the "**PICC Property & Casualty**"), Shandong Branch in July 1984 and served as the branch's deputy general manager. Mr. Li obtained a Bachelor's Degree in Tractor Automobile Repair from Shandong Institute of Agricultural Mechanization (山東農業機械化學院) (now known as Shandong University of Technology (山東理工大學)) in July 1984, and obtained an EMBA from Tsinghua University in January 2010.

Mr. PENG Jihai (彭吉海) is an executive Director, joint chief executive officer, deputy general manager, chief financial officer, head of investment and chief investment officer of our Company.

Mr. Peng has served as joint chief executive officer of the Company since March 2023, the chairman of Sunshine Surety since May 2021, and the chief investment officer of the Company since October 2020, the general manager of Sunshine AMC since October 2019, an executive Director of the Company since August 2015, a deputy general manager of the Company since May 2014 and chief financial officer of our Company since January 2010. He has joined the Company in April 2008 and served as the general manager of the Finance Department of the Company. Mr. Peng served as a non-executive director of Shoucheng Holdings Limited since 25 May 2023 to date. Prior to joining the Company, Mr. Peng served as chief financial officer of ING Capital Life Insurance Company Limited (首創安泰人壽保險有限公司), and he served as the deputy general manager of Jingfang Investment Management Company under Beijing Capital Group (北京首創集團京放投資管理公司). Mr. Peng obtained a Bachelor's Degree in Agricultural Finance and Credit Specialization from the Central Institute of Finance and Banking (中央財政金融學院) (now known as Central University of Finance and Economics (中央財經大學)) in June 1993, a postgraduate diploma in Monetary Banking from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in November 1998, and an EMBA from Tsinghua University in January 2017. Mr. Peng has become a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in March 2002.

Directors, Supervisors, Senior Management and Employees

Mr. WANG Yongwen (王永文) is an executive Director, deputy general manager of our Company.

Mr. Wang has served as an executive Director of the Company since December 2020, deputy general manager of the Company since August 2019. Mr. Wang has joined the Company in August 2005 and served as the chief auditor of the Company. He was the assistant to general manager, auditing director of the Company. He successively served as the general manager and deputy general manager of Sunshine P&C and assumed other positions. Prior to joining the Company, Mr. Wang successively served as the deputy manager of PICC, Nanyang Branch, the general manager of PICC, Shangqiu Branch, the general manager of PICC Property & Casualty, Nanyang Branch, and the assistant to general manager of PICC Property & Casualty, Henan Branch. Mr. Wang obtained a Bachelor's Degree in Mathematics from Henan Normal University (河南師範大學) in July 1983.

Non-executive Directors

Mr. CAI Qiwu (蔡其武) is a non-executive Director of our Company.

Mr. Cai has served as a non-executive Director of the Company since August 2023 and the chief strategy officer of Beijing Bangchen Zhengtai Investment Co., Ltd. since June 2020, the chairman and an executive director of Guangdong Yuxiang Investment Co., Ltd. since September 2015, a non-executive director of the Company from April 2021 to April 2022. Mr. Cai has served as the vice president of Midea Group Co., Ltd., the chief executive officer of Midea Electromechanical Group under Midea Group Co. Ltd., the president of Guangdong Meizhi Refrigeration Equipment Co., Ltd.and an engineer, chief engineer, the chief of the Development Section and the deputy general manager of Technology of Guangdong Midea Refrigeration Equipment Co., Ltd. Mr. Cai obtained a Bachelor's Degree in Machinery Manufacturing Process Equipment and Automation from Huazhong College of Engineering (now known as Huazhong University of Science and Technology) in Wuhan, the PRC, in July 1985, and a Master's Degree in Machinery Manufacturing from Huazhong University of Technology (now known as Huazhong University of Science and Technology) in July 1990.

Mr. WANG Jingwei (王京偉) is a non-executive Director of our Company.

Mr.Wang has served as a non-executive Director of the Company since December 2018 and a senior consultant of Ruiteng Yihong since July 2018. He has successively served as an assistant to the Dean of PBC School of Finance and the director of Finance EMBA and Executive Education Centre of Tsinghua University from June 2012 to June 2019. Mr.Wang has served as an independent director of China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司), and has served as an independent director of Xinjiang Haoyuan Natural Gas Co., Ltd. (新疆浩源天然氣股份有限公司), and was the director of the Marketing Division, the EMBA Education Centre of School of Economics and Management, Tsinghua University. Mr. Wang obtained a Bachelor's Degree in Enterprise Management from Nankai University in June 2001, and obtained a Master's Degree in Business Administration from the Chinese University of Hong Kong in December 2010.

Mr. CHEN Yong (陳勇) is a non-executive Director of our Company.

Mr. Chen has served as a non-executive Director of the Company since August 2023 and the chief accountant of China Chengtong Holdings Group Ltd. since January 2020, a director and financial officer of China Structural Reform Fund Co., Ltd. since March 2020, a director of China Green Development Investment Group Co., Ltd. since September 2020, a director and financial officer of China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. since November 2020, and a director and financial officer of China State Owned Enterprise Structural Adjustment Fund Phase II Co., Ltd. since August 2021. Mr. Chen has served as a director, deputy general manager and chief financial officer of CSR Ziyang Locomotive Co., Ltd., the deputy director and director of the Audit and Risk Department of CSR Corporation Limited, and the director of the Finance Department and the director of the Financial Management Department of CRRC Group Company Limited. Mr. Chen obtained a Master's Degree in Senior Executive Business Administration from Southwest Jiaotong University in June 2014, and qualified as a senior accountant in September 2009.

Ms. QIAN Yiqun (錢毅群) is a non-executive Director of our Company.

Ms. Qian has served as a non-executive Director of the Company since August 2023 and the vice president of Everrising Holdings Co., Ltd. since 2021, and the head of Financial Management Department of Everrising Holdings Co., Ltd. since 2014. Ms. Qian has served as the Audit Department of Jiangsu Yonggang Group Co., Ltd., and successively served as the financial accountant, assistant and head of the Audit Section of Jiangsu Yonggang Group Co., Ltd..Ms. Qian obtained a Bachelor's Degree in Auditing from Nanjing Audit University in June 2001, and was certified as a Chinese Certified Public Accountant by the Chinese Institute of Certified Public Accountants in December 2009.

Mr. HOU Huisheng (侯惠勝) is a non-executive Director of our Company.

Mr. HOU has served as a non-executive Director of the Company since August 2023, and a Deputy General Manager of the Financial Department of the Company since December 2021. He joined the Company in October 2008 and has served as the assistant to the General Manager and senior supervisor of the Financial Department of the Company. Mr. Hou obtained a Bachelor's Degree in Labor and Social Security from Central University of Finance and Economics in June 2005, and he obtained a Master's Degree in Business Administration from Tsinghua University in July 2014.

Independent Non-executive Directors

Mr. LIU Zhanqing (劉湛清) is an independent nonexecutive Director of our Company.

Mr. Liu has served as an independent non-executive Director of the Company since December 2018 and as a founding partner and managing partner of QZJ Investments and Management Center, L.P. (北京清志傑投資管理中心 (有限合夥)) since September 2017. Mr. Liu served as a non-executive director of Lamtex Holdings Ltd. (林達控股有限公司), the deputy general manager of China National Agricultural Development Group Co., Ltd. (中國農業發展集團有限公司)and the chairman of the board of directors and general manager of China National Fisheries Corp. (中國水產總公司) (now known as China National Fisheries Co., Ltd. (中國水產有限公司)). Mr. Liu obtained a Master's Degree in Business Administration from the China Europe International Business School (中歐國際工商學院) in September 2008.

Directors, Supervisors, Senior Management and Employees

Mr. GAO Bin (高濱) is an independent non-executive Director of our Company.

Mr. Gao has served as an independent non-executive Director of the Company since May 2018. He has served as the chief executive officer and an executive director of Kaifeng Investment Management (Hong Kong) Limited (凱豐投資管理 (香港)有限公司) since October 2020, chief economist of Shenzhen Kaifeng Investment Management Co., Limited (深圳市凱豐投資管理有限公司) since January 2019, an independent non-executive director of Tai United Holdings Limited since November 2015, and a special-term professor of the finance faculty of PBC School of Finance, Tsinghua University since December 2014. He has been an independent director of Yueyang Forest & Paper Co., Ltd. (岳陽林紙股份有限公司) from October 2018 to January 2022, and served as an independent director for Sogou Inc. from November 2017 to September 2021. Mr. Gao has served as the chief investment officer and director of Invealth Capital Management Limited (金維資本基金公司) (now known as Kaifeng Investment Management (Hong Kong) Limited), head of strategy at Guard Capital Management Limited, the managing director and head of Pacific Rim Rates Research and Japan Derivatives Strategy Research Department at Merrill Lynch Japan Securities Co., Ltd. and managing director and head of Asia Pacific Rates Strategy Global Research at Merrill Lynch (Asia Pacific) Limited, and the head of quantitative portfolio strategy (Asia) and the senior vice president of Lehman Brothers Japan Inc. (Tokyo) and Lehman Brothers Inc. (NY). Mr. Gao obtained a Doctorate Degree in Finance and International Business from New York University in September 1996.

Ms. JIA Ning (賈寧) is an independent non-executive Director of our Company.

Ms. Jia has served as an independent non-executive Director of the Company since November 2021. She has been the associate professor of the School of Economics and Management of Tsinghua University since December 2010, and has been the lecturer of the School of Economics and Management of Tsinghua University. Ms. Jia obtained a Bachelor's Degree in Computer Science, Economics from the University of Minnesota in May 2002, obtained a Master's Degree in Statistics from Stanford University in the United States in June 2004, and obtained a Doctorate Degree in Business Administration from Stanford University in September 2007. Ms. Jia was appointed by the Ministry of Finance as a national leader in accounting, with her major research areas covering accounting and enterprise informatization, accounting and enterprise strategy, private equity funds and venture capital investment and related case studies; The courses include "Experience Accounting Research" (《經驗會計研究》), "Financial Management" (《財務管理》) and "Financial Statement Analysis" (《財務報表分析》).

Mr. WU Xiaoqiu (吳曉球) is an independent non-executive Director of our Company.

Mr. Wu has served as an independent non-executive Director of the Company since August 2023. He is currently the President of China Institute of Capital Market Research at Renmin University of China, National first-grade Professor of Humanities and Social Sciences, and the editor-in-chief of the Review of Applied Economics (《應用經濟學評論》). Mr. Wu is a renowned Chinese economist who was appointed Professor of Economics at Renmin University of China in June 1993, and was appointed Distinguished Professor of Cheung Kong Scholars by the Ministry of Education of the People's Republic of China in 2006. He has served as the Vice President of Renmin University of China. Mr. Wu obtained a Doctor's Degree in Economics from Renmin University of China in July 1990, majoring in National Economic Management.

Mr. HONG Qi (洪崎) is an independent non-executive Director of our Company.

Mr. Hong has served as an independent non-executive Director of the Company since October 2023. He joined China Minsheng Banking Corp., Ltd. (hereinafter referred to as "**Minsheng Bank**") in June 1995 and served as the chairman, executive director, president and vice president of Minsheng Bank. Mr. Hong has served as the president and Secretary of Leading Party Members' Group of the Beihai Branch of Bank of Communications, and the deputy director of the Securities Research Institute of Renmin University of China. Mr. Hong obtained a Doctor's Degree in Economics from Renmin University of China in 1996.

Supervisors

Mr. ZHUANG Liang (莊良) is the chairman of the Board of Supervisors and the Employee Supervisor of our Company.

Mr. Zhuang has served as the chairman of the Board of Supervisors and a Supervisor of the Company since December 2020. He has served as a quality control expert of the Company's medical real estate center since August 2023.. Mr. Zhuang joined the Company in May 2004 and served as the the general manager of the Company's tendering, procurement and logistic center, the general manager of Logistic Department and the general manager of the Human Resources and Administration Department and the office chief director of Sunshine P&C, Jiangsu Branch and other positions. Prior to joining the Company, Mr. Zhuang has served as the section director of Nanjing Insurance Regulatory Office of CIRC (中國保監會南京保監辦), and has worked at Jiangsu Insurance Association (江蘇省保險行業協會). Mr. Zhuang obtained a Bachelor's Degree in Electronic Instruments and Measurement Technology from Shenyang Institute of Electrical and Mechanical Technology (瀋陽機電學院) (now known as Shenyang University of Technology (瀋陽工業大學)) in July 1984, and obtained a second Bachelor's Degree in Industrial Economics Management from Southeast University (東南大學) in June 1997.

Directors, Supervisors, Senior Management and Employees

Ms. ZHANG Di (張迪) is the Shareholder Supervisor of our Company.

Ms. Zhang has served as a Supervisor of the Company since June 2022. She currently serves as the supervisor of Jiangsu Tiancheng since October 2021, the executive director and general manager of Hainan Hongde Ruilian Private Equity Fund Management Co., Ltd. (海南弘德瑞聯私募基金管理有限公司) since October 2021 and the executive director of the investment division of Huashan Ruilian Fund Management Co., Ltd. since May 2014. Ms. Zhang has worked at Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司). Ms. Zhang obtained dual Bachelor's Degrees in International Politics and Economics from Peking University in July 2006, and a Master's Degree in Public Policy from the University of Chicago in the United States in June 2009.

Ms. WANG Zhe (王哲) is the External Supervisor of our Company

Ms. Wang has served as a Supervisor of the Company since November 2021. She has been the director of the EMBA project of Cheung Kong Graduate School of Business (長江商學院) since July 2023. She was a deputy director of the Alumni Affairs Department and Development Department of Cheung Kong Graduate School of Business (長江商學院) and a teacher at the Affiliated College of Nationalities of Hebei Normal University (河北師範大學附屬民族學院). Ms. Wang obtained a Bachelor's Degree in English from Hebei Normal University in June 2004 and obtained an EMBA from Cheung Kong Graduate School of Business in September 2018.

Senior Management

For the biographies of **Mr. ZHANG Weigong, Mr. LI Ke, Mr. PENG Jihai and Mr. WANG Yongwen**, please refer to the paragraphs headed "Executive Directors" above.

Mr. XIA Fangchen (夏芳晨) is the deputy general manager of our Company.

Mr. Xia has served as the deputy general manager of the Company since July 2016 and the director of the Labor Union of the Company since May 2020. Mr. Xia joined the Company in December 2015, before that, he has served as the director of equity of Shandong Social Security Fund Committee (山東省社會保障基金理事會), deputy mayor of Weifang, Shangdong Province, and the director of the Finance Bureau of Weifang, Shangdong Province (山東省濰坊市財政局). Mr. Xia obtained a Doctorate Degree in Public Finance from Dongbei University of Finance and Economics in June 2011.

Mr. GU Wei (谷偉) is the deputy general manager of our Company.

Mr. Gu has served as the deputy general manager of the Company since April 2023 and he was the general manager of the Technology Center of the Company. Prior to joining the Company, Mr. Gu has served as the secretary of the party committee of PICC Financial Services Company Limited, the president of PICC Financial Services Company Limited, the chief claims assessor, assistant to president, vice president and member of the party committee of PICC Financial Services Company Limited, and the vice general manager and member of the party committee PICC Financial Services Company Limited Beijing Branch, respectively. Mr. Gu obtained a master's degree in economics, majoring in finance, from the Central University of Finance and Economics in

September 2003 and a master's degree in management, majoring in business administration, from China Europe International Business School in September 2006.

Mr. WANG Xiaopeng (王霄鵬) is the deputy general manager and chief auditor of the Company.

Mr. Wang has served as the deputy general manager and chief auditor of the Company since February 2024 and the general manager of the Support Center since December 2023. Mr. Wang joined the Company in December 2007 and served as the the deputy general manager of Sunshine P&C, and has served as the general manager, the deputy general manager and assistant to the general manager of the Anhui Branch of Sunshine P&C. Mr. Wang obtained a master's degree in business administration for senior management from the University of International Business and Economics on December 26, 2017.

Mr. LI Wei (李偉) is the assistant to general manager of our Company.

Mr. Li has served as an assistant to general manager of the Company since July 2016 and a director of Sunshine Life since December 2016. He joined the Company in July 2005 and served as the deputy general manager of Sunshine P&C, director of the office of the chairman of the Board of the Company, the assistant to general manager of Sales Management Department, Planning and Actuarial Department and Planning Department of Sunshine P&C and the deputy general manager and general manager of the Sales and Management Department of Sunshine P&C, Shandong Branch. Prior to joining the Company, Mr. Li has served as the section director of PICC, Shandong branch. Mr. Li obtained a Bachelor's Degree in Insurance from Nankai University (南開大學) in July 1994.

Mr. NIE Rui (聶銳) is the chief compliance officer, chief risk officer and secretary to the Board.

Mr. Nie has served as secretary to the Board of our Company since November 2023, chief risk officer of the Company since July 2015, chief compliance officer of the Company since May 2014, general counsel of the Company since May 2011. Currently, he is also executive director, deputy general manager and chief auditor of Sunshine AMC, director of Sunshine Life, director of director of Sunshine P&C and a director of Sunshine Surety. Mr. Nie served as executive director of the Company from June 2016 to May 2017. Prior to joining the Company, Mr. Nie has served as a partner of Guantao Law Firm (觀韜律師事務所). Mr. Nie obtained a Bachelor's Degree in Law from Shanghai University (上海大學) in July 1990, and obtained a Master's Degree in Law from Peking University in August 2003. Mr. Nie was granted the qualification of lawyer by the Ministry of Justice of the PRC in March 1994.

Ms. GAO Yongmei (高永梅) is the assistant to the general manager of our Company.

Ms. Gao has served as the assistant to the general manager of the Company since July 2021. She joined the Company in November 2016 and served as the assistant to the chairman of the Company, the deputy general manager of Sunshine Life and assumed other positions. Ms. Gao served as a non-executive director of Yidu Tech Inc. from August 2020 to September 2021. Prior to joining the Company, Ms. Gao has served as the general manager of Jilin Branch of New China Life Insurance Company Ltd. and assumed other positions. Ms. Gao obtained an EMBA from Peking University in January 2012.

Directors, Supervisors, Senior Management and Employees

Mr. LIU Yingchun (劉迎春) is the assistant to the general manager of our Company.

Mr. Liu has been the assistant to the general manager of our Company since May 2022 and the deputy general manager of Sunshine P&C since April 2017. He joined the Company in December 2005 and served as the assistant to the general manager of Sunshine P&C, the general manager, deputy general manager of Sunshine P&C, Henan Branch, and general manager, the deputy general manager and other positions of Sunshine P&C, Nanyang Central Sub-branch. Mr. Liu obtained a Master's Degree in Business Administration from Peking University in January 2017.

Ms. WANG Zhenling (王震凌) is the assistant to the general manager of our Company.

Ms. Wang has served as the assistant to the general manager of the Company since July 2021. She joined the Company in March 2005 and served as as deputy planning director, general manager of the Planning and Actuarial Department and planning director of our Company, general manager of the Planning Department, general manager of the Finance Department and head of finance of Sunshine Life and other positions, as well as a director and senior manager of the Strategic Development Department of Sunshine P&C and assumed other positions. Ms. Wang obtained a Bachelor's Degree in Insurance from Shanghai University of Finance and Economics in June 1998, and a Master's Degree in Business Administration from Peking University in January 2017.

Mr. YANG Xueli (楊學理) is the assistant to the general manager of our Company.

Mr. Yang has been the assistant to the general manager of our Company since February 2022 and the office director of our Company since February 2019, and has served as a supervisor and the chairman of the board of supervisors of Sunshine P&C since September 2017. Mr. Yang joined the Company in July 2005 and served as the general manager of the Human Resources Department, director of the office and deputy director of the office of the Chairman of the Company, served as a the deputy general manager of the Human Resources and Administration Department of Sunshine P&C, Chongqing Branch and assumed other positions. Prior to joining the Company, Mr. Yang has served as the director of the Technology Department of the Business Centre, a secretary to the Party Committee's office and the office of China Life Insurance Company Limited, Chongqing Branch (中國人壽保險股份有限公司重慶分公司) and assumed other positions. Mr. Yang obtained a Master's Degree in Software Engineering Field Engineering from the University of Electronic Science and Technology of China (電子科技大學) in Sichuan Province in June 2014.

JOINT COMPANY SECRETARIES

Mr. Shu Gaoyong (舒高勇), has been appointed as joint company secretary of our Company since January 2024. Mr. Shu joined the Company in July 2021 and has been serving as the head of securities affairs of the Company since joining the Company. Prior to joining the Company, Mr. Shu has served as the vice president, secretary to the board of directors and director of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司), the deputy director and secretary of the Disciplinary Committee of the Shanghai Bureau of the former China Insurance Regulatory Commission (原中國保險監督管理委員會上海監管局)and the deputy division director, division director and deputy director of the Policy and Regulation Department, the Development and Reform Department and the Policy Research Office of the former China Insurance Regulatory Commission. Mr. Shu obtained a Doctorate Degree from Renmin University of China in July 2008, majoring in Finance. Mr. Shu was granted the certificate of Certified Public Accountant by the Ministry of Finance.

Mr. LAU Kwok Yin (劉國賢) was appointed as the joint company secretary of the Company in April 2022. Mr. Lau has more than 14 years of experience in corporate secretarial services, finance and banking operations. Mr. Lau is serving as the company secretary or joint company secretary of several companies listed on the Stock Exchange. He is an assistant president of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Lau obtained a Bachelor's Degree in Business Administration (Accounting and Finance) from the University of Hong Kong in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst Charter holder, and a fellow of each of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute (previously known as The Hong Kong Institute of Chartered Secretaries).

Other information relating to Mr. ZHAO Zongren, Mr. WANG Jingwei and Mr. GAO Bin as required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules has been set out in the Prospectus. For details, please refer to the section headed "Directors, Supervisors and Senior Management" under the chapter headed "Directors, Supervisors and Senior Management" in the Prospectus in relation to the liquidation or bankruptcy of two companies during the period when Mr. ZHAO Zongren was a director, and the relevant contents in relation to the disciplinary actions and administrative penalties of Mr. WANG Jingwei and the relevant litigation matters of Mr. GAO Bin under the section headed "Disclosure Under Rule 13.51 (2) of Hong Kong Listing Rules" under the chapter headed "Directors, Supervisors and Senior Management". The Board of the Company is of the view that the aforesaid matters will not affect their suitability to act as directors of the Company. As at the Latest Practicable Date, there has been no change to such information.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

During the period between September 25, 2023 (being the date of the announcement of the 2023 interim report of the Company) and the Latest Practicable Date. except as otherwise disclosed in this report, pursuant to Rule 13.51B (1) of the Listing Rules, there has been no change in the information required to be disclosed under paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules in respect of the Directors, Supervisors and the Chief Executive Officer of the Company.

Directors, Supervisors, Senior Management and Employees

Employees

As of the end of the reporting period, we had 50,629 employees.

By position

	Number of employees	Percentage of total number of employees (%)
Management	6,084	12.0
Professional staff	16,710	33.0
Salespeople	27,835	55.0
Total	**50,629**	**100**

By age

	Number of employees	Percentage of total number of employees (%)
30 and under	12,748	25.2
31 to 40	26,862	53.1
41 to 50	8,925	17.6
51 and above	2,094	4.1
Total	**50,629**	**100**

By educational accomplishment

	Number of employees	Percentage of total number of employees (%)
Master's degree or above	2,043	4.0
Bachelor's degree	23,286	46.0
Others	25,300	50.0
Total	**50,629**	**100**

We have invested substantial efforts and resources in recruiting and training our employees. In addition to our recruitment process and internal referrals, we also recruit talent through professional recruiting firms and other third parties. In light of the current state of employee quality of the company and the prospective benefits of talent cultivation in the long-term, we carry out strategy-oriented and business-oriented training to enhance the capability and quality of our managers and employees at all levels to meet our development needs at different stages.

We are committed to establishing a competitive and fair remuneration and benefits system. To effectively motivate our employees through remuneration incentives and ensure that our employees receive market-competitive remuneration packages, we continue to improve our remuneration and incentive policies based on market research and reference to our competitors. We conduct a performance evaluation for our employees semi-annually to provide feedback on performance and assessment of strength and weakness. Compensation for our employees typically consists of basic salary, job subsidy and other allowances (such as parental support allowances), performance-based bonus and year-end bonus.

We provide our employees with basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident funds under relevant PRC laws and regulations. We manage our employee benefits system prudently and continue to improve it. We also provide other benefits to our employees such as annual leave, commercial insurance and health examinations.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report for the year ended December 31, 2023 and the audited financial statements of the Group for the year ended December 31, 2023.

BUSINESS REVIEW

Principal Activities

As a fast-growing, privately owned insurance group in the PRC, we carry out our life and health insurance business through Sunshine Life, offering diversified products covering life insurance, health insurance and accident insurance. We carry out our property and casualty insurance business mainly through Sunshine P&C, offering property and casualty insurance products covering automobile insurance, accident and shortterm health insurance, guarantee insurance, liability insurance, agriculture insurance and commercial property insurance. We primarily manage our insurance funds through Sunshine AMC.

Business Review and Analysis Using Financial Key Performance Indicators

Please refer to the section "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are of the view that the establishment and implementation of sound environmental, social and governance principles and practices will help enhance the value of the Company's investments, and provide long-term returns for our stakeholders. The Board has established an ESG (Environmental, Social responsibility, Corporate governance) committee ("**ESG committee**") comprising our independent non-executive Directors, executive Directors and employee Director. Our ESG committee is responsible for formulating the Company's Environmental, Social and Governance ("**ESG**") strategies, policies and procedures and managing ESG risks. ESG-related issues are among our key agenda. Under the supervision of the Board, the ESG Committee identifies and monitors ESG-related risks, such as environment-related risks and social sustainability risks in the short, medium and long term, and strives to integrate ESG-related issues into our business, strategy and financial planning.

In addition, the ESG committee closely monitors the latest environmental, social and governance laws and regulations and updates our environmental, social and governance measures accordingly to ensure that we comply with the latest regulatory laws and regulations. We also monitor the environmental, social and governance policies and development trends, and continue to conduct in-depth research on ESG-related issues, including sustainable investment, climate risk, new energy vehicle insurance, carbon market, green finance, etc. The research results and reports are released to all our employees through the internal research platform of the Company to promote the promotion of ESG concepts and knowledge popularization.

Details of the Company's environmental protection, social responsibility and employee care are set out in the Company's 2023 Sustainability Report dated April 25, 2024 prepared in accordance with the requirements of Appendix C2 to the Hong Kong Listing Rules and published on the websites of the Hong Kong Stock Exchange and the Company.

COMPLIANCE WITH RELATED LAWS AND REGULATIONS

As an H-share company incorporated in the PRC and listed on the Main Board of the Hong Kong Stock Exchange, the Company is regulated by the PRC Company Law, the PRC Insurance Law, as well as the Hong Kong Listing Rules, the Securities and Futures Ordinance and other relevant laws and regulations in the PRC and abroad.

As the most important law in the regulatory and legal framework for the PRC insurance industry, 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. 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 on corporate governance, supervision on market conduct and supervision on 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.

Meanwhile, as a company listed on the Main Board of the Hong Kong Stock Exchange, the Company is therefore subject to the Hong Kong Listing Rules and shall comply with relevant rules under the SFO, including but not limited to the following obligations: maintaining a register of interests and short positions in shares and a register of interests and short positions in shares held by Directors, Supervisors and chief executive, disclosing inside information, etc.

The Group has implemented internal controls to ensure compliance with laws and regulations mentioned above. As of the end of the Reporting Period, as far as we were aware, there was no legal and/or regulatory procedure or dispute which, in the opinion of the Directors, may have a material adverse effect on our business, financial condition, and operating results or prospects.

MAJOR RISKS AND UNCERTAINTIES

Our business involves life insurance, health insurance, P&C insurance and asset management, etc. Although we all along uphold the concept of sustainable and stable operation, and have good risk management and control capabilities, there are still a number of risks and uncertainties that are beyond our control, which adversely affect our business and financial condition. We are of the view that the major risks we may face in the future mainly include:

Market risk refers to the risk of unexpected financial loss to the Group due to adverse movements in interest rates, equity prices, real estate prices and exchange rates. Market risk mainly includes interest rate risk, price risk and currency risk.

REPORT OF THE BOARD OF DIRECTORS

Credit risk refers to the risk that a counterparty unable or fails to perform its obligations in a timely manner, or an adverse change in the credit status of a counterparty, resulting in unexpected economic losses to the insurance company.

Insurance risk refers to the risk of loss due to adverse deviation of actual experience from assumptions such as mortality rate, morbidity rate, loss ratio, lapse rate and expense ratio.

Reputational risk refers to the risk of loss resulting from negative comments from stakeholders on the Company due to the Company's operation and management or external events.

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds in a timely manner or obtain sufficient funds in a timely manner at a reasonable cost to pay its debts as they fall due or perform other payment obligations.

Operational risk refers to the risk of direct or indirect losses in the course of business operations due to reasons such as incomplete operational procedures, human error, information system failure and external events.

Strategic risk refers to the risk of mismatch between the Company's strategies and the market environment and the Company's capabilities due to ineffective process of strategy formulation and implementation or changes in the operating environment.

Specific risks of the Group, such as risk contagion, organizational structure opaque risk, concentration risk and non-insurance sector risk.

The future uncertainties include:

1. The complex and uncertain macroeconomic and political environment, increasingly stringent regulatory requirements, and increasingly intense market competition;

2. The more volatile international financial markets, increased downside risk of the global economy, and the high volatility, uncertainty and complexity of the current capital markets.

NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

Details are set out in Note 47 to the financial statements.

FUTURE BUSINESS DEVELOPMENT OF THE GROUP

Our mission is to "bring more sunshine to people." We are dedicated to "becoming the leading professional insurance service provider for families, as well as the trusted risk management partner for enterprises". Specifically, we plan to implement the following strategies:

1. Individual customer strategy: to provide our individual customers with high-quality, customized and comprehensive services in accordance with their different family structures and life stages;

2. Institutional customer strategy: to serve enterprises as their trusted risk management partner and provide customers with professional risk management services;

3. Channel strategy: to continuously focus on value creation and enhance professional competencies across our insurance channels;

4. Technology strategy: to comprehensively enhance our technological capability and accelerate the digital transformation of our business operations;

5. Investment and asset management strategy: to continuously build a domestic top-ranking insurance asset management brand and to strengthen synergy between strategic investment and our core insurance business;

6. Medical, health and elderly care strategy: to scale up our core insurance business by boosting the medical, health and elderly care business segment.

RESULTS AND DISTRIBUTION

The Group's profit for the year ended December 31, 2023 and the financial position of the Group as at December 31, 2023 are set out in the section headed "Management Discussion and Analysis" of this annual report.

Final Dividend

The Board recommends the payment of a final dividend for the year ended December 31, 2023 of RMB0.18 per share (tax included), totaling approximately RMB2.07 billion (the "**2023 Final Dividend**"). The 2023 Final Dividend is subject to the approval of Shareholders of the Company at the 2023 annual general meeting, and is expected to be paid to the Shareholders on Tuesday, July 16, 2024, and will be denominated and distributed in Renminbi, among which, Shareholders who convert their Shares from Domestic Shares to H Shares after the implementation of the H Share "Full Circulation" will be paid dividends in RMB, and dividends for other H Share Shareholders will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the inter-bank foreign exchange market for the last five business days up to and including the date of the 2023 annual general meeting published by China Foreign Exchange Trade System as authorised by the PBOC.

The above profit distribution scheme will not result in a lower indicator of the Company's relevant solvency adequacy ratio than the regulatory requirements.

Withholding and Payment of Income Tax on the Dividends Paid to Shareholders

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (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)) and other relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the 2023 Final Dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between mainland China and Hong Kong (Macau). In this regard, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on the dividends for the individual holders of H shares:

- For individual holders of H shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.

REPORT OF THE BOARD OF DIRECTORS

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at effective tax rate stipulated in the relevant tax treaty in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual holders of H shares in the distribution of the dividend.

If individual holders of H shares consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, such holders shall submit to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, a letter of entrustment and all application and relevant proving materials showing that they are residents of a country (region) which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities which will proceed with the subsequent tax related treatments. If individual holders of H shares do not provide the Company with the relevant proving materials, they could go through the relevant procedures on their own or by attorney in accordance with the relevant provisions stipulated in the tax treaties. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning the Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家税務總局《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税有關問題的通知》 (國税函[2008]897號)).

SHARE CAPITAL

During the Reporting Period, there was no change in the total share capital of the Company. At the end of the Reporting Period, the total share capital of the Company was 11,501,522,500 Shares. Reference is made to the announcement of the Company dated January 12, 2024, in relation to the completion of the H share "Full Circulation" of the Company. 2,328,616,013 Domestic Shares have been converted into H Shares on January 12, 2024 and have been listed on the Hong Kong Stock Exchange on January 15, 2024. After the completion of the H share "Full Circulation", H share of the Company has been increased by 2,328,616,013 Shares, while Domestic shares decreased by 2,328,616,013 Shares. The total number of issued shares of the Company after the Conversion remains unchanged, the details of which are as follows:

Immediately following completion of the Global Offering and before the H Share "Full Circulation"

Description of Shares	Number of Shares (shares)	Percentage of the Issued Share Capital (%)
Domestic Shares	10,351,370,000	90.00%
H Shares	1,150,152,500	10.00%
Total	11,501,522,500	100%

Immediately following completion of the Global Offering and the H Share "Full Circulation"

Description of Shares	Number of Shares (shares)	Percentage of the Issued Share Capital (%)
Domestic Shares	8,022,753,987	69.75%
H Shares	3,478,768,513	30.25%
Total	11,501,522,500	100%

REPORT OF THE BOARD OF DIRECTORS

PUBLIC FLOAT

The Company applied for and has been granted by the Hong Kong Stock Exchange a waiver at the time of listing regarding the lower percentage of public float. Based on the information that was publicly available to the Company and within the knowledge of the Directors, from the Listing Date to immediately before the completion of H Share "Full Circulation", the Company's public float was 10%, maintaining a sufficient public float as approved by the Hong Kong Stock Exchange and required under the Hong Kong Listing Rules. Details of the above waiver are set out in the section headed "Waivers from Strict Compliance with the Requirements under the Listing Rules – Public Float Requirements" in the Prospectus.

Based on the information that was publicly available to the Company and within the knowledge of the Directors, the Company's public float was 30.25%, which have complied with the minimum public float requirement of 25% as set out under Rule 8.08 (1) (a) of the Listing Rules from the date after the completion of the H Share "Full Circulation". For details of the H Share "Full Circulation", please refer to the Company's circular dated March 22, 2023 and relevant announcements dated March 16, 2023, November 14, 2023, November 22, 2023 and January 12, 2024.

DISTRIBUTABLE RESERVES

As of the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders was RMB3.31 billion. Details are set out in Note 46 to the financial statements.

BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

During the Reporting Period, changes in the buildings, equipment and investment properties of the Group are set out in Note 17 and Note 19 to the financial statements respectively.

Save as disclosed above, as at the end of the Reporting Period, the Group did not own any other properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5%.

RETIREMENT BENEFITS

Full-time employees of the Group are entitled to various retirement benefit plans sponsored by the provincial and municipal governments. The Group makes monthly contributions to the retirement benefit plans based on a percentage of employees' salaries and the contributions are arranged as a whole and paid to retired employees by government agencies as required. The aforesaid basic social pension insurance is fully vested in the Group's employees at the time of contribution, and the Group is unable to forfeit any contributions.

In addition to the aforesaid retirement benefit plans, some employees participate in a supplemental pension plan. The supplementary pension contributions that are not vested to the employees due to their departure are refunded to the supplementary pension plan unit account and will be used to offset the existing contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not significant.

According to these plans, the Group has no other significant legal or constructive obligations with respect to the retirement benefits beyond the aforesaid contributions (expensed as incurred). The aforesaid retirement benefit plans fall into defined contribution plans.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of the remuneration of Directors and Supervisors are set out in Note 13 to the financial statements. The range of remuneration of non-director or non-supervisor senior management in the Group is set out as follows:

Range of Remuneration	Number of Individuals
RMB0 to RMB500,000	0
RMB500,001 to RMB1,000,000	0
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	0
RMB2,000,001 to RMB2,500,000	2
RMB2,500,001 to RMB3,000,000	1
RMB3,000,001 to RMB3,500,000	1
RMB3,500,001 to RMB4,000,000	0
RMB4,000,001 to RMB4,500,000	3
RMB4,500,001 to RMB5,000,000	2
RMB5,000,001 to RMB5,500,000	0
RMB5,500,001 to RMB6,000,000	0

The Company confirms that, save for Mr. Hong Qi who has waived his remuneration, no other Director or Supervisor has waived or agreed to waive any remuneration.

HIGHEST PAID INDIVIDUALS

Details of the emoluments of the five highest paid individuals of the Group during the Reporting Period are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the premiums of the Company or any of its subsidiary contributed by any single customer was not more than 5% of the gross written premiums of the Group during the corresponding period. The gross written premiums from the top five customers was not more than 30% of the gross written premiums of the Group during the corresponding period.

REPORT OF THE BOARD OF DIRECTORS

Due to the nature of the Group's business activities, the Group has no major supplier.

RELATIONSHIP WITH CUSTOMERS

The Group is of the view that the benign relationship with customers is very important. During the Reporting Period, there was no material dispute between the Group and its customers.

RELATIONSHIP WITH EMPLOYEES

The Group builds a comprehensive training system as well as a scientific and reasonable remuneration incentive system for employees. The Group sets up multiple channels for employees to develop themselves, attaches great importance to physical and mental health of employees and harmony of their families, so as to improve their sense of happiness.

We are committed to creating a fair and nurturing working environment for our employees. We strictly comply with the Labour Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other laws and regulations, as well as relevant regulatory regimes, and manage our employment in a standardized and legal manner. We prohibit any form of discrimination based on race, gender, religion, age, social origin or other causes. In 2023, our women employees represented approximately 57.9% of our total employees. We create a fair and equal workplace for employees and establish a culture of care. We also set up lactation rooms in the offices, hold lectures on women's health for our female employees, and organize activities to celebrate Women's Day on March 8.

We are concerned about the career progression of our employees and provide full-cycle capability enhancement support to all of our employees through the "Sunshine Academy (陽光學堂)." Sunshine Academy provides various training courses related to our business, such as data security, anti-corruption and intellectual property protection, aiming to improve employees' compliance awareness in business operations. Since its launch in December 2017, the "Sunshine Academy" has attained over 54.4 million visits and over 4.49 million live-streaming participants as of December 31, 2023.

We have been caring for our employees and their families and have implemented a parental support allowance program since 2010. As of December 31, 2023, we had paid parental support allowances exceeding RMB499.37 million to approximately 40,246 employees.

In addition, we are committed to enhancing employees' sense of belonging and loyalty to the development of the Company, and motivating them to grow together with the Company. For this purpose, we have established a long-term service contribution plan for employees, and employees who meet a certain length of service can apply to join the plan. We will comprehensively consider factors such as employee performance evaluation results, years of service in the Company, job level and position, as well as the operating conditions of the organization, to pre-award long-term service allowances to employees. This measure aims to recognise the contributions of employees and motivate them to make long-term efforts for the development of the Company.

EMPLOYEE SHARE OWNERSHIP PLAN

We are one of the PRC insurance institutions approved by the relevant regulatory authority to implement employee share ownership plans. To enhance the morale and competitiveness of our employees, we began to implement our employee share ownership plans in 2015 ("ESOP"). As approved by the shareholders' general meeting of the Company on February 4, 2016, the Company issued and allotted 440,780,000 Domestic Shares to our ESOP, representing 3.83% of the issued Shares of the Company as at the Latest Practicable Date (a total of 11,501,522,500 Shares, comprising 8,022,753,987 Domestic Shares and 3,478,768,513 H Shares). Pursuant to the ESOP, the ESOP participants primarily included core cadres and key personnel who played an important role in the overall performance and medium to long term development of the Company. The number of cumulative shares to which any single holder is entitled to under the ESOP does not account for more than 1% of the share capital of the Company. According to the relevant regulations of the CIRC and the valuation of the Company's shares by an independent third-party institution engaged by the Company, and subject to the approval of the shareholders' general meeting of the Company, the subscription price of the Company's shares under the ESOP is RMB4 per share. Shares held in the ESOP are locked in for three years from the date of listing of the Company. Upon the expiration of the lockup period, the annual reduction ratio shall not exceed 25% of the total number of shares held in the ESOP in principle. As of the Latest Practicable Date, the interests in the ESOP were held by 3,688 individuals (including six Directors (Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai, Mr. WANG Yongwen and Mr. HOU Huisheng), one Supervisor (Mr. ZHUANG Liang) and certain senior management members). Among them, the five highest paid individuals were all holders of shares under the ESOP during the reporting period, and held a total of 29,013,870 shares of the Company under the scheme. Any single holder under the ESOP is entitled to under the ESOP does not account for more than 0.12% of the total issued share capital of the Company. To the best knowledge of the Company, no single holder of the ESOP is able to exercise control (for the purpose of the SFO) thereon. During the Reporting Period and the period from the end of the Reporting Period to the Latest Practicable Date, there is no situation where shares are granted, unlocked, invalidated or cancelled according to such employee share ownership plan.

MAJOR SUBSIDIARIES

As at the end of the Reporting Period, the Company directly and indirectly controlled four major subsidiaries, namely Sunshine P&C, Sunshine Life, Sunshine AMC and Sunshine Surety.

PRE-EMPTIVE RIGHT

During the Reporting Period, the shareholders of the Company had no pre-emptive right pursuant to the relevant laws of the PRC and the Articles of Association.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company or any of its subsidiaries had not purchased, sold or redeemed any of its listed securities.

REPORT OF THE BOARD OF DIRECTORS

ISSUANCE OF DEBENTURES

As of the Latest Practicable Date, details of the bonds issued but not yet redeemed by the Group were as follows:

In April 2016, upon filing with the NDRC, Sunshine Life issued three kinds of offshore senior bonds with a total principal amount of USD1.5 billion, including the bond of a principal amount of US$500 million with a coupon rate of 2.50% maturing in 2019, the bond of a principal amount of US$700 million with a coupon rate of 3.15% maturing in 2021, and the bond of a principal amount of US$300 million with a coupon rate of 4.50% maturing in 2026, respectively. The proceeds raised from the issuance of such bonds will be used for working capital and general corporate purposes. As of the Latest Practicable Date, bonds with a total principal amount of USD300 million for a term of 10 years and with a coupon rate of 4.5% were not yet redeemed.

In March 2021, as approved by the PBOC and the CBIRC, Sunshine Life issued capital supplementary bonds with a total principal amount of RMB5 billion for a term of 10 years, and with a coupon rate of 4.4% and an interest to be paid annually, which can be redeemed at the end of the fifth year. The coupon rate will be raised to 5.4% if the bonds are not redeemed.

In December 2021, as approved by the PBOC and the CBIRC, Sunshine P&C issued capital supplementary bonds with a total principal amount of RMB5 billion for a term of 10 years, and with a coupon rate of 4.5% and an interest to be paid annually, which are allowed to be redeemed at the end of the fifth year. The coupon rate will be raised to 5.5% if the bonds are not redeemed.

In December 2023, as approved by the PBOC and the National Administration of Financial Regulation, Sunshine P&C issued capital supplementary bonds with a total principal amount of RMB7 billion for a term of 10 years, and with a coupon rate of 3.88% and an interest to be paid annually, which are allowed to be redeemed at the end of the fifth year. The coupon rate will be raised to 4.88% if the bonds are not redeemed.

CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB4.17 million in aggregate.

DIRECTORS

During the Reporting Period and as of the Latest Practicable Date, the Directors of the Company were as follows:

Executive Directors

Mr. ZHANG Weigong *(Chairman of the Board and Chief Executive Officer)*
Mr. ZHAO Zongren *(Vice Chairman of the Board)*
Mr. LI Ke
Mr. PENG Jihai
Mr. WANG Yongwen

Non-executive Directors

Mr. CAI Qiwu
Mr. WANG Jingwei
Mr. CHEN Yong
Ms. QIAN Yiqun
Mr. HOU Huisheng

Independent non-executive Directors

Mr. LIU Zhanqing
Mr. GAO Bin
Ms. JIA Ning
Mr. WU Xiaoqiu
Mr. HONG Qi

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors entered into any service contract with the Company or its subsidiaries which could not be terminated within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the Reporting Period, none of the Directors, Supervisors or their connected entities had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Company, to which the Company or any of its subsidiaries was a party.

PERMITTED INDEMNITY

Subject to the relevant statutes, every Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors.

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

During the Reporting Period, there was no change in the total share capital of the Company. At the end of the Reporting Period, the total share capital of the Company was 11,501,522,500 Shares. Reference is made to the announcement of the Company dated January 12, 2024, in relation to the completion of the H share "Full Circulation" of the Company. 2,328,616,013 Domestic Shares have been converted into H share on January 12, 2024 and have been listed on the Hong Kong Stock Exchange on January 15, 2024. After the completion of the H share "Full Circulation", H share of the Company has been increased by 2,328,616,013 Shares, while Domestic shares decreased by 2,328,616,013 Shares. The total number of issued shares of the Company after the Conversion remains unchanged.

As at the Latest Practicable Date, the following Directors, Supervisors and chief executive had the following interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code, or are required to be recorded in the register required to be kept under Section 352 of the SFO:

REPORT OF THE BOARD OF DIRECTORS

Name	Position (s)	Capacity	Class of shares	Number of shares	Nature of interest	Approximate percentage of total issued domestic share capital[8] (%)	Approximate percentage of total issued share capital[8] (%)
ZHANG Weigong [1] [2]	Executive Director, Chairman and chief executive officer	Interest of controlled corporation	Domestic Shares	1,315,000,000	Long position	16.39	11.43
		Others	Domestic Shares	10,799,373	Long position	0.13	0.09
ZHAO Zongren [3]	Executive Director	Others	Domestic Shares	11,810,335	Long position	0.15	0.10
LI Ke [4]	Executive Director	Others	Domestic Shares	12,263,949	Long position	0.15	0.11
PENG Jihai [5]	Executive Director	Others	Domestic Shares	6,832,297	Long position	0.09	0.06
WANG Yongwen [6]	Executive Director	Others	Domestic Shares	6,439,812	Long position	0.08	0.06
HOU Huisheng [7]	Non-executive Director	Others	Domestic Shares	186,637	Long position	0.00	0.00

Notes:

(1) Beijing Bangchen Zhengtai Investment Co., Ltd. (北京邦宸正泰投資有限公司)("**Bangchen Zhengtai**") directly holds 470,900,000 domestic shares of the Company. Beijing Hengyi Shengtai Investment Management Center (Limited Partnership) (北京恒誼盛泰投資管理中心(有限合夥)("**Beijing Hengyi**"), a limited partnership incorporated under the laws of the PRC as an investment vehicle, directly holds 99.99% equity interests in Bangchen Zhengtai. Tibet Hengyi Investment Management Co., Ltd. (西藏恒誼投資管理有限公司)("**Tibet Hengyi**") is the general partner of Beijing Hengyi. Mr. ZHANG Weigong directly holds 99.00% equity interests in Tibet Hengyi.

Shanghai Xuchang Technology Co., Ltd. (上海旭昶科技有限公司) ("**Shanghai Xuchang**") directly holds 470,900,000 domestic shares of the Company. Shanghai Xule Investment Partnership (Limited Partnership) (上海旭樂投資合夥企業(有限合夥)) ("**Shanghai Xule**"), a limited partnership incorporated under the laws of the PRC as an investment vehicle, directly holds 44.78% equity interests in Shanghai Xuchang. Tibet Hengyi is the general partner of Shanghai Xule.

Shannan Hongquan Equity Investment Co., Ltd. (山南泓泉股權投資有限公司) ("**Shannan Hongquan**") directly holds 373,200,000 domestic shares of the Company. Ningbo Dingzhi Jintong Equity Investment Center (Limited Partnership) (寧波鼎智金通股權投資中心(有限合夥)("**Ningbo Dingzhi Jintong**"), a limited partnership incorporated under the laws of the PRC as an investment vehicle, directly holds 95.98% equity interests in Shannan Hongquan. Tibet Hengyi is the general partner of Ningbo Dingzhi Jintong.

According to the Disclosure of Interests Form filed by Mr. ZHANG Weigong on March 6, 2024, 100,000,000 shares were pledged by Bangchen Zhengtai.

(2) Mr. ZHANG Weigong indirectly holds 10,799,373 domestic shares of the Company through participation in the Employee Share Ownership Plan.

(3) Mr. ZHAO Zongren indirectly holds 11,810,335 domestic shares of the Company through participation in the Employee Share Ownership Plan.

(4) Mr. LI Ke indirectly holds 12,263,949 domestic shares of the Company through participation in the Employee Share Ownership Plan.

(5) Mr. PENG Jihai indirectly holds 6,832,297 domestic shares of the Company through participation in the Employee Share Ownership Plan.

(6) Mr. WANG Yongwen indirectly holds 6,439,812 domestic shares of the Company through participation in the Employee Share Ownership Plan.

(7) Mr. HOU Huisheng indirectly holds 186,637 domestic shares of the Company through participation in the Employee Share Ownership Plan.

(8) As at the Latest Practicable Date, the Company had a total of 11,501,522,500 Shares in issue, comprising 8,022,753,987 Domestic Shares and 3,478,768,513 H Shares.

Save as disclosed above, as at the end of the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code, or are required to be recorded in the register required to be kept under Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, none of the Company or its subsidiaries had entered into any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

During the Reporting Period, there were no relationships in respect of finance, business, or family among the Directors, Supervisors and senior management of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Hong Kong Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

During the Reporting Period, there was no change in the total share capital of the Company. At the end of the Reporting Period, the total share capital of the Company was 11,501,522,500 Shares. Reference is made to the announcement of the Company dated January 12, 2024, in relation to the completion of the H share "Full Circulation" of the Company. 2,328,616,013 Domestic Shares have been converted into H Shares on January 12, 2024 and have been listed on the Hong Kong Stock Exchange on January 15, 2024. After the completion of the H share "Full Circulation", H share of the Company has been increased by 2,328,616,013 Shares, while Domestic shares decreased by 2,328,616,013 Shares. The total number of issued shares of the Company after the Conversion remains unchanged.

REPORT OF THE BOARD OF DIRECTORS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were, either directly or indirectly, interested in 5% or more of the nominal value of any class of share capital.

Equity Holder Name	Nature of Interest	Class of Shares	Number of Shares	Nature of Interest	Approximate Percentage of total issued class of Shares (14) (%)	Approximate percentage of total issued share capital (14) (%)
Beijing Chengtong Financial Holding Investment Co., Ltd. (北京誠通金控投資有限公司) ("**Beijing Chengtong**") (1)	Beneficial owner	Domestic shares	700,000,000	Long position	8.73	6.09
China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**") (1)	Interest of controlled corporation	Domestic shares	700,000,000	Long position	8.73	6.09
Beijing Ruiteng Yihong Investment Management Co., Ltd. (北京鋭藤宜鴻投資管理有限公司) ("**Ruiteng Yihong**") (2)	Beneficial owner	Domestic shares	660,000,000	Long position	8.23	5.74
Septwolves Group Holding Co., Ltd. (七匹狼控股集團股份有限公司) ("**Septwolves Holding**") (2)	Interest of controlled corporation	Domestic shares	660,000,000	Long position	8.23	5.74
	Beneficial owner	Domestic shares	100,000,000	Long position	1.25	0.87
Fujian Septwolves Group Co., Ltd. (福建七匹狼集團有限公司) (2)	Interest of controlled corporation	Domestic shares	660,000,000	Long position	8.23	5.74
	Interest of controlled corporation	Domestic shares	100,000,000	Long position	1.25	0.87
ZHOU Yongwei (2)	Interest of controlled corporation	Domestic shares	660,000,000	Long position	8.23	5.74
	Interest of controlled corporation	Domestic shares	100,000,000	Long position	1.25	0.87
ZHOU Shaoxiong (2)	Interest of controlled corporation	Domestic shares	660,000,000	Long position	8.23	5.74
	Interest of controlled corporation	Domestic shares	100,000,000	Long position	1.25	0.87

Equity Holder Name	Nature of Interest	Class of Shares	Number of Shares	Nature of Interest	Approximate Percentage of total issued class of Shares (14) (%)	Approximate percentage of total issued share capital (14) (%)
ZHOU Shaoming (2)	Interest of controlled corporation	Domestic shares	660,000,000	Long position	8.23	5.74
	Interest of controlled corporation	Domestic shares	100,000,000	Long position	1.25	0.87
Lhasa Fengming Construction Machinery Sales Co., Ltd. (拉薩豐銘工程機械銷售有限公司) ("**Lhasa Fengming**") (3)	Beneficial owner	Domestic shares	550,000,000	Long position	6.86	4.78
Shenzhen Qianhai Ruiyu Taihe Investment Center (Limited Partnership) (深圳前海瑞譽泰和投資中心 (有限合夥)) ("**Shenzhen Qianhai Ruiyu**") (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
Tibet Ruiyu Investment Management Co., Ltd. (西藏瑞譽投資管理有限公司) ("**Tibet Ruiyu**") (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
YUAN Tao (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. (安信乾盛財富管理（深圳）有限公司) (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
Essence Fund Management Co., Ltd. (安信基金管理有限責任公司) (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
Minmetals Capital Holdings Limited (五礦資本控股有限公司) (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
Minmetals Capital Company Limited (五礦資本股份有限公司) (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
SDIC Securities Co., Ltd. (國投證券股份有限公司) (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
SDIC Capital Co., Ltd. (國投資本股份有限公司) (3)	Interest of controlled corporation	Domestic shares	550,000,000	Long position	6.86	4.78
Jiangsu Yonggang Group Co., Ltd. (江蘇永鋼集團有限公司) ("**Jiangsu Yonggang**") (4)	Beneficial owner	Domestic shares	523,700,000	Long position	6.53	4.55

REPORT OF THE BOARD OF DIRECTORS

Equity Holder Name	Nature of Interest	Class of Shares	Number of Shares	Nature of Interest	Approximate Percentage of total issued class of Shares [14] (%)	Approximate percentage of total issued share capital [14] (%)
Everrising Holdings Co., Ltd. (永卓控股有限公司) [4]	Interest of controlled corporation	Domestic shares	523,700,000	Long position	6.53	4.55
Suzhou Yongyuan Holding Co., Ltd. (蘇州永源控股有限公司) [4]	Interest of controlled corporation	Domestic shares	523,700,000	Long position	6.53	4.55
Beijing Taihe Fangyuan Investment Co., Ltd. (北京泰合方圓投資有限公司) [5]	Beneficial owner	Domestic shares	500,000,000	Long position	6.23	4.35
Beijing Wanquan Yide Investment Fund Management Co., Ltd. (北京萬泉易德投資基金管理有限公司) [5]	Interest of controlled corporation	Domestic shares	500,000,000	Long position	6.23	4.35
Shanghai Cai Tong Asset Management Co., Ltd. (上海財通資產管理有限公司) [5]	Interest of controlled corporation	Domestic shares	500,000,000	Long position	6.23	4.35
Caitong Fund Management Co., Ltd. (財通基金管理有限公司) [5]	Interest of controlled corporation	Domestic shares	500,000,000	Long position	6.23	4.35
Bangchen Zhengtai [6]	Beneficial owner	Domestic shares	470,900,000	Long position	5.87	4.09
Beijing Hengyi [6]	Interest of controlled corporation	Domestic shares	470,900,000	Long position	5.87	4.09
Shanghai Xuchang [7]	Beneficial owner	Domestic shares	470,900,000	Long position	5.87	4.09
Shanghai Xule [7]	Interest of controlled corporation	Domestic shares	470,900,000	Long position	5.87	4.09
Shannan Hongquan [8]	Beneficial owner	Domestic shares	373,200,000	Long position	4.65	3.24
Ningbo Dingzhi Jintong [8]	Interest of controlled corporation	Domestic shares	373,200,000	Long position	4.65	3.24
Tibet Hengyi Investment Management Co., Ltd. (西藏恒誼投資管理有限公司) ("**Tibet Hengyi**") [6] [7] [8]	Interest of controlled corporation	Domestic shares	1,315,000,000	Long position	16.39	11.43
Shanghai Loyal Valley Investment Management Co., Ltd. (上海正心谷投資管理有限公司) ("**Shanghai Loyal Valley**") [6] [7] [8]	Interest of controlled corporation	Domestic shares	1,315,000,000	Long position	16.39	11.43
LIN Lijun [6] [7] [8]	Interest of controlled corporation	Domestic shares	1,315,000,000	Long position	16.39	11.43

Equity Holder Name	Nature of Interest	Class of Shares	Number of Shares	Nature of Interest	Approximate Percentage of total issued class of Shares [14] (%)	Approximate percentage of total issued share capital [14] (%)
Shanghai Shengle Investment Partnership (Limited Partnership) (上海盛樂投資合夥企業（有限合夥）) ("**Shanghai Shengle**") [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
Shanghai Baolin Enterprise Management Co., Ltd. (上海寶鱗企業管理有限公司) [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
Shanghai Baohe Enterprise Management Co., Ltd. (上海寶荷企業管理有限公司) [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
Shanghai Baoxin Enterprise Management Co., Ltd. (上海保忻企業管理有限公司) [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
Shanghai Baoyao Enterprise Management Co., Ltd. (上海寶鑰企業管理有限公司) [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
Wealth Smart International Holdings Limited (駿寶國際集團有限公司) [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
Cheer Wealthy Holdings Limited (展裕控股有限公司) [6] [7]	Interest of controlled corporation	Domestic shares	941,800,000	Long position	11.74	8.19
China Universal Capital– Sunshine Insurance Employee Share Ownership Plan (匯添富資本－陽光保險員工持股計劃)	Beneficial owner	Domestic shares	440,780,000	Long position	5.49	3.83
Jiangsu Tiancheng Property Development Co., Ltd. (江蘇天誠物業發展有限責任公司) ("**Jiangsu Tiancheng**") [9]	Beneficial owner	H shares	600,000,000	Long position	17.25	5.22
Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) (深圳前海瑞聯七號投資中心（有限合夥）) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Huashan Ruilian Fund Management Co., Ltd. (華杉瑞聯基金管理有限公司) ("**Huashan Ruilian**") [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Tibet Hongyu Enterprise Management Co., Ltd. (西藏竑煜企業管理有限公司) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Beijing Linqi Haorui Consulting Co., Ltd. (北京麟琪昊瑞咨詢有限公司) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22

REPORT OF THE BOARD OF DIRECTORS

Equity Holder Name	Nature of Interest	Class of Shares	Number of Shares	Nature of Interest	Approximate Percentage of total issued class of Shares [14] (%)	Approximate percentage of total issued share capital [14] (%)
Beijing Hongyu Consulting Management Co., Ltd. (北京竑煜諮詢管理有限公司) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
CHEN Zhijie [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
ZHANG Tong [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司) ("**Huatai Zijin**") [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Huatai Securities Co., Ltd. (華泰證券股份有限公司) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥)) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Nanjing Ruilian Management Consulting Partnership (Limited Partnership) (南京瑞聯管理諮詢合夥企業(有限合夥)) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
Nanjing Gloria Union Buyout Fund One (L.P.) (南京華泰瑞聯併購基金一號(有限合夥)) [9]	Interest of controlled corporation	H shares	600,000,000	Long position	17.25	5.22
China Chengtong	Beneficial owner	H shares	350,000,000	Long position	10.06	3.04
China Petrochemical Corporation (中國石油化工集團有限公司)	Beneficial owner	H shares	350,000,000	Long position	10.06	3.04
CHINA GUANGFA BANK-LION FUND-QDII NO 35	Beneficial owner	H shares	271,985,500	Long position	7.82	2.36
Shanghai Giant Lifetech Co., Ltd. (上海健特生命科技有限公司) [10]	Beneficial owner	H shares	234,000,000	Long position	6.73	2.03
Giant Investment Co., Ltd. (巨人投資有限公司) [10]	Interest of controlled corporation	H shares	234,000,000	Long position	6.73	2.03
SHI Yuzhu [10]	Interest of controlled corporation	H shares	234,000,000	Long position	6.73	2.03
Shenzhen Zhongzhou Group Co., Ltd. (深圳中洲集團有限公司) [11]	Beneficial owner	H shares	200,000,000	Long position	5.75	1.74

Equity Holder Name	Nature of Interest	Class of Shares	Number of Shares	Nature of Interest	Approximate Percentage of total issued class of Shares [14] (%)	Approximate percentage of total issued share capital [14] (%)
Dynamic Sunrise Limited [11]	Interest of controlled corporation	H shares	200,000,000	Long position	5.75	1.74
Precision Goal Inc. [11]	Interest of controlled corporation	H shares	200,000,000	Long position	5.75	1.74
HUANG Guangmiao [11]	Interest of controlled corporation	H shares	200,000,000	Long position	5.75	1.74
HAITONG ASSET MANAGEMENT ANYING HAI WAI NO.20 DIRECTIONAL INVESTMENT SCHEME	Beneficial owner	H shares	184,249,000	Long position	5.30	1.60

Notes:

(1) Beijing Chengtong directly holds 700,000,000 domestic shares in the Company. Beijing Chengtong is wholly owned by China Chengtong, which is controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

(2) Ruiteng Yihong holds 660,000,000 domestic shares of the Company. Ruiteng Yihong is held as to 62.83% by Septwolves Holding. Septwolves Holding is held as to 82.86% by Fujian Septwolves Group Co., Ltd., which in turn is ultimately controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming, who are related to each other as brothers. At the same time, Septwolves Holding directly holds 100,000,000 Domestic Shares in the Company.

According to the Disclosure of Interests Form filed by Septwolves Holding on February 21, 2024, 100,000,000 shares were pledged by Septwolves Holding.

(3) Lhasa Fengming holds 550,000,000 Domestic Shares in the Company. Shenzhen Qianhai Ruiyu is a limited partnership incorporated under the laws of PRC as an investment vehicle, which holds 66.67% interest in Lhasa Fengming. Tibet Ruiyu is a general partner of Shenzhen Qianhai Ruiyu. Tibet Ruiyu is held as to 99.00% by YUAN Tao. Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. holds a partnership interest of 99.95% in Shenzhen Qianhai Ruiyu as its sole limited partner. Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. is wholly owned by Essence Fund Management Co., Ltd., which is in turn held as to 39.84% and 33.95% by Minmetals Capital Holdings Limited and SDIC Securities Co., Ltd. respectively. Minmetals Capital Holdings Limited is wholly owned by Minmetals Capital Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 600390). SDIC Securities Co., Ltd. is held as to 99.99% by SDIC Capital Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600061).

(4) Jiangsu Yonggang directly holds 523,700,000 domestic shares in the Company. Jiangsu Yonggang is held as to 33.68% by Everrising Holdings Co., Ltd. Everrising Holdings is held as to 75.00% by Suzhou Yongyuan Holding Co., Ltd.

(5) Beijing Taihe Fangyuan Investment Co., Ltd. directly holds 500,000,000 Domestic Shares of the Company. Beijing Taihe Fangyuan Investment Co., Ltd. is wholly-owned by Beijing Wanquan Yide Investment Fund Management Co., Ltd., which is wholly-owned by Shanghai Cai Tong Asset Management Co., Ltd. Shanghai Cai Tong Asset Management Co., Ltd. is owned as to 80.00% by Caitong Fund Management Co., Ltd..

REPORT OF THE BOARD OF DIRECTORS

(6) Bangchen Zhengtai directly holds 470,900,000 Domestic Shares in the Company. Beijing Hengyi is a limited partnership incorporated under the laws of PRC as an investment vehicle, which directly holds a 99.99% interest in Bangchen Zhengtai. Tibet Hengyi and Shanghai Loyal Valley are the general partners of Beijing Hengyi, of which Tibet Hengyi is the executive partner of Beijing Hengyi. Tibet Hengyi is directly held as to 99.00% by ZHANG Weigong and Shanghai Loyal Valley is wholly owned by LIN Lijun.

According to the Disclosure of Interests Form filed by Mr. ZHANG Weigong on March 6, 2024, 100,000,000 shares were pledged by Bangchen Zhengtai.

Shanghai Shengle holds a 91.75% partnership interest in Beijing Hengyi as its limited partner. Shanghai Shengle is a limited partnership incorporated under the laws of PRC as an investment vehicle; its general partner is Shanghai Loyal Valley, and its limited partners include Shanghai Baolin Enterprise Management Co., Ltd. and Shanghai Baohe Enterprise Management Co. Ltd., each of which hold a partnership interest of 44.05%. Shanghai Baolin Enterprise Management Co., Ltd. is wholly owned by Shanghai Baoxin Enterprise Management Co., Ltd., which is in turn wholly owned by Wealth Smart International Holdings Limited; Shanghai Baohe Enterprise Management Co., Ltd. is wholly owned by Shanghai Baoyao Enterprise Management Co., Ltd., which is in turn wholly owned by Cheer Wealthy Holdings Limited.

(7) Shanghai Xuchang directly holds 470,900,000 domestic shares in the Company. Shanghai Xule is a limited partnership incorporated under the laws of PRC as an investment vehicle, which directly holds a 44.78% interest in Shanghai Xuchang. Tibet Hengyi and Shanghai Loyal Valley are the general partners of Shanghai Xule, of which Shanghai Loyal Valley is the executive partner of Shanghai Xule. Shanghai Shengle holds a partnership interest of 99.92% in Shanghai Xule as its sole limited partner.

(8) Shannan Hongquan directly holds 373,200,000 domestic shares in the Company. Ningbo Dingzhi Jintong is a limited partnership incorporated under the laws of PRC as an investment vehicle, and directly holds a 95.98% interest in Shannan Hongquan. Tibet Hengyi and Shanghai Loyal Valley are the general partners of Ningbo Dingzhi Jintong, of which Shanghai Loyal Valley is the executive partner of Ningbo Dingzhi Jintong.

Pursuant to the confirmation letter issued by Shannan Hongquan to Bangchen Zhengtai, Shannan Hongquan shall continue to maintain consistency with Bangchen Zhengtai in exercising its proposal, nomination, voting and decision-making rights in respect of all material matters in the corporate governance and production and operation of the Company.

(9) Jiangsu Tiancheng directly holds 600,000,000 H shares of the Company. Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) is a limited partnership incorporated under the laws of the PRC as an investment vehicle, which holds 99.9967% interest in Jiangsu Tiancheng. Huashan Ruilian and Huatai Zijin are general partners of Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership). Huashan Ruilian is held as to 70.52% by Tibet Hongyu Enterprise Management Co., Ltd., which is in turn held as to 49.36% directly and indirectly by Beijing Hongyu Consulting Management Co., Ltd. through Hainan Hongyu Industry Investment Co., Ltd. Beijing Hongyu Consulting Management Co., Ltd. is held as to 90.00% by CHEN Zhijie. Tibet Hongyu Enterprise Management Co., Ltd. is directly and indirectly owned as to 47.24% by Beijing Linqi Haorui Consulting Co., Ltd. through Hainan Hongyu Industry Investment Co., Ltd. Beijing Linqi Haorui Consulting Co., Ltd. is owned as to 99.00% by ZHANG Tong. Huatai Zijin is wholly owned by Huatai Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601688), the Hong Kong Stock Exchange (stock code: 06886) and the London Stock Exchange (symbol: HTSC).

Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership) is a limited partner of Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership), holding a 41.65% partnership interest. The general partner of Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership) is Nanjing Ruilian Management Consulting Partnership (Limited Partnership), which is in turn beneficially owned by Huashan Ruilian. Nanjing Gloria Union Buyout Fund One (L.P.) holds a partnership interest of 60.47% in Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership) as its limited partner, which is in turn beneficially owned by Huashan Ruilian and Huatai Zijin.

(10) Shanghai Giant Lifetech Co., Ltd. directly held 234,000,000 H shares of the Company. Shanghai Giant Lifetech Co., Ltd. was held as to 90.49% by Giant Investment Co., Ltd., which is held as to 97.86% by SHI Yuzhu.

(11) Shenzhen Zhongzhou Group Co., Ltd. directly held 200,000,000 H shares of the Company. Shenzhen Zhongzhou Group Co., Ltd. was held as to 96.25% by Dynamic Sunrise Limited., Dynamic Sunrise Limited was wholly-owned by Precision Goal Inc., which was wholly-owned by HUANG Guangmiao.

(12) The information disclosed above were based on the information provided on the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

(13) According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

(14) As at the Latest Practicable Date, the Company had a total of 11,501,522,500 Shares in issue, comprising 8,022,753,987 Domestic Shares and 3,478,768,513 H Shares.

Save as disclosed above, as at the end of the Latest Practicable Date, so far as the Directors were aware, no other person (other than the Directors, Supervisors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which are required to be disclosed or recorded in the register of the Company to be kept under Section 336 of the SFO.

ADMINISTRATION AND MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into any administration and management contracts with respect to the entire or principal activities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the audited financial statements of the Group for the year ended December 31, 2023.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

During the Reporting Period, Ernst & Young Hua Ming LLP and Ernst & Young were appointed as the auditor of the Company for the financial statements prepared in accordance with PRC GAAP and for the financial statements prepared in accordance with IFRS, respectively.

The Company did not change its auditors in the past three years.

The consolidated financial statements of the Company for the year ended December 31, 2023 have been audited by Ernst & Young Hua Ming LLP and Ernst & Young.

By order of the Board
Sunshine Insurance Group Company Limited
ZHANG Weigong
Founder, Chairman of the Board of Directors

REPORT OF THE BOARD OF SUPERVISORS

During the reporting period, all members of the Board of Supervisors performed their duties faithfully and diligently in accordance with the relevant provisions of the PRC Company Law, the Articles of Association and other laws and regulations, regulatory provisions and the Company's internal rules and regulations, and in line with the regulatory regulations of insurance and the institutional requirements of the Hong Kong Stock Exchange for listed insurance enterprises, to clarify job responsibilities, improve working mechanisms, refine work contents, and be responsible for the interests of shareholders and the Company, so as to give full play to the role of the Board of Supervisors to assist the Company in building a customer-driven insurance group of high-value.

COMPOSITION AND CHANGES OF THE BOARD OF SUPERVISORS

At the end of the reporting period, the Board of Supervisors of the Company consisted of Mr. ZHUANG Liang, Chairman of the Board of Supervisors (employee supervisor), Ms. ZHANG Di, Supervisor (shareholder supervisor) and Ms. WANG Zhe, Supervisor (external supervisor). The number, composition, qualification and appointment and removal procedures of the Board of Supervisors are strictly in accordance with the Company Law, relevant regulations and the Articles of Association.

On March 16, 2023, the Company convened the Second Session of the Fourth employee representatives' meeting to elect ZHUANG Liang as the employee supervisor of the Sixth Session of the Board of Supervisors of the Company; On April 6, 2023, the Company convened the first extraordinary general meeting of 2023 to elect ZHANG Di and Wang Zhe as the supervisors of the Sixth Session of the Board of Supervisors of the Company, who, together with the employee supervisor ZHUANG Liang, consist of the Sixth Session of the Board of Supervisors of the Company. During the reporting period, all members of the Board of Supervisors were re-elected and there was no change in the composition.

MEETINGS OF THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors held a total of seven meetings, of which six meetings were held in the form of on-site meetings and one meeting was held in the form of circulation of written proposals. A total of 50 proposals were considered and three reports were heard; and none of the Supervisors was absent from the above meetings.

On January 16, 2023, the 19th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved three proposals, including the Proposal on the Consideration of the Fraud Risk Management Report for 2022.

On March 16, 2023, the 20th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved 4 proposals, including the Proposal on the Nomination of the Supervisor Candidate of the Sixth Session of the Board of Supervisors.

On March 29, 2023, the 21th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved 27 proposals, including the Proposal on the Consideration of the Report on the Work of the Board of Supervisors for 2022.

On April 6, 2023, the First meeting of the Sixth Session of the Board of Supervisors considered and unanimously approved the Proposal on the Election of the Convener (Chairman) of the Sixth Session of the Board of Supervisors of the Company.

On May 5, 2023, the Second meeting of the Sixth Session of the Board of Supervisors considered and unanimously approved 4 proposals, including the Proposal on the Consideration of the Report on the Company's Operation in the First Quarter of 2023.

On August 25, 2023, the Third meeting of the Sixth Session of the Board of Supervisors considered and unanimously approved 7 proposals, including the Proposal on the Consideration of Interim Report and the Result Announcement of 2023 of the Company.

On October 27, 2023, the Fourth meeting of the Sixth Session of the Board of Supervisors considered and unanimously approved 4 proposals, including the Proposal on the Consideration of the Report on the Company's Operation in the Third Quarter of 2023, and heard three reports, including the Report on the Corporate Governance Assessment of the Company in 2022.

SUPERVISION OF PERFORMANCE OF DUTIES

During the reporting period, members of the Board of Supervisors attended the general meetings for four times and the on-site meetings of the Board of Directors for seven times. By attending meetings as non-voting members, they continuously paid attention to the overall operation and management activities and results of the Company, paid close attention to the Company's financial and internal control risks, and supervised the performance of the directors and senior management; in addition, they further improved the working mechanism of directors' evaluation, reviewed directors' performance files, directors' performance evaluation forms, and reviewed directors' due diligence reports and relevant work reports.

The Board of Supervisors is of the view that the directors and senior management of the Company were able to comply with the provisions of the Articles of Association and perform their duties diligently, and achieved good results in operation and management in 2023.

FINANCIAL SUPERVISION

During the reporting period, the Board of Supervisors performed its duties of financial supervision of the Company by considering relevant proposals such as the Company's financial reports, business operation reports, solvency reports and profit distribution plans, and by supervising and inspecting the Company's financial conditions and existing financial systems.

The Board of Supervisors is of the view that the Company's audited financial statements for 2023 were prepared in strict accordance with the accounting standards and insurance regulations, the accounting treatment followed the principle of consistency, the provisions of various reserves were adequate and reasonable, and the data in the statements truly and fairly reflected the financial position, operating conditions and operating results of the Company.

INTERNAL CONTROL AND COMPLIANCE SUPERVISION

The Board of Supervisors continuously strengthened its supervision over the compliance management of the Company and the performance of compliance management duties by the Board of Directors and the management. By attending meetings of the Board of Directors and relevant meetings of the management and considering the annual compliance report, the Board of Supervisors gained a comprehensive understanding of the Company's annual compliance work, the construction of the compliance mechanism, the main compliance risks faced, paid attention to the

REPORT OF THE BOARD OF SUPERVISORS

new compliance risks that may arise from the new requirements and tasks arising from the Company's listing in particular, and put forward relevant opinions and suggestions.

RISK MANAGEMENT AND SUPERVISION

The Board of Supervisors continuously supervised the risk management structure and the control of major risks, paid close attention to the major risks faced by the Company and the effectiveness of risk management, provided timely alerts on major risks, and continuously supervised the performance of duties and responsibilities of the Board of Directors and senior management in reputational risk management, and believed that the Board of Directors and senior management of the Company strictly fulfilled the relevant provisions of the Measures for the Management of Reputational Risk of Banking and Insurance Institutions (Trial), promoting the Company to constantly improve the construction of the reputational risk management mechanism, and effectively avoiding the occurrence of reputational risk events.

PERFORMANCE OF DUTIES BY THE SUPERVISORS

During the reporting period, all Supervisors performed their duties in strict compliance with laws and regulations, regulatory norms, the Articles of Association, and other relevant provisions. They participated in all the meetings of the Board of Supervisors and made prudent judgments and deliberations on various issues under discussion; they actively attended the meetings of the Board of Directors and general meetings to gain a detailed understanding of the Company's important operating conditions, risk compliance and other work decisions, and performed their supervisory duties. They gained a full understanding and supervision of the Company's operation, financial situation, risk management, internal control and audit, and incentive assessment on senior management.

All Supervisors attached great importance to the improvement of their professional abilities, and conducted in-depth studies and understanding of important supervisory systems in order to better perform their supervisory duties. At the same time, they made full use of the internal and external learning platforms of the Company to strengthen their professional knowledge and comprehensive skills, and strove to improve their professional quality and comprehensive quality.

Besides, the evaluation of the performance of Supervisors was carried out in accordance with the requirements of the Measures for Evaluation of the Performance of Directors and Supervisors of Banking and Insurance Institutions, and the performance files of Supervisors, the performance evaluation forms of Supervisors, as well as the work reports related to Supervisors' performance have been formed. After the self-evaluation and mutual evaluation by all the Supervisors, the evaluation results of them are competent.

The Board of Supervisors is of the view that the performance of duties of all Supervisors is in compliance with the PRC Company Law, the Articles of Association and other laws and regulations, regulatory provisions and the requirements of the internal rules and regulations of the Company, and the supervision is effective.

By Order of the Board of Supervisors
Sunshine Insurance Group Company Limited
Chairman of the Board of Supervisors
ZHUANG Liang

CORPORATE GOVERNANCE REPORT

OVERVIEW

The Company has always been in compliance with relevant laws and regulations and regulatory requirements such as the PRC Company Law, the PRC Insurance Law, the Hong Kong Listing Rules, Guidelines for Corporate Governance of Banking and Insurance Institutions, earnestly performed the requirements of the Articles of Association, adhered to the principles of good corporate governance, strove to continuously enhance the corporate governance standard to ensure the stable development of the Company and to enhance Shareholders' value.

The Company has adopted the Corporate Governance Code as the basis of corporate governance practices since the Listing Date. During the Reporting Period, save as disclosed in this Corporate Governance Report, the Company has complied with all applicable code provisions and, where applicable, adopted the recommended best practices as set out in the Corporate Governance Code.

Sunshine operates and governs with Sunshine culture that highlights its own ideological system and unique value proposition.

Sunshine has formed a primitive entrepreneurial spirit of "dare to challenge and persevere (敢於挑戰、堅韌不拔)" during the commencement of our business. During the preparation of the Company, the "Fifty Characters Proverbs" of "Learn from different sources and choose our own course; Bring together industry talents and outside experts; A high starting point sets the pace for a long-term strategic development; Overcome hardships and always stick to integrity; Unswervingly pursue professionalism to build the Sunshine brand (集眾家之長，取自我之道。聚業內人才，納業外賢士。高起點組建，遠戰略發展。風雨中做事，陽光下做人。走精英之路，創陽光品牌)" summarizes the core idea of Sunshine culture and guides the preparatory work of the Company. At the time of the commencement of the Company, Sunshine has developed a core corporate culture that was refined from months of studies, which elaborated the Company's basic philosophy and management policy, clarified the basic behavioral standards of Sunshine's managers and employees, and became the guiding principle, conceptual foundation and powerful spiritual driving force for the development of Sunshine's business. Along with the development of the Company, the core culture of Sunshine has been iteratively upgraded and continuously enriched and developed into sub-culture, sub-item culture and post culture, which have guided the Company's various business lines and segments towards the sustainable and healthy development with its noble mission of "bring more sunshine to people".

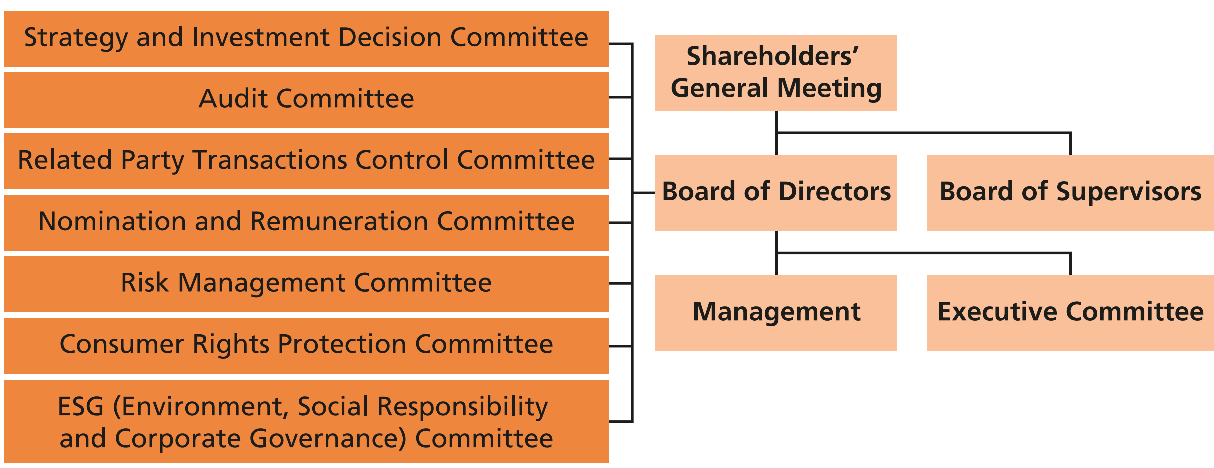
CORPORATE GOVERNANCE REPORT

In 2023, Sunshine endeavored to practice the culture for goodness of "love and responsibility" and launched a series of initiatives such as "three/five/seven (三／五／七)" product system, starting from "philanthropic sense, thoughtful product, and attentive service", so as to make the customers feel Sunshine's "love and responsibility" and the distinction of Sunshine's products and make service the reason for customers to choose Sunshine Insurance.

Mission: To bring more sunshine to people
Vision: To be an insurance group with humanity and vitality
Core values: One goal: All for customers
Two fundamentals: Creating value and win-win growth
Three unions: Passion and sense, speed and quality, flexibility and concentration
Style: Simple and trustworthy
Enterprise Spirit: To transcend ourselves and innovate revolutions
Enterprise Philosophy: Take the steadfast mentality as peasants and work diligently with the spirit of a craftsman
Cultural Position: Responsibility and progress

Further information on the culture of Sunshine, including the Company's mission, vision and values, is set out on the website of the Company (under the section headed "About Sunshine") and in the "Chairman Statements" of this report.

The corporate governance structure chart of the Company is set out as below:



SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the highest authority of the Company, and shall exercise the following power in accordance with the law:

(1) decide the business objectives and investment plans of the Company;

(2) elect and replace the directors who are not employee representatives, and decide on matters related to the remuneration of directors;

(3) elect and replace the supervisors who are not employee representatives, and decide on matters related to the remuneration of supervisors;

(4) to consider and approve the report of the Board of Directors;

(5) to consider and approve the report of the Board of Supervisors;

(6) consider and approve the annual financial budgets and final accounting plans of the Company;

(7) consider and approve the profit distribution plan and loss recovery plan of the Company;

(8) resolve on the increase or decrease in registered capital of the Company;

(9) resolve on the issuance of bonds or other marketable securities by the Company and listing of the Company;

(10) consider and approve the Company's direct investment in and establishment of domestic and overseas companies, over which the Company exercises its control;

(11) consider and approve on matters such as external investments, asset acquisition, asset disposal and write-off and asset pledges that exceeds 20% of the latest audited total assets of the Company;

(12) consider guarantees pursuant to Article 72 of the Articles of Association;

(13) discuss and vote on significant matters exceeding the authority of the Board of Directors;

(14) resolve on matters such as merger, division, dissolution and liquidation of the Company or alteration on the form of the Company;

(15) amend the Articles of Association, and to consider the rules of procedures for the shareholders' general meeting, the Board of Directors and the Board of Supervisors;

(16) resolve on the acquisition of the Company's Shares;

(17) resolve on the appointment and dismissal and remuneration of accounting firms of the Company, which would provide regular and statutory audit on the Company's financial reports;

(18) consider the proposals raised by Shareholders who, individually or collectively, hold 3% or more of shares with voting rights of the Company;

CORPORATE GOVERNANCE REPORT

(19) consider and approve the share incentive scheme;

(20) consider the related party/connected transactions which shall be considered and approved at the shareholders' general meeting as provided by laws, administrative regulations, rules and the securities regulatory rules of the place where the Company's Shares are listed;

(21) consider other matters which shall be decided at the shareholders' general meeting as provided by laws, regulations, regulatory provisions and the Articles of Association.

During the Reporting Period, the Company has held four shareholders' general meetings, including the first extraordinary general meeting of 2023, the first domestic shares class meeting of 2023, the first H shares class meeting of 2023 held on April 6, 2023 and the annual general meeting of 2022 held on May 29, 2023. Major issues considered and approved in shareholders' general meetings included:

- Election of directors of the sixth session of the Board of Directors;
- Election of supervisors of the sixth session of the Board of Supervisors;
- Application for H Shares "Full Circulation" by the Company in respect of domestically unlisted Shares;
- Full authorization granted by the general meeting to the Board and its authorized persons to handle all matters relating to the "Full Circulation" of the Company's H Shares;
- Report of the Board of Directors for 2022;
- Report of the Board of Supervisors for 2022;
- Annual Report for 2022;
- Final financial report for 2022;
- Profit distribution plan for 2022;
- Appointment of accounting firms for 2023; and
- Establishment of the technology service subsidiary.

METHODS OF CONVENING EXTRAORDINARY GENERAL MEETINGS AND PROPOSING RESOLUTIONS BY SHAREHOLDERS

According to the Articles of Association, any Shareholder(s), who, individually or collectively hold 10% or more of the voting Shares of the Company may request in writing to convene an extraordinary general meeting. If the Board of Directors agrees to convene such extraordinary general meeting, a notice of convening such extraordinary general meeting shall be issued within 15 days after passing the resolution of the Board of Directors. Consent of the relevant Shareholders must be sought if the request contained in the notice is different from the original one. For details of the procedures for nominating candidates of Directors by Shareholders, please refer to the website of the Company. Specific enquiries or suggestions by Shareholders can be sent in writing to the Board or by e-mail to the Company.

When the Company convenes a shareholders' general meeting, Shareholders individually or jointly holding more than 3% of the total issued voting Shares of the Company shall have the right to submit proposals to the Company in writing. The Requesting Shareholders may make interim proposals and submit them to the convener in writing ten days before the shareholders' general meeting is convened. The Board shall review the Shareholder's proposal and submit it to the general meeting for discussion if the issues involved in the Shareholder's proposal are directly related to the Company and do not exceed the terms of reference of the general meeting as stipulated by laws, regulations and the Articles of Association. Subject to compliance with the relevant procedural requirements, the convener of the general meeting shall notify other Shareholders within two days upon receipt of the proposal. The contents of the interim proposals shall be within the business scope of the Company and the scope of duties of the general meeting and have a direct relationship with the Company, and shall contain specific subjects and concrete matters for approval.

BOARD OF DIRECTORS

The Board of Directors is accountable to the shareholders' general meeting. It shall hold four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors and Supervisors in writing or by e-mail at least fourteen days before the date of the meeting. Notice of extraordinary meetings shall be given to all Directors and Supervisors at least five days before the date of the meeting, but for extraordinary meetings of the Board of Directors convened due to the Company's crisis or other special or emergency situations and with the unanimous consent of all Directors, the above time limit shall not apply.

All Directors shall act honestly in the best interests of the Company.

CORPORATE GOVERNANCE REPORT

Composition

As at the end of the Reporting Period, the Board of Directors consisted of 15 Directors, among which 5 were executive Directors, 5 non-executive Directors and 5 independent non-executive Directors. Directors serve a term of 3 years and may serve consecutive terms if re-elected. Details are as follows:

Name	Position (s)
ZHANG Weigong	Chairman of the Board, Executive Director and Chief Executive Officer
ZHAO Zongren	Vice Chairman of the Board and Executive Director
LI Ke	Executive Director, General Manager and Joint Chief Executive Officer
PENG Jihai	Executive Director, Deputy General Manager, Chief Financial Officer, Head of Investment, Chief Investment Officer and Joint Chief Executive Officer
WANG Yongwen	Executive Director, Deputy General Manager
WANG Jingwei	Non-executive Director
CAI Qiwu	Non-executive Director
CHEN Yong	Non-executive Director
QIAN Yiqun	Non-executive Director
HOU Huisheng	Non-executive Director
LIU Zhanqing	Independent Non-executive Director
GAO Bin	Independent Non-executive Director
JIA Ning	Independent Non-executive Director
WU Xiaoqiu	Independent Non-executive Director
HONG Qi	Independent Non-executive Director

Notes:

(1) Mr. YUAN Mouzhen ceased to be the non-executive Director of the Company from April 6, 2023.

(2) Mr. CAI Qiwu, Mr. CHEN Yong, Ms. QIAN Yiqun and Mr. HOU Huisheng serve as non-executive Directors of the Company, Mr. WU Xiaoqiu serves as an independent non-executive Director of the Company and Mr. MA Guangyuan ceased to be the independent non-executive Director of the Company from August 28, 2023.

(3) Mr. HONG Qi serves as an independent non-executive Director of the Company and Mr. WANG Jianxin ceased to be the independent non-executive Director of the Company from October 20, 2023.

During the Reporting Period, the Board of Directors had been at all times in compliance with Rules 3.10 (1) and 3.10 (2) of the Hong Kong Listing Rules which stipulate that an issuer must appoint at least three independent non-executive directors and at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise, and with Rule 3.10A of the Hong Kong Listing Rules which specifies that an issuer must appoint independent non-executive directors representing at least one-third of the members of the board.

All Directors (including independent non-executive Directors) have brought a variety of valuable working experience and expertise to the Board, enabling the Board to effectively perform its functions. All Directors have agreed to disclose to the Company in a timely manner the number, nature, position, and duration of office at other listed companies or institutions and other major appointments in accordance with the requirements of the Corporate Governance Code.

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to maintaining the highest level of corporate governance and the Board plays an important role to maintain sound corporate governance. The corporate governance functions of the Board and its special committees include developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

DUTIES AND RESPONSIBILITIES

The Board shall be responsible for the shareholders' general meeting, and its main responsibilities include, but are not limited to:

(1) to convene shareholders' general meetings and to report to shareholders' general meetings;

(2) to implement the resolutions of the shareholders' general meetings;

(3) to determine operation plans and investment plans of the Company;

(4) to determine the debt and financial policies of the Company;

(5) to formulate annual preliminary and final financial budgets of the Company;

(6) to formulate the profit distribution plans and plans for recovery of losses of the Company;

(7) to formulate proposals of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(8) to formulate plans for any substantial acquisition by the Company, repurchase of the Shares of the Company, or merger, division, dissolution and change of form of the Company;

(9) to consider and approve matters such as external investments, purchase of assets, disposal and write-off of assets and asset mortgage and material related party transactions, for each occasion the amount representing less than 20%, but more than 3% of the latest audited total assets value of the Company;

CORPORATE GOVERNANCE REPORT

(10) to formulate management policies in respect of external investments, purchase of assets, disposal and write-off of assets, asset mortgage and related party transactions in accordance with the Articles of Association;

(11) to consider and approve guarantees authorized by the shareholders' general meeting;

(12) to consider and approve any single donation exceeding more than one point five thousandth and less than five thousandth of the Company's net assets in its most recent audited consolidated financial statements and any donations made after accumulated donations of over five thousandth (but still less than one hundredth) of the Company's net assets in its most recent audited consolidated financial statements in one accounting year;

(13) to decide on the establishment of the Company's internal management structure;

(14) to appoint or remove the chief executive officer of the Company or other senior management based on the nominations of chairman of the Board of Directors and determine their remuneration and penalties;

(15) to formulate the basic management policies of the Company;

(16) to formulate proposals for any amendments to the Articles of Association;

(17) to formulate rules of procedure for shareholders' general meeting and Board of Directors; to consider and approve the detailed working rules for the special committees of the Board;

(18) to manage the disclosure of information of the Company;

(19) to hear the working report and review the work of the chief executive officer of the Company;

(20) to decide on the method of provisioning for value award fund and its system for usage and allocation;

(21) to propose to the shareholders' general meeting to engage or dismiss accounting firms that provide regular statutory audit on financial reports of the Company;

(22) to select and engage the external auditor for audit on the Company's directors and senior management;

(23) other functions and powers conferred by laws, regulations, regulatory requirements, listing rules of the stock exchange of the place where the Shares of the Company are listed or the Articles of Association and by shareholders' general meetings.

The Board is a standing decision-making body of the Company. The Board has set up special committees such as the Strategy and Investment Decision Committee, the Risk Management Committee, the Audit Committee, the Nomination and Remuneration Committee, the Related Party Transactions Control Committee, the Consumer Rights Protection Committee and the ESG (Environment, Social Responsibility and Corporate Governance) Committee to effectively support the scientific decision-making and work efficiency of the Board. When performing their functions, each special committee may engage independent professionals or institutions outside the Company to provide assistance. The Company shall provide conditions for such assistance, and the reasonable expenses incurred therefrom shall be borne by the Company. In addition, the Company has formulated internal policies, including but not limited to the Articles of Association and the Terms of Reference of each special committee, to ensure that the Directors can obtain independent views and opinions. These policies cover the Company's rights in respect of the election procedures and selection criteria of Directors (including independent non-executive Directors), the related Directors' abstaining from voting system, and the independent non-executive Directors' independent review opinions. The Company has reviewed the implementation and effectiveness of the above mechanism and is of the view that the above mechanism can ensure the Board to obtain independent views and opinions.

Summary of Work Undertaken

During the Reporting Period, the Directors' attendance records of the shareholders' general meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)
ZHANG Weigong	4/4	100%
ZHAO Zongren	4/4	100%
LI Ke	4/4	100%
PENG Jihai	4/4	100%
WANG Yongwen	4/4	100%
WANG Jingwei	4/4	100%
YUAN Mouzhen	3/3	100%
CAI Qiwu	0/0	–
CHEN Yong	0/0	–
QIAN Yiqun	0/0	–
HOU Huisheng	0/0	–
MA Guangyuan	4/4	100%
LIU Zhanqing	4/4	100%
WANG Jianxin	4/4	100%
GAO Bin	4/4	100%
JIA Ning	4/4	100%
WU Xiaoqiu	0/0	–
HONG Qi	0/0	–

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Directors' attendance records of the Board meeting were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
ZHANG Weigong	8/8	100	0/8	0
ZHAO Zongren	8/8	100	0/8	0
LI Ke	8/8	100	0/8	0
PENG Jihai	8/8	100	0/8	0
WANG Yongwen	8/8	100	0/8	0
WANG Jingwei	8/8	100	0/8	0
YUAN Mouzhen	3/3	100	0/3	0
CAI Qiwu	1/1	100	0/1	0
CHEN Yong	1/1	100	0/1	0
QIAN Yiqun	1/1	100	0/1	0
HOU Huisheng	1/1	100	0/1	0
MA Guangyuan	6/7	85.7	1/7	14.3
LIU Zhanqing	8/8	100	0/8	0
WANG Jianxin	7/7	100	0/7	0
GAO Bin	8/8	100	0/8	0
JIA Ning	8/8	100	0/8	0
WU Xiaoqiu	1/1	100	0/1	0
HONG Qi	1/1	100	0/1	0

During the Reporting Period, the Board held a total of 8 meetings, at which 76 resolutions were considered and approved and 5 reports were heard. The Directors have exercised their voting rights prudently and independently and put forward constructive opinions and suggestions which have effectively facilitated the efficient operation of corporate governance compliance while driving the improvement of operation and management of the Company.

DIRECTORS

Responsibility with Respect to Financial Statements

The management of the Company has provided the Board with necessary explanations and information enabling all Directors to consider the Company's consolidated financial statements which are submitted to the Board for approval. The Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall reflect a true and fair view of the business operations of the Company by implementing proper accounting policies in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and implementing the accounting regulations issued by the Ministry of Finance and the Chinese insurance regulatory authority subject to compliance with the International Financial Reporting Standards.

The Board has confirmed that it is responsible for the preparation of the financial statements of the Company for the year ended December 31, 2023. The Company is not subject to any material uncertainties or circumstances which might cast significant doubt on the Company's ability to continue as a going concern.

Securities Transactions

During the Reporting Period, in respect of dealings in securities by Directors and Supervisors, the Company had adopted the Model Code set out in Appendix C3 to the Hong Kong Listing Rules. Upon specific enquiries by the Company, all Directors and Supervisors confirmed that they had complied with the standards set out in the Model Code during the Reporting Period.

Training of Directors

During the Reporting Period, all Directors (Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai, Mr. WANG Yongwen, Mr. CAI Qiwu, Mr. WANG Jingwei, Mr. CHEN Yong, Ms. QIAN Yiqun, Mr. HOU Huisheng, Mr. LIU Zhanqing, Mr. GAO Bin, Ms. JIA Ning, Mr. WU Xiaoqiu and Mr. HONG Qi, and Mr. YUAN Mouzhen, Mr. MA Guangyuan and Mr. WANG Jianxin, who retired during the Reporting Period.) were actively involved in continuous improvement in professional competence and participated in various kinds of training activities relating to corporate governance, the Hong Kong Listing Rules and risk management which were organized by regulatory authorities, industrial organizations and the Company, so as to develop and update their knowledge and skills and improve their performance ability, with the aim of making contributions to the Board with comprehensive information under appropriate circumstances.

Chairman of the Board/CEO

During the Reporting Period, Mr. ZHANG Weigong served as the chairman of the Board and chief executive officer of the Company. Mr. ZHANG Weigong, our founder, has extensive experience in the insurance industry and is responsible for the business strategies and overall management. While this will constitute a deviation from code provision C.2.1 of Appendix C1 to the Hong Kong Listing Rules, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board considers that vesting the roles of chairman of the Board and chief executive officer in Mr. ZHANG Weigong is beneficial to the business prospects and operational efficiency of the Company. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently comprises five executive Directors (including Mr. ZHANG Weigong), five non-executive Directors and

CORPORATE GOVERNANCE REPORT

five independent non-executive Directors and therefore has a high level of independence. The overall strategies and other key business policies of the Group are made collectively by the Board after thorough discussion to ensure the comprehensiveness and reasonableness of decision-making. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

In order to meet the needs of the Company's listing on Hong Kong Stock Exchange and the strategic transformation and development under the new situation, strengthen the stability of the Company's development and mechanism optimization, boost the healthy and sustainable development of the Company, and draw on the effective practices of global corporate governance, the Board approved the establishment of the joint chief executive officer (Joint CEO) mechanism on March 29, 2023 to effectively reinforce the collective decision-making of the Executive Committee and continuously improve the management and execution capability of the Company, and Mr. LI Ke, and Mr. PENG Jihai were appointed as joint chief executive officers. The joint chief executive officers shall exercise management leadership over the relevant business segments under the leadership or authority of the Chairman of the Board/CEO of the Company, respectively.

Term of Office of Non-executive Directors

The term of office of non-executive Directors (including independent non-executive Directors) is three years.

Independence of Independent Non-executive Directors

Each of independent non-executive Director has complied with the independence guidance requirements set out in Rule 3.13 of the Hong Kong Listing Rules, and have submitted their letters of confirmation regarding their independence to the Company. As such, the Company considers that all independent non-executive Directors are still independent.

Nomination of Directors

The Nomination and Remuneration Committee of the Board of Directors is mainly responsible for proposing candidates for Directors, reviewing and making recommendations to the Board of Directors and the Board of Supervisors on the nomination of candidates for Directors, Supervisors and senior management.

Remuneration of Directors

The Board has established the Nomination and Remuneration Committee with written terms of reference. As at the end of the Reporting Period, the Nomination and Remuneration Committee consisted of three independent non-executive Directors, being Mr. LIU Zhanqing (chairman), Mr. GAO Bin and Mr. WU Xiaoqiu.

The Articles of Association provides that the remuneration of the Directors shall be determined by the shareholders' general meetings of the Company from time to time. The Articles of Association provides that the Company shall enter into written contracts with the Directors in respect of remuneration matters with prior approval by the shareholders' general meetings. In 2023, except for independent non-executive Directors who received Directors' fees from the Company, all other Directors did not receive any remuneration from the Company in the capacity of Directors. Executive Directors received remuneration in accordance with their specific management positions in the Company. The remuneration packages of independent non-executive Directors are determined based on the Company's actual situations with reference to market benchmarks.

SPECIAL COMMITTEES OF THE BOARD

There are seven special committees under the Board, namely the Strategy and Investment Decision Committee, the Risk Management Committee, the Audit Committee, the Nomination and Remuneration Committee, the Related Party Transactions Control Committee, the Consumer Rights Protection Committee and the ESG (Environment, Social Responsibility and Corporate Governance) Committee. Each committee provides opinions and suggestions to the Board with respect to matters within the scope of its responsibilities. The duties and operation process of each special committee are explicitly stipulated in their respective terms of reference.

THE STRATEGY AND INVESTMENT DECISION COMMITTEE

COMPOSITION

As at the end of the Reporting Period, the Strategy and Investment Decision Committee comprised three Directors, including two executive Directors and one independent non-executive Director.

Chairman: LI Ke (Executive Director)
Members: PENG Jihai (Executive Director), WU Xiaoqiu (Independent Non-executive Director)

Duties and responsibilities

The main duties of the Strategy and Investment Decision Committee are reviewing and making proposals on the Company's medium and long-term development strategies and major investment decisions, and making decisions on related matters within the authority of the Board of Directors.

The Strategy and Investment Decision Committee shall have a comprehensive understanding of the development of the Company's strategic planning and investment management, supervise the effectiveness of the strategic management and investment decision-making system, undertake the relevant responsibilities of the Company's asset and liability management, review and make comments and suggestions to the Board on the following matters:

(1) the Company's medium- and long-term development strategies;

(2) major issues related to the strategic development of the Company;

(3) annual work report of the Company;

(4) the Company's investment principles, investment directions, investment systems and basic management systems submitted by the strategy and investment management functional departments;

(5) the investment area, investment scope, investment plan, etc. of the Company;

(6) the overall objectives and strategies of the Company's asset and liability management;

(7) the organizational system, decision-making system and risk management policy for asset and liability management and asset allocation;

(8) asset allocation policy and its adjustment plan;

(9) other matters to be considered and the reports and proposals to be considered by the Board.

CORPORATE GOVERNANCE REPORT

Summary of work undertaken

During the Reporting Period, the Strategy and Investment Decision Committee held a total of 5 meetings, and considered and approved 14 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
LI Ke	5/5	100	0/5	0
PENG Jihai	5/5	100	0/5	0
MA Guangyuan	4/4	100	0/4	0
WU Xiaoqiu	1/1	100	0/1	0

Note: Mr. WU Xiaoqiu serves as a member of the Strategy and Investment Decision Committee, and Mr. MA Guangyuan ceased to perform the duties as a member of the Strategy and Investment Decision Committee from August 28, 2023.

During the Reporting Period, the Strategy and Investment Decision Committee thoroughly studied and discussed the annual implementation of the Group's three-year development strategy, three-year capital plan, annual work report, interim work report, asset allocation plan and other matters, and put forward opinions and suggestions on medium and long-term development strategy and major investment decisions.

THE RISK MANAGEMENT COMMITTEE

COMPOSITION

As at the end of the Reporting Period, the Risk Management Committee comprised three Directors, including two executive Directors and one independent non-executive Director.

Chairman: WANG Yongwen (Executive Director)
Members: PENG Jihai (Executive Director), JIA Ning (Independent Non-executive Director)

Duties and responsibilities

The main duties of the Risk Management Committee are reviewing and making suggestions and recommendations to the Board of Directors on the basic principles, overall goals, fundamental policies, basic systems of risk management, annual risk assessment reports as well as risk assessment of major decisions and solutions to major risks.

The Risk Management Committee shall fully understand the major risks faced by the Company and their management status, supervise the effectiveness of the risk management system, review the following matters and provide opinions and suggestions to the Board:

(1) basic principles and overall objectives of risk management, including the overall objectives, risk appetite and risk tolerance of solvency risk management;

(2) basic systems and basic policies for risk management, including risk management policies for solvency risk management;

(3) the establishment and duties of the risk management institution, including the organizational structure and duties of solvency risk management;

(4) risk assessment of major decisions;

(5) solutions to significant risks;

(6) annual risk assessment report, internal control report and compliance report;

(7) the solvency report of the Group, the solvency risk assessment report of the Group and other special risk reports to fully understand the various risks faced by the Group and its major member companies and their management status;

(8) to evaluate the effectiveness of the operation of the solvency risk management system;

(9) to assess the risks of significant operational and management matters of the Group, and to consider solutions to significant matters affecting solvency management;

(10) reports on major investments of the Company;

(11) to examine material risk exposures disclosed by the Company;

(12) other matters to be considered.

Summary of work undertaken

During the Reporting Period, the Risk Management Committee held a total of 5 meetings, and considered and approved 15 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
ZHAO Zongren	2/2	100	0/2	0
PENG Jihai	5/5	100	0/5	0
JIA Ning	5/5	100	0/5	0
WANG Yongwen	3/3	100	0/3	0

Note: Mr. WANG Yongwen serves as a member and chairman of the Risk Management Committee and Mr. ZHAO Zongren ceased to serve as a member and chairman of the Risk Management Committee from April 6, 2023.

During the Reporting Period, the Risk Management Committee conducted in-depth research and considered the Group's fraud risk management, solvency, risk assessment, the Company's risk appetite and compliance reports, etc., and performed the duties of risk management and internal control review.

CORPORATE GOVERNANCE REPORT

THE AUDIT COMMITTEE

COMPOSITION

As at the end of the Reporting Period, the Audit Committee comprised three Directors, all of whom are independent non-executive Directors.

Chairman: HONG Qi (Independent Non-executive Director)

Members: GAO Bin (Independent Non-executive Director), Ms. JIA Ning (Independent Non-executive Director)

Duties and responsibilities

The Audit Committee is mainly responsible for regularly reviewing the internal control assessment reports submitted by the internal audit department, the risk assessment reports submitted by the risk management department, and the compliance reports submitted by the compliance management department; and making suggestions and recommendations for improvement to the Board of Directors on the Company's internal control, risks and compliance issues.

The main duties and authorities of the Audit Committee include:

(1) to make proposals regarding the appointment, reappointment, removal or replacement of the external auditors, to approve the remuneration and appointment terms applicable to the external auditors, and attend to any issues related to the external auditors' resignation or dismissal;

(2) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Audit Committee shall discuss the nature and scope of audit and related reporting responsibilities with the external auditors prior to the commencement of the audit;

(3) to develop and implement policies on engaging external auditors to provide non-audit services. For this purpose, external auditors include any entity which is under common control, ownership or management with the audit firm or any entity which a reasonably informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report and make recommendations to the Board on any matters where action or improvement is needed;

(4) to review the Company's internal audit management system and make recommendations to the Board;

(5) to provide guidance on the effective operation of the Company's internal audit, review the Company's annual internal audit plan, internal audit budget and human resources plan, and make recommendations to the Board and be responsible for the management and implementation after consideration and approval by the Board;

(6) to review the internal audit report, assess the internal audit results and supervise the rectification of material issues;

(7) to review the integrity of the Company's financial statements, annual reports, accounts, interim reports and (if to be published) quarterly reports, review and express opinions on the significant opinions on financial reporting contained in the statements and reports. Prior to the submission of the relevant statements and reports to the Board, the Audit Committee shall specifically review the following issues: any changes in accounting policies and practices; major judgmental areas; significant adjustments resulting from audit; the going concern assumptions and any qualified opinions; compliance with accounting standards; and compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting. For the purpose of this subsection, the Audit Committee should liaise with the Board and the senior management of the Company. The Audit Committee must meet, at least twice a year, with the auditors of the Company. The Audit Committee shall consider any significant or unusual items that shall be, or may need to be, reflected in such reports and financial statements, and shall give due consideration to any matters that have been raised by the responsible personnel from the Company's internal accounting and finance, internal audit, compliance departments or the auditors;

(8) to review the financial control and internal control system of the Company;

(9) to evaluate the work of the responsible auditors and give opinions to the Board, and receive report from the responsible auditors on the progress of the audit work at least quarterly;

(10) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to build and maintain effective systems. The content of this discussion should include the adequacy of resources, staff qualifications and experience for accounting and financial reporting functions, and the adequacy of the staff training programmes and the related budget;

(11) to consider major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as delegated by the Board;

(12) to ensure the coordination between internal and external auditors; to ensure that the internal audit function is adequately resourced for operation and has appropriate standing within the Company, and to review and monitor its effectiveness;

(13) to review the financial and accounting policies of the Group (including the Company and subsidiaries within the scope of the consolidated statements) and their implementation;

(14) to review the external auditors' management letter to the management, any significant queries raised by the auditors to the management about accounting records, financial accounts or control systems and the management's response;

(15) to ensure that the Board provides a timely response to the issues raised in the external auditors' management letter to the management;

CORPORATE GOVERNANCE REPORT

(16) to report to the Board on the above matters and other matters set out in the code provision C.3.3 of Appendix C1 to the Hong Kong Listing Rules (and the provisions as amended from time to time);

(17) to consider other topics as identified by the Board;

(18) to review the arrangements of the Company which enable its employees to raise concern, on a confidential basis, over any possible misconduct in financial reporting, internal control or other aspects of the Company. The Audit Committee shall ensure that proper arrangements are made for the Company to conduct fair and independent investigation on such matters and take appropriate actions;

(19) to perform the role as a major representative of the Company to liaise with the external auditors and supervise their relationship;

(20) other duties and authorities conferred by laws, regulations, regulatory requirements, securities regulatory rules of the place where the Company's Shares are listed and the Board of the Company.

Summary of work undertaken

During the Reporting Period, the Audit Committee held a total of 7 meetings, and considered and approved 29 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
WANG Jianxin	6/6	100	0/6	0
GAO Bin	7/7	100	0/7	0
WANG Jingwei	3/3	100	0/3	0
HONG Qi	1/1	100	0/1	0
JIA Ning	4/4	100	0/4	0

Notes:

(1) Ms. JIA Ning serves as a member of the Audit Committee and Mr. WANG Jingwei ceased to be a member of the Audit Committee from April 6, 2023.

(2) Mr. HONG Qi serves as a member and chairman of the Audit Committee, Mr. WANG Jianxin ceased to perform the duties as a member or chairman of the Audit Committee from October 20, 2023.

During the Reporting Period, the Audit Committee discussed and considered the annual report, final financial report, interim report, appointment of annual audit institution, internal audit work report, compliance report, internal control audit report and other matters, continued to strengthen communication and liaison with internal and external auditors and provided the Board with opinions and advice relating to finance, internal control and compliance in a timely manner, which kept enhancing the corporate governance level of the Company.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

Composition

As at the end of the Reporting Period, the Nomination and Remuneration Committee comprised three independent non-executive Directors.

Chairman: LIU Zhanqing (Independent Non-executive Director)

Members: GAO Bin (Independent Non-executive Director), WU Xiaoqiu (Independent Non-executive Director)

Duties and responsibilities

The Nomination and Remuneration Committee is mainly responsible for reviewing the election system, assessment standards and remuneration incentives for Directors and senior management; proposing candidates for Directors, reviewing and making recommendations to the Board of Directors and the Board of Supervisors on candidates of Directors, Supervisors and senior management; and conducting performance appraisals of senior management. The Nomination and Remuneration Committee shall avoid being influenced by Shareholders in exercising the above functions and powers and exercise the right to nominate Directors independently and prudently.

The main duties and authorities of the Nomination and Remuneration Committee are as follows:

(1) to review the criteria and procedures for selecting Directors and the senior management;

(2) to review the qualification of the Directors, Supervisors and the senior management and make recommendations;

(3) to at least annually review the structure, size and constitution of the Board (including skills, knowledge and experience) and to make recommendations about the proposed changes to the Board in order to complement the Company's strategies;

(4) to identify individuals suitably qualified to serve as a member of the Board, select and nominate such individuals or make recommendations to the Board on the selection of individuals nominated for directorships;

(5) to assess the independence of independent Directors;

(6) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and chief executive officer;

(7) to review the appraisal standards and remuneration incentives for Directors and the senior management, and to make recommendation to the Board on the Company's policy and structure for all Directors and the senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(8) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(9) to assess the performance of the Directors and the senior management's duties, conduct annual performance appraisals of the senior management and make recommendations to the Board;

CORPORATE GOVERNANCE REPORT

(10) to supervise the implementation of the remuneration policies of the Company;

(11) to make recommendations to the Board on the remuneration package of an executive Director or a member of the senior management, including benefits in kind, pension rights and compensation payments, including the compensation payable for loss or termination of their office or appointment;

(12) to make recommendations to the Board on the remuneration of non-executive Directors;

(13) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;

(14) to review and approve compensation payable to executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms or on terms that are otherwise fair and reasonable and not excessive;

(15) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms or on terms that are otherwise reasonable and appropriate;

(16) to ensure that no Director or any of his/her associates (as defined under the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;

(17) to review and determine other matters in accordance with the laws, regulations, regulatory provisions and securities regulatory rules of the place where the Company's Shares are listed, or under the authorization of the Board.

Summary of work undertaken

During the Reporting Period, the Nomination and Remuneration Committee held a total of 10 meetings, at which 16 resolutions were considered and approved.

The attendance records of the meetings are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
MA Guangyuan	9/9	100	0/9	0
LIU Zhanqing	10/10	100	0/10	0
GAO Bin	10/10	100	0/10	0
WU Xiaoqiu	1/1	100	0/1	0

Note: Mr. WU Xiaoqiu serves as a member of the Nomination and Remuneration Committee and Mr. MA Guangyuan ceased to perform the duties as a member of the Nomination and Remuneration Committee from August 28, 2023.

During the Reporting Period, the Nomination and Remuneration Committee earnestly performed its duties, discussed and considered matters such as the results of the performance evaluation of senior management, the assessment and incentive scheme, the appointment and removal of senior management, the nomination policy for re-election and the Board Diversity Policy, so as to urge the Company to improve the incentive and restraint mechanism and continuously improve the effectiveness of the incentive mechanism.

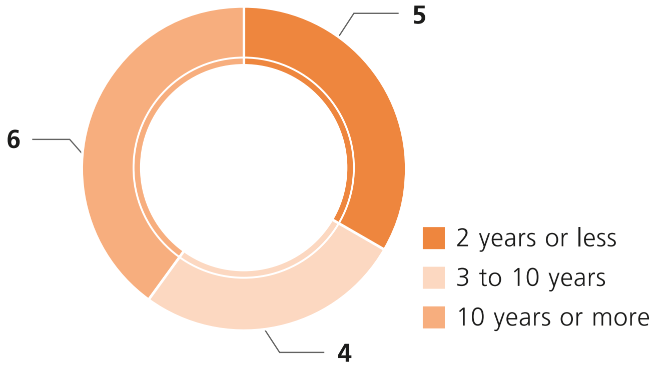
According to the provisions of laws and regulations, normative documents, regulatory requirements and the Articles of Association, the election of Director candidates shall first go through preliminary review by the Nomination and Remuneration Committee that shall then make nomination to the Board, and the Board shall propose the candidates to the general meeting of the Company for election by way of resolutions. Members of the Board shall finally be elected by the general meeting of the Company. The Nomination and Remuneration Committee shall provide opinions on its review and consideration and recommend candidates to the Board in accordance with the provisions of the nomination rules, after comprehensive consideration of the size and order of the number of Shares held by the nominating Shareholders, the qualifications and cultural identities of the nominated candidates, and the Diversity Policy. Pursuant to the Corporate Governance Code, the Board of Directors of the Company continued to implement the Diversity Policy. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, educational background, industry experience, technical capability, professional qualifications and skills, knowledge, length of service and other relevant factors. The Board will also take into account the Company's business model and specific needs. The ultimate selection of candidates for directorship will be based on merit and contribution that the selected candidates will bring to the Board of Directors.

CORPORATE GOVERNANCE REPORT

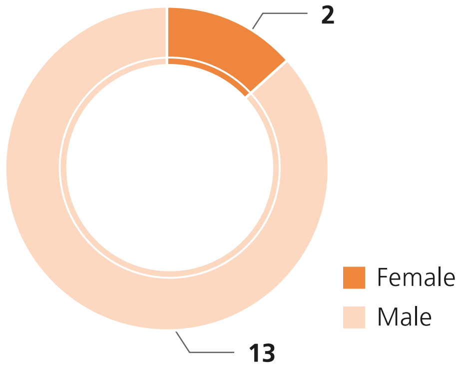
The Nomination and Remuneration Committee is responsible for the supervision of the implementation of the Board Diversity Policy. Nomination and Remuneration Committee will review the Board Diversity Policy annually to ensure its continued effectiveness. Our Company will (i) disclose the biographical details of each Director; and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, as the Board has two female members currently, composition of the Board is in compliance with the Hong Kong Listing Rules in relation to gender diversity of Board members and meets the requirements of the Board Diversity policy. The Company takes into account the importance and benefits of gender diversity of the Board and its Board Diversity Policy ensures that there will be alternate potential successors to the Board to continue the established gender diversity of the Board. The current senior management and the Board of Supervisors consist of multiple female members. Our Company also intends to promote gender diversity when recruiting staff at the middle to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We plan to offer all-round training to female employees whom we consider to have suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance. We are of the view that such strategy will offer chances for our Board to identify capable female employees to be nominated as members of the Board in the future with an aim to provide our Board with a pipeline of female candidates to achieve gender diversity in our Board in the long run. The Nomination and Remuneration Committee will use its best endeavors to identify and recommend qualified female candidates to our Board for its consideration on appointment of a Director, subject to our Directors: (i) being satisfied with the competence and experience of the relevant candidates based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and our Shareholders as a whole when considering the appointment. Our Company believes that such merit-based selection process with reference to our Diversity Policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. The Nomination and Remuneration Committee is of the view that the composition of the Board during the Reporting Period meets the requirements of the Board Diversity policy.

Diverse Board Composition:

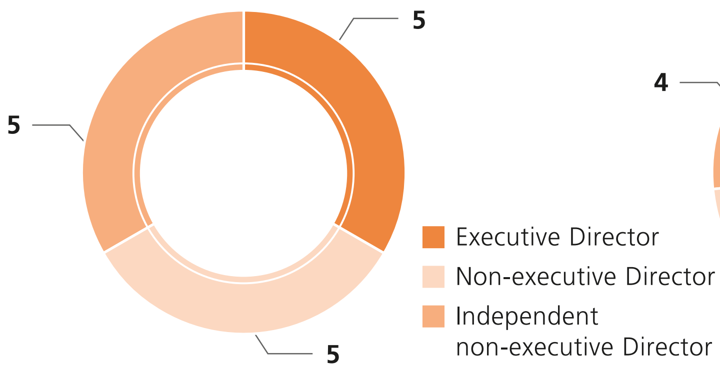
Length of service



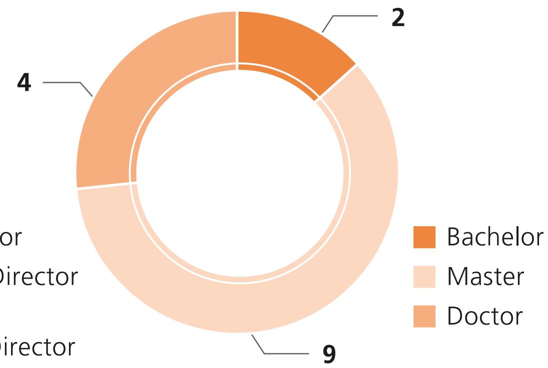
Male-female ratio



Category of directors



Degree



The Company is committed to ensuring a gender diversity in our workforce. As at the end of the Reporting Period, 42.1% of the Company's employees were male and 57.9% were female. The Company believes that the current gender diversity of the Company's employees is balanced and will continue to maintain gender diversity in the employee structure.

CORPORATE GOVERNANCE REPORT

THE RELATED PARTY TRANSACTIONS CONTROL COMMITTEE

COMPOSITION

As at the end of the Reporting Period, the Related Party Transactions Control Committee consisted of three Independent Non-executive Directors.

Chairman: GAO Bin (Independent Non-executive Director)
Members: LIU Zhanqing (Independent Non-executive Director), HONG Qi (Independent Non-executive Director)

Duties and responsibilities

The Related Party Transactions Control Committee is mainly responsible for the identification and maintenance of related persons, and the management, review, approval and risk control of related party transactions. The Related Party Transactions Control Committee focuses on the compliance, fairness and necessity of related party transactions, and is responsible for the compliance of related party transactions. Its main responsibilities include:

(1) to review the Company's related party transaction management system and submit it to the Board for approval;

(2) to review significant related party transactions of the Company and submit them to the Board for approval;

(3) to file general related party transactions that have been reviewed through the Company's internal management system and authorization procedures;

(4) to review special reports on the Company's related party transactions and report them to the Board;

(5) to be responsible for the risk control of the Company's related party transactions;

(6) to consider other matters related to related party transactions as authorized by the Board.

Summary of work undertaken

During the Reporting Period, the Related Party Transactions Control Committee held 3 meetings to consider and approve 4 resolutions.

The attendance records of the meetings are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
LIU Zhanqing	3/3	100	0/3	0
WANG Jianxin	3/3	100	0/3	0
GAO Bin	3/3	100	0/3	0
HONG Qi	0/0	–	0/0	–

Note: Mr. HONG Qi serves as a member of the Related Party Transactions Control Committee and Mr. WANG Jianxin ceased to perform the duties as a member of the Related Party Transactions Control Committee from October 20, 2023.

During the Reporting Period, the Related Party Transactions Control Committee discussed and considered matters such as the special report on related party transactions, material related party transactions and other matters.

THE CONSUMER RIGHTS PROTECTION COMMITTEE

COMPOSITION

As at the end of the Reporting Period, the Consumer Rights Protection Committee consisted of three Directors, including one executive Director and two non-executive Directors.

Chairman: LI Ke (Executive Director)

Members: WANG Jingwei (Non-executive Director), QIAN Yiqu (Non-executive Director)

Duties and responsibilities

The Consumer Rights Protection Committee is mainly responsible for submitting work reports on consumer rights protection and annual reports to the Board of Directors; instructing and supervising the establishment and improvement of the management system for consumer rights protection; supervising the work of senior management and consumer rights protection department; reviewing the work reports submitted by the senior management and consumer rights protection department, studying on annual audit reports, regulatory notifications and internal assessment results related to consumer rights protection, and supervising the senior management and relevant departments to settle various problems identified. The Consumer Rights Protection Committee shall understand the implementation of the Company's consumer rights protection work, ensure that the relevant rules and regulations are in line with corporate governance, corporate culture construction and business development strategies, review the following matters, and provide opinions and suggestions to the Board of Directors:

CORPORATE GOVERNANCE REPORT

(1) the Company's work strategies, policies and objectives for consumer rights protection;

(2) the decision-making, implementation and supervision mechanism, review mechanism, internal assessment mechanism and information disclosure mechanism for the protection of consumer rights and interests of the Company;

(3) the management system of consumer rights protection of the Company;

(4) the implementation of the Company's consumer rights protection strategies, policies and objectives and the implementation of work;

(5) working reports and annual reports on consumer rights protection of the Company;

(6) major issues and important policies on consumer rights protection;

(7) audit reports, regulatory notices and internal assessment results related to the protection of consumer rights of the Company;

(8) guidance on the disclosure of material information on consumer rights protection;

(9) other matters to be considered.

Summary of work undertaken

During the Reporting Period, the Consumer Rights Protection Committee held a total of 5 meetings, at which 8 resolutions were considered and approved.

The attendance records of the meetings are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
LI Ke	5/5	100	0/5	0
WANG Yongwen	4/4	100	0/4	0
WANG Jingwei	5/5	100	0/5	0
QIAN Yiqu	1/1	100	0/1	0

Note: Ms. QIAN Yiqu serves as a member of the Consumer Rights Protection Committee and Mr. WANG Yongwen ceased to perform the duties as a member of the Consumer Rights Protection Committee from August 28, 2023.

During the Reporting Period, the Consumer Rights Protection Committee actively performed its duties, discussed and considered matters such as the annual report and work plan for consumer rights protection, the interim work report and administrative measures on customer rights protection.

THE ESG (ENVIRONMENT, SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE) COMMITTEE

COMPOSITION

As at the end of the Reporting Period, the ESG (Environmental, Social Responsibility, Corporate Governance) Committee consisted of three Directors, including one executive Director, one independent non-executive Director and one non-executive Director.

Chairman: WU Xiaoqiu (Independent Non-executive Director)
Members: PENG Jihai (Executive Director),
HOU Huisheng (Non-executive Director)

Duties and responsibilities

The ESG (Environment, Social Responsibility and Corporate Governance) Committee is mainly responsible for strengthening and reviewing the matters related to the environmental protection, social responsibility and corporate governance strategies of the Company, assessing and making recommendations on major decisions related to company business and investment management that may affect the environment and social responsibility, as well as the inappropriate attitudes, words and actions of senior management; assessing and making recommendations on the qualifications and performance of investors, Shareholders, Directors and significant changes that may change the Company's values and affect the stability of corporate governance; also making recommendations to the shareholders' general meeting and the Board of Supervisors of the Company when necessary; reviewing the annual Corporate Social Responsibility Report and the Environmental, Social and Governance Report which are contained in the Company's annual report and/or published separately; reviewing or making decisions on other matters related to environment, social and governance. The main duties and authorities of the ESG (Environmental, Social Responsibility and Corporate Governance) Committee include:

(1) to review the Company's environmental, social and governance vision, objectives and strategies, and make recommendations on relevant environmental, social responsibility and governance work and the green finance development plan of the Company to the Board for approval;

(2) to monitor and review the Company's environmental, social responsibility and governance policies and practices to ensure that such policies and practices are appropriate and comply with applicable legal and regulatory requirements and international standards;

(3) to evaluate and make recommendations to the Board on significant matters relating to corporate governance, such as changes in Shareholders, changes in Directors and senior management, and to make recommendations to the general meeting and the Board of Supervisors of the Company when necessary;

CORPORATE GOVERNANCE REPORT

(4) to evaluate and make recommendations to the Board on the impact of the qualification, behavior and performance of the Shareholders, Directors and senior management of the Company on corporate governance, and to make recommendations to the general meeting and the Board of Supervisors of the Company when necessary;

(5) to evaluate and make recommendations to the Board on the establishment of the Company's corporate values (including the Company's and the Group's values and culture) and the implementation of the Company's values, corporate culture and business philosophy by the Company's Shareholders, Directors, senior management and stakeholders, and to make recommendations to the general meeting and the Board of Supervisors of the Company when necessary;

(6) in case of any changes to the largest Shareholder of the Company, prior to the consideration of the Board, the Committee shall evaluate the impact on corporate governance and make recommendations to the Board;

(7) in the event of a repurchase of the Company's Shares or other circumstances which may affect the stability of the Company's corporate governance, the Board and other institutions of the Company shall seek opinions from the Committee before taking countermeasures. The Committee may also make recommendations to the general meeting, the Board and the management on the measures to be taken by the Company based on its own judgment;

(8) where the chairman of the Board, general manager and other key personnel of the Company and the external auditors are dismissed before the expiry of their terms of office, they shall be assessed by the Committee before a resolution is made by the general meeting or the Board;

(9) to monitor the implementation of the Company's environmental, social and governance work, formulate objectives and evaluate work results;

(10) to review the reports prepared and/or disclosed in accordance with relevant regulatory requirements such as annual Sustainability Report, Green Finance Work Report and the separate Environmental, Social and Governance Report and/or the same in the Company's annual report and make recommendations to the Board for approval;

(11) to review and evaluate the performance of the Committee and the scope of authority set out in this rule to ensure it is operating at maximum effectiveness and recommend any changes it considers appropriate to the Board for approval;

(12) to decide on other matters related to environment, society and governance.

Summary of work undertaken

During the Reporting Period, the ESG (Environment, Social Responsibility and Corporate Governance) Committee held a total of 3 meetings and considered and adopted 5 resolutions.

Attendance records of the meetings are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
PENG Jihai	3/3	100	0/3	0
LIU Zhanqing	3/3	100	0/3	0
GAO Bin	3/3	100	0/3	0
WU Xiaoqiu	0/0	–	0/0	–
HOU Huisheng	0/0	–	0/0	–

Note: Mr. WU Xiaoqiu and Mr. HOU Huisheng serve as members of the ESG (Environmental, Social responsibility, Corporate governance) Committee, and Mr. LIU Zhanqing and Mr. GAO Bin ceased to perform the duties as a member or chairman of the ESG (Environmental, Social responsibility, Corporate governance) Committee from August 28, 2023.

During the Reporting Period, the ESG (Environmental, Social Responsibility and Corporate Governance) Committee discussed and considered the sustainability report, green finance work report, three-year plan for green finance development and other issues.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is of the view that good risk management and internal control plays a pivotal role in the operation of the Company. The Board is ultimately responsible for the Company's risk management, internal control and compliance management to establish an effective risk management and internal control system and continuously improve it.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Risk management and internal control are the foundation of the Company's operation and long-term growth. In recent years, we have devoted significant resources to improving our risk management and internal control, establishing a comprehensive and unified risk management framework and internal control system, and further strengthening our capabilities in these two areas.

Our Company has established a matrix risk management framework. Vertically, our risk management framework covers the Board of Directors, senior management and relevant functional departments, and our subsidiaries, covering each business segment as well as relevant branches at all levels. Horizontally, we have built our "three-line" defense mechanism, consisting of relevant business departments and functional units as the first line, the risk management departments as the second

CORPORATE GOVERNANCE REPORT

line, and the inspection and auditing departments as the third line. Our "three-line" defense mechanism operate in accordance with their designated functions and coordinate with each other. The Board is the highest decision-making body for overall risk management and bears the ultimate responsibility for our risk management. The Board is responsible for the following matters regarding risk management: (i) approving the overall objectives of solvency aligned risk management, risk appetite, risk tolerance and risk management policies; (ii) approving the organizational structure and duties of solvency aligned risk management; (iii) supervising the senior management to effectively manage and control solvency related risks; (iv) approving capital planning; (v) approving the solvency report; (vi) approving annual risk assessment report; (vii) assuming ultimate responsibility for managing and responding to major emergencies and risk events; and (viii) approving other relevant and significant matters on risk management.

We have established a specialized Risk Management Committee under the Board, which performs, amongst others, the following duties: (1) reviewing the overall objectives of solvency aligned risk management, risk appetite, risk tolerance and risk management policies; (2) reviewing the organizational structure and duties of solvency aligned risk management; (3) reviewing the solvency and financial condition report and submitting it to the Board for approval; (4) reviewing the solvency aligned risk assessment report and other special reports on risk management, and keeping abreast of the risks faced by our Group and principal subsidiaries as well as the corresponding risk management measures adopted; (5) assessing the effectiveness of our solvency aligned risk management system; (6) assessing the risks in relation to significant operational and management matters and reviewing solutions for significant solvency related matters; and (7) other matters as arranged by the Board.

The Company deems that good internal control is crucial for the operation of the Company. The Board is ultimately responsible for the Company's internal control and is committed to establishing, implementing and improving an adequate and effective internal control system to achieve the internal control objectives. The Board is responsible for instructing the establishment of the Company's internal control management system; evaluating regularly the soundness, reasonableness and effectiveness of internal control; considering and approving the establishment of the Company's internal control organizational structure, major internal control policies, and disposal of significant risk events; setting acceptable risk levels; and providing reasonable assurance that the Company operates prudently within the framework of laws and policies. The Audit Committee under the Board is responsible for overseeing the Company's internal control, coordinating internal control audits and other related matters, studying and formulating specific measures to strengthen internal control management, and providing professional advice and recommendations for the Board's decisions. Each business department and functional department of the Company are responsible for the construction and implementation of internal control and assume the primary responsibility for the internal control; the internal control compliance department is responsible for the pre- and mid-event coordination and planning of internal control, organization and promotion, real time monitoring, regular investigation and review, and supervision of the rectification of internal control deficiencies; the inspection and auditing department also supervises and evaluates internal control, which independently assesses and reports on the soundness, rationality and effectiveness of the internal control management system and performs the following internal control duties: (1) formulating and strictly implementing the internal audit management system, establishing relevant rules to clarify the responsibilities and authority of the internal audit organization and establishing the scope, methods, procedures, reports and other processes and criteria of internal audits to ensure the effectiveness of our internal control and supervision system; (2) implementing comprehensive supervision and evaluation of the internal control status of each business unit and conducting annual evaluation of the soundness, rationality and effectiveness of our overall internal control. The evaluation results shall be reported in accordance with the prescribed time and process, and the feedback shall be provided to the internal control compliance department at the same level to ensure that the defects in internal control will be rectified in a timely manner; and (3) investigating the internal control negligence and to hold relevant personnel accountable, making recommendations for handling such matter, and be responsible for the implementation of subsequent decisions.

Risk Management Techniques and Implementation

During the Reporting Period, the Company adopted the following procedures for identifying, evaluating and managing significant risks:

The Company has always regarded risk management as one of the core elements of its operation and management activities, steadily established a comprehensive risk management system that matches the Group's strategies and business characteristics, continuously improved the risk management organizational structure, standardized the risk management process, adopted qualitative and quantitative risk management methods and tools, conducted risk identification, assessment, monitoring and mitigation, and promoted the sustainable, healthy and stable development of various businesses of the Group under the premise of controllable risks. The Group's risk management work: (1) The Group has formed a comprehensive risk management culture from the Company's Board of Directors, professional committees, management, risk management departments to all functional departments and employees, and has gradually established an effective and smooth risk management work and communication mechanism, which has laid a solid foundation for risk management to give full play to its role in daily business activities. (2) The Company continued to improve the comprehensive risk management system in accordance with the C-ROSS regulatory rules and internal management requirements, covering: firstly, risk governance, including continuous improvement of risk governance structure, risk compliance performance assessment and risk management training; secondly, risk management strategy and implementation, including strengthening the construction of risk management tools such as risk appetite, comprehensive budget, assets and liabilities, information system and stress test, establishing emergency management mechanism, and effectively preventing and resolving emergencies and major risk events; thirdly, strengthen the management of insurance risk, market risk, credit risk, liquidity risk, operational risk, strategic risk, reputational risk, risk contagion, concentration risk, organizational structure opaque risk, non-insurance risk, capital and solvency, and review the operation of the risk system in terms of system soundness and compliance effectiveness, so as to promote the continuous improvement of the Company's risk management level and risk management capability. (3) In accordance with regulatory requirements, the Company has adopted a combination of quantitative and qualitative methods to determine risk appetite based on factors such as the Group's business strategy, capital position, market environment and the business characteristics of major member companies, and has specifically reflected the risk tolerance in terms of capital, earnings and value, liquidity, operation and reputation. The Company has strengthened the transmission of risk appetite, scientifically optimized the risk appetite

CORPORATE GOVERNANCE REPORT

limit indicators, and issued the risk limit control plan. The Company continued to optimize the top-down risk appetite management mechanism, including the establishment and preparation, transmission and implementation, monitoring and early warning, regular reporting, over-threshold disposal, re-evaluation and update of risk appetite, and continued to promote the effective implementation of various risk appetite management mechanisms. (4) The Group continues to optimize the risk management process. Under the guidance and support of the risk management department, each business and functional department of the Company identifies the potential risks that affect the realization of various business objectives of the Company, analyzes and evaluates the identified risks, selects corresponding risk strategies for different types of risks, establishes a risk monitoring system, monitors and alerts the identified and assessed major risks, reports to the management of the Company, takes a series of countermeasures and mitigation measures for possible risks in a timely manner, and continuously tracks and supervises the implementation of risk measures, so as to effectively reduce the possibility of risks and reduce the adverse impact on the Company's operations. (5) The Company continued to build an intelligent risk control platform, developed risk compliance modules, optimized risk indicator monitoring and early warning, strengthened risk data collection, and continuously improved the level of scientific and technological risk control. The Company firmly grasped the red line of risk, held the bottom line of preventing systemic risks, continuously improved the ability of risk prediction, and effectively prevented and controlled risks.

Establishment and Soundness of Internal Control System

During the Reporting Period, the Company took the following measures to continuously enhance the effectiveness of internal control management: (1) In accordance with the Internal Control Guidelines, the Risk Control Guidelines and other policies, reviewed the Company's key risk list regularly and comprehensively, and supervised major member companies to sort out and improve risk internal control compliance systems and measures based on the Company's major risks, forming the Risk Control Manual; (2) Encouraged major member companies to regularly conduct self-inspection regarding the first line of risks defense, developed tools to comprehensively inspect the design and implementation effectiveness of control systems and measures and promptly promoted the rectification of control weaknesses identified; (3) The group companies took the lead and combined the second and third lines of defense to inspect the implementation of risk control in major areas and institutions and to consolidate the mechanism system on risk control; (4) In accordance with the Guidelines on Evaluation of Risk Control, comprehensively utilised internal and external management data regarding risk as well as internal control, and conducted regular evaluations on the risk and internal control management level of major member companies through a combination of qualitative and quantitative methods, through which, the effectiveness of risk control work was ensured; (5) Introduced independent evaluation organizations of third parties to conduct annual internal control audits for the Group, Sunshine P&C, Sunshine Life, Sunshine AMC and Sunshine Surety, to alert management risks and improve internal control management; (6) Promoted the concept and knowledge of internal control management through internal and external training, system promotion and working group collaboration to enhance the awareness of employees in internal control.

Procedures and Internal Control Measures for Handling and Disclosing Inside Information

The procedures and internal control measures for identifying, handling and disclosing inside information include:

The Board of Directors of the Company has formulated and implemented relevant supporting systems including the Management Measures for Information Disclosure of Sunshine Insurance Group Company Limited and gradually established a sound process for the reporting, identification and disclosure of inside information to ensure the timeliness and compliance of inside information disclosure.

Through training, sending emails and other means, the Directors, Supervisors, senior management and relevant employees of the Company are encouraged to be aware of and perform the obligations of information disclosure under the Guidelines on Disclosure of Inside Information of the Securities and Futures Commission of Hong Kong and the Hong Kong Listing Rules.

Evaluation of Effectiveness of Risk Management and Internal Control Systems

According to the Risk Management Guidance for Insurance Companies (Bao Jian Fa [2007] No. 23) and the Solvency Regulatory Rules (II) for Insurance Companies (Yin Bao Jian Fa [2021] No. 51) and other regulatory rules, the Company analyzed and evaluated the risk management system in an all-round way in 2023. The evaluation involved risks faced by the Company. The emphasis was on the evaluation of the implementation of risk management framework, management mechanisms of various risks and risk management process in all types of risk management. The evaluation found that the risk management system of the Company was well operated. The Board and the management acknowledged the effectiveness of the risk management system.

In accordance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and related guidelines, Principal Rules for the Internal Control of Insurance Companies (Bao Jian Fa [2010] No. 69) and the requirements of the Hong Kong Listing Rules, in light of the actual situations of the Company's internal control system, the Company carried out internal control assessment for 2023, and reviewed the design and operational effectiveness of the internal control systems of the Company and its subsidiaries covering all important aspects including financial control, operational control and compliance control. The Company focused on major business matters, high-risk areas and the Company's capabilities in response to changes of internal and external environments through comprehensive use of individual interviews, walkthrough tests, material reviews and special seminars, etc.

The Board and the management have confirmed that the control systems were sufficient and effective during the Reporting Period. Due to the limitations of internal control and the technical means for internal control assessment, there might still be risks and deficiencies. The Company's risk management framework does not seek to eliminate all risks, but to control them within acceptable limits through identification and understanding to maintain business sustainability and create long-term value. It also provides only reasonable but not absolute, assurance against material misrepresentation or loss. The Company will continue optimizing its internal control system and strive to ensure legal compliance, asset security as well as authenticity and completeness of the financial reports and related information, to ensure the fulfillment of its strategic objectives.

CORPORATE GOVERNANCE REPORT

BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors, in accordance with the provisions of the PRC Company Law and the Articles of Association, earnestly performed its duties of supervision, enhanced the focus on significant events of the Company and the supervision over the performance of the respective duties by the Directors and senior management, carried out relevant financial supervision and inspection, and made proposals on the further implementation of strategies and the prevention of investment risks to the management, to protect the interests of the Company, Shareholders and employees.

Composition

As at the end of the Reporting Period, the Board of Supervisors consisted of three Supervisors, including:

Supervisors: ZHUANG Liang (Chairman of the Board of Supervisors and Employee Supervisor), Zhang Di (Shareholder Supervisor), WANG Zhe (External Supervisor)

Non-employee representative supervisors shall be elected and removed at the general meeting, while employee representatives shall be elected or removed by the employees of the Company through the meeting of employee representatives, meeting of employees or other forms of democratic election. Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected.

Duties and responsibilities

The Board of Supervisors is accountable to the shareholders' general meeting, which is mainly responsible for examining the Company's financial affairs and supervising the act of the Board of Directors and the senior management who perform the Company's duties. Supervisors may attend meetings of the Board of Directors and raise queries or proposals regarding matters discussed at such meetings.

The Board of Supervisors may exercise its powers:

(1) to inspect the financial status of the Company: the Board of Supervisors shall conduct an investigation and, if necessary, engage accounting firms to assist it in its work at the Company's expense in the event that it discovers any irregularities in the Company's operations;

(2) to supervise the Directors and senior management in the performance of the Company duties and to propose the removal of Directors or senior management who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting;

(3) if an act of a Director and senior management is detrimental to the Company's interests, to require him or her to correct such act;

(4) to verify financial information such as financial reports, business reports, profit distribution plans, etc. that the Board of Directors intends to submit to the general meeting and, if in doubt, to be able to appoint, in the name of the Company, a certified public accountant or practicing auditor to assist in reviewing such information;

(5) to propose the holding of extraordinary general meetings and, in the event that the Board fails to perform its duty of convening and presiding over a general meeting as required by the Company Law, to convene and preside over such meeting;

(6) to submit proposals to the general meeting;

(7) to represent the Company to negotiate with the Directors and senior management or bringing actions against Directors and senior management members according to Article 151 of the Company Law;

(8) other functions and powers as stipulated in laws and regulations, regulatory requirements and the Articles of Association.

Summary of work undertaken

During the Reporting Period, the Board of Supervisors convened a total of 7 meetings, considered and studied 50 resolutions, and heard 3 reports. The attendance records of the meetings of the Board of Supervisors are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
ZHUANG Liang	7/7	100	0/7	0
ZHANG Di	7/7	100	0/7	0
WANG Zhe	7/7	100	0/7	0

The work of the Board of Supervisors is set out in the section headed "Report of the Board of Supervisors" of this annual report.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF SENIOR MANAGEMENT

Senior management include the chief executive officer, chief operation officer, general manager (i.e., a president), deputy general manager (i.e., a vice president), assistant to general manager (i.e., assistant to president), secretary to the Board, compliance officer, financial officer and chief auditing officer. The senior management shall be accountable to the Board and shall be subject to the supervision of the Board of Supervisors. The senior management shall report the operation and management of the Company and provide relevant information in a timely, accurate and complete manner in accordance with the requirements of the Board of Directors and the Board of Supervisors; focusing on the Company's development strategy, the senior management shall actively and effectively carry out various operation and management work, and earnestly implement the business plan determined by the Board of Directors, so as to achieve stable and healthy development of various businesses; besides, the senior management shall carry out business management activities in accordance with the Articles of Association and the authorization of the Board, actively implement the resolutions of the shareholders' general meetings and the resolutions of the Board of Directors, and implement the Company's development strategy and business plan; and perform other important responsibilities as stipulated in relevant laws, regulations, regulatory requirements, Articles of Association and the internal management system of the Company.

JOINT COMPANY SECRETARY

Mr. DONG Yingqiu has ceased to act as the joint company secretary of the Company due to the adjustment of work arrangement, and Mr. NIE Rui has been appointed as the joint company secretary of the Company, both with effect from August 25, 2023. During the Reporting Period, as the joint company secretary of the Company, Mr. NIE Rui was responsible for advising the Board on corporate governance and ensuring compliance with the Board's policies and procedures, applicable laws, rules and regulations. During the Reporting Period, the Company appointed Mr. LAU Kwok Yin, a president of SWCS Corporate Services Group (Hong Kong) Limited, as the joint company secretary of the Company, to assist Mr. NIE Rui in discharging his duties as the joint company secretary of the Company, so as to maintain good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws. During the Reporting Period, the principal contact person of Mr. LAU Kwok Yin in the Company is Mr. NIE Rui.

During the Reporting period, both Mr. NIE Rui and Mr. LAU Kwok Yin have participated in not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules.

Mr. NIE Rui has ceased to act as the joint company secretary of the Company due to the adjustment of work arrangement, and Mr. SHU Gaoyong has been appointed as the joint company secretary of the Company, both with effect from January 10, 2024.

AUDITOR'S FEES

During the Reporting Period, the Company appointed Ernst & Young Hua Ming LLP and Ernst & Young ("E&Y") as the auditors of the Company's financial statements under CAS and IFRS respectively. For the year 2023, the Company paid the following compensation to E&Y:

Unit: RMB million

Name of service	Fee
Annual statutory audit services	19
Non-audit service	1
Total	**20**

ARTICLES OF ASSOCIATION

In order to reflect the changes in the total issued share capital of the Company after the Global Offering and the lapse of the Over-allotment Option of the Company, and the review opinions of the relevant regulatory authorities on the Articles of Association the Company made relevant amendments to the registered capital and the Articles of Association in accordance with the Resolution on Considering the Plan for the Initial Public Offering and Listing of H Shares of the Company on the Main Board of the Hong Kong Stock Exchange and the Resolution on Requesting the General Meeting to Authorize the Board and its Authorized Persons to Handle the Company's Initial Public Offering and Listing of H Shares with Full Discretion considered and approved at the tenth meeting of the fifth session of the Board of the Company on May 24, 2021 and the 2020 annual general meeting of the Company on June 25, 2021. On March 3, 2023, the Company received the approval from the CBIRC on the change of the registered capital of the Company and the amendments to the Articles of Association. The amended Articles of Association shall become effective from the date of approval by the CBIRC (i.e. March 2, 2023), for details, please refer to the announcement of the Company dated March 3, 2023 on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.sinosig.com).

DIVIDEND POLICY

Any proposed distribution of dividends shall be formulated by the Board and will be subject to the approval of the shareholders' general meeting. A decision to declare or to pay any dividends and the amount of any dividends will depend on a number of factors, including the Company's results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends paid by the subsidiaries to the Company, business prospects, statutory, regulatory and contractual restrictions on the Company's declaration and payment of dividends, and other factors that the Board may consider important, for details, please refer to the announcement of the Company dated March 3, 2023 on the website of the Hong Kong Stock Exchange (www.hkexnews. hk) and the Company's website (www.sinosig.com).

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company stays committed to good partnerships with its investors. The Company has established a Shareholders' communication policy which requires full disclosure of relevant information to investors and/or Shareholders, strengthen the communication with investors and/or Shareholders through various channels and enhance the interaction and exchange between the investors and Shareholders and deepen their understanding of and trust in the Company. For example, the Company continued to maintain close, adequate and frank communication with investors through results announcement conferences, non-deal roadshows, reception of investors/analysts for investigation and research, investor relations hotline and emails to ensure that all investors have equal access to the opportunities to communicate with the Company, so as to better understand the Company's business philosophy and development strategy, better recognise the Company's value, and establish an open and transparent market image for the Company. Based on the above measures, the Shareholders' communication policy of the Company can be effectively implemented to ensure the long-term and effective communication between the Company and its Shareholders.

The Company has designated the Securities Affairs Department as the investor relations department. The contact details include telephone number, email address, etc. The contact details are listed in the "Investor Relations" section on the Company's website (www.sinosig.com), where the Company's information is regularly updated, such as the Company's annual/semi-annual results announcement, annual/semi-annual reports, and other information that needs to be disclosed.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sunshine Insurance Group Company Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Sunshine Insurance Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 156 to 312, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, 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 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 ("HKSAs") 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.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

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 RMB385,377 million, representing 85% 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. 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. Relevant disclosures are included in Note 30 to the consolidated financial statements.	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. • 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
Valuation of Level 3 financial assets	
As at 31 December 2023, the Group's financial assets measured at fair value that were classified in Level 3 amounted to RMB82,492 million, representing 16% of the Group's total assets. We identified valuation of Level 3 financial assets as a key audit matter, as it involved significant management estimates and judgements in the assessment of valuation methodologies and significant unobservable inputs, and could be significantly impacted by use of different valuation methodologies and changes in significant unobservable inputs. Relevant disclosures are included in note 2.4(8), note 3 and note 41 to the consolidated financial statements.	With the support of our internal experts, the audit procedures we performed included: • Evaluated and tested the design and operating effectiveness of key controls over the valuation of Level 3 financial assets. • Assessed the appropriateness of the valuation methodologies adopted by the Group, including comparing them to industry practice and acceptable valuation methods. • Assessed key assumptions used in the valuations, including comparing the significant unobservable inputs to information available from third-party sources and market data. • Performed independent valuation for Level 3 financial assets on a sample basis and compared our results to the management record.

INDEPENDENT AUDITOR'S REPORT

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 Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 businesses activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit 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 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit 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 *Ng Chi Keung*.

Ernst & Young
Certified Public Accountants

Hong Kong
25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

	Notes	2023	2022 Restated
Insurance revenue	6	**59,900**	55,738
Interest income	7	**9,894**	N/A
Investment income	8	**5,348**	18,681
Share of profits and losses of associates and joint ventures		**(216)**	313
Other income	9	**3,298**	2,837
Total revenues		**78,224**	77,569
Insurance service expenses		**(56,892)**	(53,887)
Allocation of reinsurance premiums paid		**(2,174)**	(2,247)
Less: Amount recovered from reinsurers		**2,604**	2,118
Net insurance finance expenses for insurance contracts issued		**(8,900)**	(13,176)
Less: Net reinsurance finance income for reinsurance contracts held		**117**	91
Expected credit losses	10	**(364)**	N/A
Finance costs	11	**(1,127)**	(990)
Other operating and administrative expenses	12	**(5,714)**	(4,673)
Total expenses		**(72,450)**	(72,764)
Profit before tax	12	**5,774**	4,805
Income tax	14	**(1,908)**	(177)
Net profit		**3,866**	4,628
Attributable to:			
Owners of the parent		**3,738**	4,494
Non-controlling interests		**128**	134
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	15	**RMB0.32**	RMB0.43
– Diluted	15	**RMB0.32**	RMB0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

	2023	2022 Restated
Net profit	**3,866**	4,628
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Changes in the fair value of debt instruments at fair value through other comprehensive income	**5,565**	N/A
Credit risks provision of debt instruments at fair value through other comprehensive income	**132**	N/A
Insurance finance expenses for insurance contracts issued	**(11,239)**	5,202
Reinsurance finance income for reinsurance contracts held	**7**	5
Exchange differences on translating foreign operations	**32**	452
Share of other comprehensive income of associates and joint ventures	**(98)**	8
Net fair value change on available-for-sale financial assets	**N/A**	(6,703)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	**(619)**	N/A
Insurance finance expenses for insurance contracts issued	**451**	–
Other comprehensive income for the year, net of tax	**(5,769)**	(1,036)
Total comprehensive income for the year, net of tax	**(1,903)**	3,592
Attributable to:		
Equity owners of the parent	**(2,037)**	3,457
Non-controlling interests	**134**	135

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

	Notes	**31 December 2023**	31 December 2022 Restated	1 January 2022 Restated
ASSETS				
Property and equipment	17	**19,768**	18,938	18,306
Right-of-use assets	18	**2,522**	3,051	3,298
Investment properties	19	**9,308**	9,085	9,372
Investments in associates and joint ventures	20	**10,476**	10,230	23,397
Financial Investments:				
Financial assets at fair value through profit or loss	21	**125,367**	23,809	15,511
Debt financial assets at fair value through other comprehensive income	22	**260,618**	N/A	N/A
Equity financial assets at fair value through other comprehensive income	23	**31,831**	N/A	N/A
Held-to-maturity financial assets	24	**N/A**	114,704	84,093
Investments classified as loans and receivables	25	**N/A**	35,288	31,223
Available-for-sale financial assets	26	**N/A**	169,489	159,521
Term deposits	27	**9,588**	22,383	22,401
Statutory deposits	28	**5,882**	5,418	5,418
Securities purchased under agreements to resell	29	**13,129**	7,375	18,618
Interest receivables		**N/A**	3,660	3,010
Insurance contract assets	30	**1,111**	813	1,287
Reinsurance contract assets		**4,794**	3,939	3,566
Deferred tax assets	35	**1,260**	2,548	2,128
Other assets	31	**4,479**	5,384	4,667
Cash at bank and on hand	32	**13,553**	17,455	6,664
Total assets		**513,686**	453,569	412,480

	Notes	31 December 2023	31 December 2022 Restated	1 January 2022 Restated
LIABILITIES AND EQUITY				
Liabilities				
Insurance contract liabilities	30	**385,377**	347,093	314,127
Reinsurance contract liabilities		**24**	37	54
Lease liabilities		**650**	782	922
Bonds payable	33	**19,414**	12,125	12,923
Financial liabilities at fair value through profit or loss		**3,780**	4,546	2,432
Securities sold under agreements to repurchase	34	**29,662**	17,480	12,193
Tax payables		**637**	1,036	880
Premiums received in advance		**569**	2,375	3,261
Deferred tax liabilities	35	**101**	61	192
Other liabilities	36	**11,683**	8,681	13,738
Total liabilities		**451,897**	394,216	360,722
Equity				
Share capital	37	**11,502**	11,502	10,351
Reserves	38	**25,068**	28,732	24,001
Retained profits		**23,876**	17,841	16,198
Attributable to equity owners of the parent		**60,446**	58,075	50,550
Non-controlling interests		**1,343**	1,278	1,208
Total equity		**61,789**	59,353	51,758
Total liabilities and equity		**513,686**	453,569	412,480

The consolidated financial statements on pages 156 to 312 were approved and authorised for issue by the Board of Directors on 25 March 2024 and were signed on its behalf by:

ZHANG Weigong
Director

PENG Jihai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

	Attributable to equity owners of the parent														
		Reserves													
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Financial assets at FVOCI reserves	Available-for-sale financial assets revaluation reserves	Insurance finance reserve	Foreign currency translation reserves	Other reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2022	11,502	25,744	1,324	5,563	57	12	-	(3,553)	-	111	48	19,933	60,741	1,278	62,019
Changes in accounting policies (note 2.2)	-	149	8	193	-	-	244	3,553	(4,243)	-	(114)	4,018	3,808	1	3,809
As at 1 January 2023	11,502	25,893	1,332	5,756	57	12	244	-	(4,243)	111	(66)	23,951	64,549	1,279	65,828
Net profit	-	-	-	-	-	-	-	-	-	-	-	3,738	3,738	128	3,866
Other comprehensive income	-	-	-	-	-	-	5,072	-	(10,781)	32	(98)	-	(5,775)	6	(5,769)
Total comprehensive income	-	-	-	-	-	-	5,072	-	(10,781)	32	(98)	3,738	(2,037)	134	(1,903)
Dividend declared	-	-	-	-	-	-	-	-	-	-	-	(2,070)	(2,070)	-	(2,070)
Appropriation to surplus reserves	-	-	225	-	-	-	-	-	-	-	-	(225)	-	-	-
Appropriation to general risk reserves	-	-	-	648	-	-	-	-	-	-	-	(648)	-	-	-
Appropriation to nuclear catastrophic loss reserves	-	-	-	-	-	8	-	-	-	-	-	(8)	-	-	-
Transfer of gains/(losses) on disposal of equity investments at fair value through other comprehensive income to retained profits	-	-	-	-	-	-	862	-	-	-	-	(862)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(70)	(70)
Others	-	4	-	-	-	-	-	-	-	-	-	-	4	-	4
As at 31 December 2023	11,502	25,897	1,557	6,404	57	20	6,178	-	(15,024)	143	(164)	23,876	60,446	1,343	61,789

Restated	Attributable to equity owners of the parent												Non–controlling interests	Total equity
		Reserves												
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Available -for-sale financial assets revaluation reserves	Insurance finance reserve	Foreign currency translation reserves	Other reserves	Retained profits	Subtotal		
As at 31 December 2021	10,351	21,278	1,068	4,417	57	8	3,149	–	(346)	15	18,011	58,008	1,208	59,216
Changes in accounting policies (note 2.2)	–	149	–	(202)	–	–	–	(5,500)	–	(92)	(1,813)	(7,458)	–	(7,458)
As at 1 January 2022	10,351	21,427	1,068	4,215	57	8	3,149	(5,500)	(346)	(77)	16,198	50,550	1,208	51,758
Net profit	–	–	–	–	–	–	–	–	–	–	4,494	4,494	134	4,628
Other comprehensive income	–	–	–	–	–	–	(6,703)	5,207	451	8	–	(1,037)	1	(1,036)
Total comprehensive income	–	–	–	–	–	–	(6,703)	5,207	451	8	4,494	3,457	135	3,592
Dividend declared	–	–	–	–	–	–	–	–	–	–	(1,553)	(1,553)	–	(1,553)
Issue of shares	1,151	4,555	–	–	–	–	–	–	–	–	–	5,706	–	5,706
Capital injection to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	2	2
Appropriation to surplus reserves	–	–	256	–	–	–	–	–	–	–	(256)	–	–	–
Appropriation to general risk reserves	–	–	–	1,038	–	–	–	–	–	–	(1,038)	–	–	–
Appropriation to nuclear catastrophe reserves	–	–	–	–	–	4	–	–	–	–	(4)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(72)	(72)
Others	–	(85)	–	–	–	–	–	–	–	–	–	(85)	5	(80)
As at 31 December 2022	11,502	25,897	1,324	5,253	57	12	(3,554)	(293)	105	(69)	17,841	58,075	1,278	59,353

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

	Note	2023	2022 Restated
Net cash inflows from operating activities	39	**20,334**	25,917
Cash flows from investing activities			
Purchases of property and equipment, intangible assets and other assets		**(2,051)**	(1,435)
Proceeds from disposals of property and equipment, intangible assets and other assets		**106**	66
Purchases of investments		**(274,479)**	(278,453)
Proceeds from disposals of investments		**228,186**	238,037
Interest received		**11,895**	12,828
Dividends received		**311**	882
Others		**(379)**	(340)
Net cash outflows from investing activities		**(36,411)**	(28,415)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	5,772
Increase in securities sold under agreements to repurchase, net		**12,169**	5,287
Proceeds from issuance of asset-backed securities		**2,750**	–
Repayment of asset-backed securities		**(320)**	(4,950)
Proceeds from bonds issued		**7,000**	–
Repayment of borrowings		**–**	(1,000)
Interest paid		**(710)**	(980)
Dividends paid		**(2,025)**	(1,708)
Payment of principal portion of lease liabilities		**(475)**	(448)
Others		**(263)**	(98)
Net cash inflows from financing activities		**18,126**	1,875
Effects of foreign exchange rate changes		**(184)**	171
Net (decrease)/increase in cash and cash equivalents		**1,865**	(452)
Cash and cash equivalents at the beginning of the year		**24,830**	25,282
Cash and cash equivalents at the end of the year		**26,695**	24,830
Analysis of balances of cash and cash equivalents			
Cash at bank and on hand		**13,551**	17,455
Investments with an initial term within 3 months		**13,144**	7,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

1 CORPORATE INFORMATION

Sunshine Insurance Group Company Limited (the "Company") was established on 27 June 2007 in Shenzhen, the People's Republic of China (the "PRC") under the name of Sunshine Insurance Holdings Co., Ltd., according to the approval by the former China Insurance Regulatory Commission (the "CIRC"). On 23 January 2008, the Company officially changed its name to Sunshine Insurance Group Company Limited.

The business scope of the Company includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, investment business permitted by national laws and regulations, as well as insurance business and other businesses approved by regulators.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property and casualty insurance business, life insurance business, as well as asset management.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "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.

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which have been measured at fair value, and insurance contract liabilities and assets, which have been measured based on actuarial methods. They are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

A number of new or amended International Financial Reporting Standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

– IFRS 17 Insurance Contracts and

– IFRS 9 Financial Instruments

(1) IFRS 17 Insurance Contracts

IFRS 17 was published on 18 May 2017. The Group adopted IFRS 17 on 1 January 2023 and restated the financial statements for comparative period according to IFRS 17. The adoption of IFRS 17 has led to 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 accounting policies the Group adopted about insurance contracts are set out in Note 2.4(16).

In accordance with IFRS 17, the Group is not required to provide the amounts of the retrospective adjustment for each financial statement item affected in the current period and each prior period presented. Therefore, the Group has only summarised the impact of the adoption of IFRS 17 on key financial indicators for the comparative period, as disclosed below:

	Before the change in accounting policy 31 December 2022	Impact of the implementation of IFRS 17	After the change in accounting policy 31 December 2022
Total assets	485,357	(31,788)	453,569
Total liabilities	423,338	(29,122)	394,216
Equity attributable to equity owners of the parent	60,741	(2,666)	58,075

In accordance with IFRS 17, considering that retrospective approach is impracticable, the Group has applied the modified retrospective approach or the fair value approach for the group of insurance contracts on the transition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2023 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.4(5).

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. With the adoption of IFRS 9, the carrying values of financial assets and financial liabilities as at 1 January 2023 are adjusted which has an impact on the opening balances of retained profits and reserves for this year. The Group discloses the related information for this year in relation to the adjustments while the comparative period has not been restated.

The main impact on the Group's financial statements as at 1 January 2023 is as follows:

	Notes	1 January 2023	31 December 2022
Assets			
Financial assets at fair value through profit or loss	(a)	**109,718**	23,809
Debt financial assets at fair value through other comprehensive income	(b)	**215,910**	N/A
Equity financial assets at fair value through other comprehensive income	(c)	**28,069**	N/A
Held-to-maturity financial assets	(d)	**N/A**	114,704
Investments classified as loans and receivables	(e)	**N/A**	35,288
Available-for-sale financial assets	(f)	**N/A**	169,489
Term deposits	(g)	**22,643**	22,383
Statutory deposits	(h)	**5,857**	5,418
Securities purchased under agreements to resell	(i)	**7,377**	7,375
Interest receivables	(j)	**N/A**	3,660
Cash at bank and on hand	(k)	**17,456**	17,455
Equity attributable to equity owners of the parent			
Reserves		**29,096**	28,732
Retained profits		**23,951**	17,841

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

Following the adoption of IFRS 9, the adjustments to the carrying value of each financial statement item are illustrated as follows:

(a) Financial assets at fair value through profit or loss

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Financial assets at fair value through profit or loss	23,809	83,905	2,004	**109,718**
From held-to-maturity financial assets		1,767	75	
From investments classified as loans and receivables		5,401	352	
From available-for-sale financial assets		77,508	1,577	
From interest receivables		236	–	
To debt financial assets at fair value through other comprehensive income		(972)	–	
To equity financial assets at fair value through other comprehensive income		(35)	–	

(b) Debt financial assets at fair value through other comprehensive income

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Debt financial assets at fair value through other comprehensive income	–	209,845	6,065	**215,910**
From held-to-maturity financial assets		112,937	7,032	
From investments classified as loans and receivables		29,887	(967)	
From available-for-sale financial assets		63,356	–	
From financial assets at fair value through profit or loss		972	–	
From interest receivables		2,693	–	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

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

(c) Equity financial assets at fair value through other comprehensive income

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Equity financial assets at fair value through other comprehensive income	–	28,660	(591)	**28,069**
From available-for-sale financial assets		28,625	(591)	
From financial assets at fair value through profit or loss		35	–	

(d) Held-to-maturity financial assets

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Held-to-maturity financial assets	114,704	(114,704)	–	**–**
To financial assets at fair value through profit or loss		(1,767)	–	
To debt financial assets at fair value through other comprehensive income		(112,937)	–	

(e) Investments classified as loans and receivables

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Investments classified as loans and receivables	35,288	(35,288)	–	**–**
To financial assets at fair value through profit or loss		(5,401)	–	
To debt financial assets at fair value through other comprehensive income		(29,887)	–	

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

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

(f) Available-for-sale financial assets

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Available-for-sale financial assets	169,489	(169,489)	–	**–**
To financial assets at fair value through profit or loss		(77,508)	–	
To debt financial assets at fair value through other comprehensive income		(63,356)	–	
To equity financial assets at fair value through other comprehensive income		(28,625)	–	

(g) Term deposits

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Term deposits	22,383	289	(29)	**22,643**
From interest receivables		289	–	

(h) Statutory deposits

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Statutory deposits	5,418	439	–	**5,857**
From interest receivables		439	–	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

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

(i) Securities purchased under agreements to resell

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Securities purchased under agreements to resell	7,375	2	–	**7,377**
From interest receivables		2	–	

(j) Interest receivables

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Interest receivables	3,660	(3,660)	–	**–**
To financial assets at fair value through profit or loss		(236)	–	
To debt financial assets at fair value through other comprehensive income		(2,693)	–	
To term deposits		(289)	–	
To statutory deposits		(439)	–	
To securities purchased under agreements to resell		(2)	–	
To cash at bank and on hand		(1)	–	

(k) Cash at bank and on hand

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Cash at bank and on hand	17,455	1	–	**17,456**
From interest receivables		1	–	

Note: The reclassification effects are not taken into account of remeasurement effects.

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

Impairment of financial instruments

Following the adoption of IFRS 9, the adjustments to the carrying value of impairment provisions of financial assets on 1 January 2023 as follows:

	Notes	1 January 2023	31 December 2022
Debt financial assets at fair value through other comprehensive income	(a)	**1,708**	N/A
Investments classified as loans and receivables	(b)	**N/A**	18
Debt investments of available-for-sale financial assets	(c)	**N/A**	377
Total		**1,708**	395

Following the adoption of IFRS 9, the adjustments to the impairment provisions of each financial statement item are illustrated as follows:

(a) Impairment provisions of debt financial assets at fair value through other comprehensive Income

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Debt financial assets at fair value through other comprehensive income	–	395	1,313	**1,708**
From investments classified as loans and receivables		18	304	
From held-to-maturity financial assets		–	20	
From financial assets at fair value through profit or loss		–	1	
From available-for-sale financial assets		377	988	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

Impairment of financial instruments (continued)

Following the adoption of IFRS 9, the adjustments to the impairment provisions of each financial statement item are illustrated as follows:(continued)

(b) Impairment provisions of investments classified as loans and receivables

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Investments classified as loans and receivables	18	(18)	–	–
Measured at fair value through other comprehensive income		(18)	–	

(c) Impairment provisions of debt investments of available-for-sale financial assets

	31 December 2022	Reclassification effects (note)	Remeasurement effects	1 January 2023
Debt investments of available-for-sale financial assets	377	(377)	–	–
Measured at fair value through other comprehensive income		(377)	–	

Note: The reclassification effects are not taken into account of remeasurement effects.

2.3 Issued but not yet effective IFRSs

The Group has not adopted the following revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments	Content
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[(i)]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[(i)]

(i) Effective for annual periods beginning on or after 1 January 2024

The adoption of the above amendments will have no material impact on the Group's result of operations and financial position.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information

(1) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred 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. 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 of 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 recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. 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 recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(1) Business combinations and goodwill (continued)

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 recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures 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 the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

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

Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(3) Foreign currencies

The financial statements are presented in RMB, which is the Company's functional 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 recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the 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 measured. The gain or loss 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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(3) Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the date of cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(4) Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023)

The Group shall recognise 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.

Financial assets

Recognition

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 amortised 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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023) (continued)

Financial assets (continued)

Classification and measurement (continued)

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.

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. 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) Amortised 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 amortised 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 recognised directly in profit or loss. Such assets held by the Group mainly include cash at bank and on hand, statutory deposits, securities purchased under agreements to resell and financial assets at AC.

(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 using the effective interest rate method and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Such assets held by the Group mainly include debt financial assets at FVOCI.

(c) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. The gains or losses from fair value changes on the debt investments measured at FVPL are recognised 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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023) (continued)

Financial assets (continued)

Classification and measurement (continued)

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 recognised in profit or loss when the Group's right to receive payments is established.

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 amortised cost and FVOCI, etc. 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; and

(c) Forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023) (continued)

Financial assets (continued)

Impairment (continued)

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 and sets staging definitions for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognised 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., amortised 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 recognises 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 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023) (continued)

Financial assets (continued)

Derecognition

Financial assets are derecognised 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; or

(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 derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained profits. When the other financial assets are derecognised, the cumulative gain or loss previously recognised 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.

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 derecognises the financial liability (or part of it). The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023) (continued)

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; or

(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 realised and unrealised gains and losses are recognised 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 recognising 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; or

(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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(5) Financial instruments (effective for annual periods beginning on or after 1 January 2023) (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

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 recognised in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognised 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 amortised cost, using the effective interest method. Other financial liabilities of the Group mainly include securities purchased under agreements to resell, long-term borrowings and bonds payable.

(6) Financial instruments (applicable only in 2022)

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with subsequent change in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in investment income in the statement of profit or loss. The loss arising from impairment is recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in investment income in the statement of profit or loss. The loss arising from impairment is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Assets (continued)

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired;

or

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

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Assets (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial assets

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Assets (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities at fair value through profit or loss, bonds payable, etc.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(6) Financial instruments (applicable only in 2022) (continued)

Financial Liabilities (continued)

Subsequent measurement (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(7) 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 recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(8) Fair value measurement

The Group measures financial instruments, such as securities at fair value through profit or loss/other comprehensive income and available-for-sale financial assets, at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(9) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. The amounts advanced under these agreements are reflected as assets in the statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

(10) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortised cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the statement of financial position.

(11) Investment properties

Investment properties are interests in land and buildings 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; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

The useful lives and depreciation method 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.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment properties is 20 to 40 years, and the estimated residual value is 5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(12) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on a 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 annual rates used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Buildings	5%	25 to 40 years
Office equipment	5%	5 years
Motor vehicles	5%	4 to 20 years
Other equipment	5%	5 to 10 years

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(13) 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 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

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 amortised. 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.

(14) Impairment of non-financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(15) Insurance guarantee fund

The Group calculates the insurance guarantee fund based on the sum of benchmark rate and risk differential rate for the year:

- 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

- Risk differential rate: based on the result of the solvency integrated risk rating

No additional provision is required when the accumulated insurance guarantee fund balance of life insurance company reaches 1% of its industry total assets. For property and casualty insurance company, no additional provision is required when the accumulated balance reaches 6% of the industry total assets.

(16) Insurance Contracts

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; and

(d) investment contracts with discretionary participation features the Group issues.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Definition of insurance contract (continued)

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 meets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

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 derecognised 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. Of these, the one without an economically identifiable effect on the transaction indicates a lack of commercial substance; and

(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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

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.

Separating components from an insurance contract

An insurance contract may contain more components. The Group separates the following non-insurance components from such contracts, including:

(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; and

(c) promises to transfer distinct goods or services other than insurance contract services.

Investment component is the amount 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 entity 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;

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Separating components from an insurance contract (continued)

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 fulfil 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.

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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Level of aggregation of insurance contracts (continued)

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.

Recognition

The Group recognises 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 recognises an asset for insurance acquisition cash flows paid or payable before the related group of insurance contracts is recognised. 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 derecognises 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 recognises the impairment loss in profit or loss. The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement

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 recognise 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.

The Group may estimate the future cash flows at a higher level of aggregation and then allocate 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; and

(d) be explicit – the entity 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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

General model (continued)

Measurement on initial recognition (continued)

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.

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; and

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

General model (continued)

Measurement on initial recognition (continued)

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 recognised 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 recognises it as contract service margin. If the total amount represents net cash outflows, the Group recognises a loss in profit or loss.

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;

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

General model (continued)

Subsequent measurement (continued)

(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; and

(e) the amount recognised 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 recognises the reduction in the liability for remaining coverage because of services provided in the period as insurance revenue. The Group recognises the increase in the liability for incurred claims because of claims and 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 have 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 recognises the same amount as insurance revenue to reflect the portion of the premiums that relate to recovering those cash flows.

The Group recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

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; and

(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.

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

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

Measurements for insurance contract with direct participation features (Variable Fee Approach) (continued)

(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.

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 recognise 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

Measurements for insurance contract with direct participation features (Variable Fee Approach) (continued)

(c) the changes in fulfilment cash flows relating to future service that 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 recognise 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;

(d) the effect of any currency exchange differences arising on the contractual service margin; and

(e) the amount recognised 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 periods.

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, include 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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

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 recognises 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 recognises a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage, including:

(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 exceeds the carrying amount of the contractual service margin; and

(b) for a group of insurance contracts with direct participation features, the decrease in the amount of the entity's share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin.

After the Group has recognised a loss on an onerous group of insurance contracts, the Group allocates the following 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 recognised 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 recognised as insurance revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

Measurements for onerous insurance contracts (continued)

After the Group has recognised 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 recognises a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage; and

(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 amount of component is reduced to zero, and the Group adjusts the contractual service margin only for the excess of the decrease over the amount allocated to the loss component.

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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

Premium allocation approach (continued)

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 recognised 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 amortisation of insurance acquisition cash flows recognised as insurance service expenses in the reporting period, plus any adjustment to a financing component, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

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 recognises a loss as insurance service expenses in profit or loss and increase the liability for remaining coverage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Measurement (continued)

Premium allocation approach (continued)

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.

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.

Recognition

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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Reinsurance contracts held (continued)

Recognition (continued)

The Group recognises 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 recognises an onerous group of underlying insurance contracts.

If a group of reinsurance contracts held provide proportionate coverage, the Group recognises 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 recognised; and

(b) the date the Group recognises an onerous group of underlying insurance contracts.

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 recognise as it receives insurance contract services from the reinsurers.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Reinsurance contracts held (continued)

Measurement for reinsurance contracts held (continued)

On initial recognition for a group of reinsurance contracts held, the Group calculates the sum of:

(a) the fulfilment cash flows;

(b) the amount derecognised at that date of any asset or liability previously recognised 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 recognises 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 recognises such a cost immediately in profit or loss as an expense.

If the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised, when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, the Group recognises a loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held by multiplying:

(a) the loss recognised on the underlying insurance contracts; and

(b) the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

The Group adjusts the same amount calculated above to contractual service margin and recognises as an amount recovered from reinsurers in profit or loss.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Reinsurance contracts held (continued)

Measurement for reinsurance contracts held (continued)

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 should 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, and applied 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 recognised 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; and

(f) the amount recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Reinsurance contracts held (continued)

Measurement for reinsurance contracts held (continued)

Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not relate to future service and the Group does not adjust the contractual service margin.

The Group recognises the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Group recognises the increase in the asset for incurred claims because of claims and expenses that are expected to be reimbursed in the period and any subsequent related changes in fulfilment cash flows as amount recovered from the 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 the 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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

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; and

(c) the allocation of the contractual service margin is modified so that the Group recognises 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.

Modification and derecognition

If the terms of an insurance contract are modified, the Group derecognises the original contract and recognises 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Modification and derecognition (continued)

(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 derecognises 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 derecognises 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 derecognised 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.

When the Group derecognises an insurance contract because it transfers the contract to a third party or derecognises an insurance contract and recognises a new contract, the Group applies the following requirements:

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Modification and derecognition (continued)

(a) adjusts the contractual service margin of the group from which the contract has been derecognised, for the difference between (i) and either (ii) for contracts transferred to a third party or (iii) for contracts derecognised 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 recognised assuming that the Group received the premium described in (a)(iii) at the date of the modification.

If the Group derecognises an insurance contract because it transfers the contract to a third party or derecognises 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 recognised in other comprehensive income, unless for insurance contracts with direct participation features that the Group holds the underlying items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(16) Insurance Contracts (continued)

Presentation

The Group presents separately in the statement of financial position the carrying amounts of portfolios of:

(a) insurance contracts issued that are assets;

(b) insurance contracts issued that are liabilities;

(c) reinsurance contracts held that are assets; and

(d) reinsurance contracts held that are liabilities.

The Group includes any assets for insurance acquisition cash flows recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Group disaggregates the amounts recognised in profit or loss and statement of comprehensive income into:

(a) insurance revenue;

(b) insurance service expenses;

(c) allocation of reinsurance premiums paid;

(d) amounts recovered from reinsurers;

(e) insurance finance income or expenses for insurance contracts issued; and

(f) reinsurance finance income or expenses for reinsurance contracts held.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(17) Provisions

A provision is recognised 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 recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognised for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

(18) Revenue recognition

Investment income mainly consists of spreads on the purchase and sale of financial assets, unrealised gains and losses, income from operating leases of investment properties and dividend income from funds and securities. Dividends are recognised when the shareholders' right to receive payment is established.

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(19) Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(19) Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

	Estimated useful lives
Buildings	2 to 15 years
Prepaid land lease payments	30 to 50 years
Others	2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(19) Leases (continued)

Group as a lessee (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(19) Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

(20) Employee benefits

Pension benefits

Full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. These government agencies are responsible for the pension liability to these employees upon retirement. The Group contributes on a monthly basis to these pension plans. Contributions to these plans are expensed as incurred. Under these plans, the Group has no legal or constructive obligation for retirement benefit beyond the contributions made.

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.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(20) Employee benefits (continued)

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.

(21) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

(22) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(22) Income tax (continued)

Deferred tax liabilities are recognised 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and 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 recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the 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 utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(22) Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(23) 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);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

2 ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policy information (continued)

(23) Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(24) Bonds payable

Bonds payable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium at issuance and transaction costs.

(25) Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(1) Classification of financial assets (applicable only in 2022)

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the management. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of IAS 39 and their implications to the presentation in the consolidated financial statements.

(2) Classification of financial assets (effective for annual periods beginning on or after 1 January 2023)

Initial recognition of the classification of financial assets shall be based on the Group's business model for managing financial assets. In judging the business model, the Group shall consider the way in which the enterprise evaluates and reports the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, and the way in which relevant business managers receive remuneration, etc.

Initial recognition of the classification of financial assets shall be based on the contractual cash flow characteristics, and it is necessary for the Group to determine whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For example, when the contractual cash flow contains the correction of the time value of money to evaluate, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

(3) Recognition of classification of insurance contracts

For insurance contracts issued without the premium allocation approach, the Group needs to make a judgment when assessing whether there is a loss or no significant possibility of loss in the future at the time of initial recognition, including:

- The possibility of changes in the assumptions that would turn these contacts into onerous contracts;
- Information used to estimate the profitability of the relevant product.

(4) Applicability of measurement approaches for insurance contracts

The Group shall assess at the commencement of an insurance contract whether it meets the conditions for using the premium allocation approach or the variable fee approach. In making such evaluation, management needs to make a comprehensive judgment based on the contract characteristics, relevant facts, and circumstances.

(5) Impairment of available-for-sale financial assets (applicable only in 2022)

The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement of management. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

(6) Significant influence on associates with voting rights less than 20%

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

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

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

(7) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

(1) Estimation of the fulfilment cash flows of insurance contract

At the end of each of the reporting period, when measuring the fulfilment cash flows of insurance contract, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the end of the reporting period and certain risk margin is considered.

The main assumptions used in measuring long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense assumptions and policy dividend assumptions, etc.

Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, 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, conversion period, and other relevant factors. The range of discount rates used as at 31 December 2023 was from 1.65% % to 4.80% (31 December 2022: 1.25% to 4.80%).

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. The range of discount rates used as at 31 December 2023 was from 4.50% to 4.50% (31 December 2022: 3.91% to 5.70%).

The discount rate assumption is affected by uncertain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors. Such assumption is based on information currently available as at the end of the reporting period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(1) Estimation of the fulfilment cash flows of insurance contract (continued)

Mortality and morbidity

Mortality assumption is determined based on the Group's historical mortality experiences as well as current and expected future development trends, etc. The Group presents its mortality assumptions using appropriate percentages of China Life Insurance Mortality Table (2010-2013).

Morbidity assumption is determined based on the Group's products pricing assumption, analysis of historical morbidity experience and expectations of current and future developments.

Mortality and morbidity assumptions are uncertain as they are affected by uncertain factors, such as national lifestyle changes in the future, future development of medical technologies, continuing advancements in social conditions and other factors. The risk margin is considered in the Group's mortality and morbidity assumptions.

Claim ratios

The reasonable estimates of Claim ratio are determined based on the Group's actual experience and future development trends.

The Group estimates the future cash flow of outstanding claim reserves mainly based on historical claim development experience, which can be used to predict future claim development and thus obtain the final claim cost. Therefore, the method infers the development of paid or reported claim amounts, average cost per claim and claim number based on the analysis of claim progress and expected claim rates in previous years. Historical claim development is mainly analysed by accident period, but can also be further analysed by location and major business category and claims type. Major claims are usually considered separately, according to the amount estimated by the claim adjuster or forecast separately to reflect the future development. In most cases, the claim progress ratio used or claim ratio assumptions are implicit in the historical claim development data, and future claim development is predicted based on this. In order to assess the extent to which past trends are not applicable to the future (e.g., one-off events, public attitudes to claims, changes in market factors such as economic conditions, changes in external factors such as judicial decisions and government legislation, and changes in internal factors such as product mix, policy conditions and claim processing procedures), additional qualitative judgements are used. The final cost of claims is reasonably estimated after taking into account all the uncertainties involved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(1) Estimation of the fulfilment cash flows of insurance contract (continued)

Surrender rates

Surrender rate assumptions are determined based on the Group's historical experiences, and estimates on current and future expectations, and vary by interest rate, product type and sale channel. The surrender rate assumption is affected by uncertain factors, such as future macro-economy and market competition. The Group determines the surrender rate assumption based on the information available as at the end of the reporting period and risk margin is considered.

Expense

The Group develops its expense assumption based on its expense analysis and future expectation, including assumptions of insurance acquisition cash flows, policy management and maintenance expenses, claims expenses, costs incurred in investing to improve the benefit level of insurance coverage services for policyholders, investment return services for non-directly participating policyholders, and investment-related services for managing basic projects on behalf of directly participating policyholders.

The Group's expense assumption is affected by uncertain factors, such as inflation, and market competition. The Group uses information currently available as at the end of the reporting period to determine expense assumption and a risk adjustment is considered.

Policy dividend

Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's dividend policy, reasonable expectations of policyholders, etc.

The Group's policy dividend assumption is affected by the above factors. The Group uses information available as at the end of the reporting period to determine policy dividend assumption and risk margin is considered.

Risk adjustment for non-financial risk

The Group determines the risk adjustment for non-financial risk by using the confidence level and confidence level conversion etc. 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% to 85% (31 December 2022: 75% to 85%).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(2) 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, etc.

(3) Impairment of financial instruments (effective for annual periods beginning on or after January 2023)

The Group adopts the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires critical judgments and estimates, which take into consideration all reasonable and informed information, including forward-looking information. In making such judgments and estimates, the Group infers the expected changes in debtor's credit risk based on historical repayment information and economic policies, macroeconomic indicators, industry risks and other factors.

(4) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss and timing difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

4 SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out below:

Name	Place and date of incorporation/ registration and business	Registered capital/ authorised capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sunshine Life Insurance Corporation Limited[(i)] ("Sunshine Life") 陽光人壽保險股份有限公司	PRC/Mainland China (17 December 2007)	RMB18,342,500,000	100	–	Life insurance
Sunshine Property and Casualty Insurance Co., Ltd.[(i)] ("Sunshine P&C") 陽光財產保險股份有限公司	PRC/Mainland China (28 July 2005)	RMB6,456,900,000[(ii)]	96	4	Property and casualty insurance
Sunshine Surety Insurance Co., Ltd.[(i)] ("Sunshine Surety") 陽光信用保證保險股份有限公司	PRC/Mainland China (11 January 2016)	RMB3,000,000,000	–	87	Credit and guarantee insurance
Sunshine Asset Management Co., Ltd.[(i)] ("Sunshine AMC") 陽光資產管理股份有限公司	PRC/Mainland China (4 December 2012)	RMB125,000,000	20	60	Asset management

(i) The above subsidiaries are registered as limited companies in accordance with the Company Law of the People's Republic of China.

(ii) Sunshine P&C obtained approval from the National Administration of Financial Regulation (NAFR) on 25 December 2023, regarding the increase of the registered capital by RMB710.9 million, from RMB5,746 million to RMB6,457 million. On 8 January 2024, change of business registration was completed.

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 (in RMB million)	Principal activities
Sunshine Trust	100%	Not Applicable	Real estate investment
Spruce Trust	100%	Not Applicable	Real estate investment
Sunshine Hotel Trust	100%	Not Applicable	Real estate investment
Sunshine Valley Trust	100%	Not Applicable	Real estate investment
Sunshine Asset – Active Quantification No.1 Asset Management Product	49%	205,654	Asset management product
Sunshine Asset – Active Allocation No.2 Asset Management Product	98%	200,982	Asset management product
Sunshine Asset -Selected Periodic Themes Asset Management Product	48%	156,822	Asset management product
Sunshine Asset – Yingshi No.4 (Phase1) Asset Management Product	100%	133,811	Asset management product
Sunshine Asset – Yingshi No.1 Asset Management Product	38%	116,427	Asset management product

5 SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

The Group's operating segments are as follows:

(i) The life insurance segment offers a wide range of life insurance products mainly by Sunshine Life.

(ii) The property and casualty insurance segment offers a wide range of property and casualty insurance products mainly by Sunshine P&C and Sunshine Surety.

(iii) Other businesses segment mainly provides corporate management and assets management services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resources allocation and performance assessment. Segment performance is assessed based on indicators such as net profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

5 SEGMENT INFORMATION (CONTINUED)

Transfer prices between operating segments are based on the amount stated in the contracts signed by both sides.

The segment analysis as at 31 December 2023 and for the year then ended is as follows:

		Property and casualty insurance				
	Life insurance	Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Insurance revenue	14,394	45,487	19	45,506	–	59,900
Interest income	8,888	745	25	770	236	9,894
Investment income	4,939	346	1	347	62	5,348
Share of profits and losses of associates and joint ventures	(52)	181	–	181	(345)	(216)
Other income	374	203	6	209	2,715	3,298
Total revenues	28,543	46,962	51	47,013	2,668	78,224
Insurance service expenses	(12,075)	(44,733)	(84)	(44,817)	–	(56,892)
Allocation of reinsurance premiums paid	(905)	(1,269)	–	(1,269)	–	(2,174)
Less: Amount recovered from reinsurers	934	1,669	1	1,670	–	2,604
Net insurance finance expenses for insurance contracts issued	(8,466)	(650)	(2)	(652)	218	(8,900)
Less: Net reinsurance finance income for reinsurance contracts held	39	79	(1)	78	–	117
Expected credit losses	(118)	(270)	–	(270)	24	(364)
Finance costs	(813)	(285)	–	(285)	(29)	(1,127)
Other operating and administrative expenses	(2,221)	(486)	(8)	(494)	(2,999)	(5,714)
Total expenses	(23,625)	(45,945)	(94)	(46,039)	(2,786)	(72,450)
Profit/(loss) before tax	4,918	1,017	(43)	974	(118)	5,774
Income tax	(1,712)	(39)	1	(38)	(158)	(1,908)
Net profit	3,206	978	(42)	936	(276)	3,866
Segment assets	445,522	51,774	1,560	53,334	14,830	513,686
Segment liabilities	411,582	38,637	47	38,684	1,631	451,897

5 SEGMENT INFORMATION (CONTINUED)

Other segment information for the year ended 31 December 2023:

	Life insurance	Property and casualty insurance			Other businesses and elimination	Total
		Sunshine P&C	Sunshine Surety	Subtotal		
Depreciation and amortisation	447	404	3	407	795	1,649
Capital expenditure	259	185	–	185	1,646	2,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

5 SEGMENT INFORMATION (CONTINUED)

The segment analysis as at 31 December 2022 and for the year then ended is as follows:

		Property and casualty insurance				
	Life insurance	Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Insurance revenue	14,437	41,273	28	41,301	–	55,738
Investment income	17,580	1,941	27	1,968	(867)	18,681
Share of profits and losses of associates and joint ventures	514	187	–	187	(388)	313
Other income	422	159	12	171	2,244	2,837
Total revenues	32,953	43,560	67	43,627	989	77,569
Insurance service expenses	(13,408)	(40,352)	(127)	(40,479)	–	(53,887)
Allocation of reinsurance premiums paid	(937)	(1,310)	–	(1,310)	–	(2,247)
Less: Amount recovered from reinsurers	932	1,186	–	1,186	–	2,118
Net insurance finance expenses for insurance contracts issued	(13,428)	(611)	(5)	(616)	868	(13,176)
Less: Net reinsurance finance income for reinsurance contracts held	28	63	–	63	–	91
Finance costs	(656)	(316)	(1)	(317)	(17)	(990)
Other operating and administrative expenses	(1,835)	(514)	(4)	(518)	(2,320)	(4,673)
Total expenses	(29,304)	(41,854)	(137)	(41,991)	(1,469)	(72,764)
Profit/(loss) before tax	3,649	1,706	(70)	1,636	(480)	4,805
Income tax	279	(176)	–	(176)	(280)	(177)
Net profit	3,928	1,530	(70)	1,460	(760)	4,628
Segment assets	381,493	49,166	1,590	50,756	21,320	453,569
Segment liabilities	348,705	37,889	51	37,940	7,571	394,216

5 SEGMENT INFORMATION (CONTINUED)

Other segment information for the year ended 31 December 2022:

	Life insurance	Property and casualty insurance Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Depreciation and amortisation	500	392	8	400	761	1,661
Capital expenditure	169	160	–	160	1,072	1,401

6 INSURANCE REVENUE

	2023	2022
Insurance contracts not measured under the premium allocation approach		
Insurance revenue relating to the changes in the liability for remaining coverage		
Amortisation of contractual service margin	**3,624**	3,736
Change in the risk adjustment for non-financial risk	**764**	681
Expected insurance service expenses incurred in the year	**6,008**	6,268
Amortisation of insurance acquisition cash flows	**8,249**	8,359
Subtotal	**18,645**	19,044
Insurance contracts measured under the premium allocation approach	**41,255**	36,694
Total	**59,900**	55,738
Of which:		
Contracts under the modified retrospective approach	**9,790**	12,109
Other contracts	**50,110**	43,629

About Us
Management Discussion and Analysis
Embedded Value
Corporate Governance
Financial Statements and Others

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

7 INTEREST INCOME

	2023
Bonds	**6,914**
Trust scheme	**1,584**
Term deposits	**532**
Debt investment scheme	**535**
Statutory deposits	**200**
Securities purchased under agreements to resell	**129**
Total	**9,894**

8 INVESTMENT INCOME

	2023	2022
Interest and dividend income (a)	**7,420**	14,565
Realised gains/(losses) (b)	**(869)**	6,819
Unrealised gains/(losses) (c)	**(1,553)**	560
Operating lease income from investment properties	**350**	305
Charge of impairment losses on financial assets, net	**N/A**	(3,568)
Total	**5,348**	18,681

(a) Interest and dividend income

	2023	2022
Bonds	**639**	6,670
Debt investment scheme	**593**	1,047
Funds	**2,910**	1,887
Equity securities	**2,594**	741
Equity investment scheme	**169**	387
Others	**515**	3,833
Total	**7,420**	14,565

8 INVESTMENT INCOME (CONTINUED)

(b) Realised gains/(losses)

	2023	2022
Bonds	**3,633**	2,476
Funds	**(2,236)**	(275)
Equity securities	**(2,066)**	(1,100)
Others	**(200)**	5,718
Total	**(869)**	6,819

(c) Unrealised gains/(losses)

	2023	2022
Bonds	**136**	73
Funds	**(945)**	(195)
Equity securities	**(1,874)**	3
Others	**732**	689
Financial assets at fair value through profit or loss	**(1,951)**	570
Financial liabilities at fair value through profit or loss	**398**	(10)
Total	**(1,553)**	560

9 OTHER INCOME

	2023	2022
Income from hotel operation	**1,129**	947
Income from hospital operation	**965**	847
Asset management fee	**325**	350
Others	**879**	693
Total	**3,298**	2,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

10 EXPECTED CREDIT LOSSES

	2023
Debt financial assets at fair value through other comprehensive income	**288**
Others	**76**
Total	**364**

11 FINANCE COSTS

	2023	2022
Interest on bonds payable	**594**	600
Interest on securities sold under agreements to repurchase	**430**	274
Interest on asset-backed securities	**82**	96
Interest on lease liabilities	**5**	28
Others	**16**	(8)
Total	**1,127**	990

12 PROFITS BEFORE TAX

(1) Profit before tax is arrived after charging/(crediting) the following:

	2023	2022
Other operating and administrative expenses (Note 12(2))	**5,714**	4,673
Expected credit losses (Note 10)	**364**	N/A

12 PROFITS BEFORE TAX (CONTINUED)

(2) Other operating and administrative expenses

	2023	2022
Employee costs(i)	**9,771**	9,349
Promotion and consulting fees	**3,476**	2,914
Insurance guarantee fund	**613**	435
Depreciation of property and equipment	**785**	774
Depreciation of right-of-use assets	**514**	567
Depreciation of investment property	**296**	287
Leases	**256**	264
Taxes	**199**	191
Amortisation of intangible assets	**71**	33
Impairment losses on other assets	**391**	23
Others	**3,404**	2,854
Subtotal	**19,776**	17,691
Less: Expenses directly attributable to insurance contracts		
Insurance acquisition cash flows recognised in liabilities for remaining coverage	**(10,550)**	(9,606)
Amounts recognised in insurance service expenses	**(3,512)**	(3,412)
Subtotal	**(14,062)**	(13,018)
Total	**5,714**	4,673

(i) Contributions to defined contribution plans amounting to RMB735 million and RMB717 million in 2023 and 2022, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

13 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' emoluments

The remuneration of directors of the Company for the year ended 31 December 2023 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Executive directors					
ZHANG Weigong	–	3,373	65	3,438	2,307
ZHAO Zongren	–	3,115	–	3,115	1,981
LI Ke	–	4,674	57	4,731	3,176
PENG Jihai	–	4,872	65	4,937	3,346
WANG Yongwen	–	3,809	21	3,830	2,525
Non-executive directors(i)					
CAI Qiwu(ix)	–	–	–	–	–
WANG Jingwei	–	–	–	–	–
CHEN Yong(ii)	–	–	–	–	–
QIAN Yiqun(ii)	–	–	–	–	–
HOU Huisheng(ii)	–	530	22	552	187
YUAN Mouzhen(iii)	–	–	–	–	–
Independent non-executive directors					
LIU Zhanqing	252	–	–	252	48
GAO Bin	252	–	–	252	48
JIA Ning	252	–	–	252	48
WU Xiaoqiu(iv)	88	–	–	88	17
HONG Qi(v)	–	–	–	–	–
MA Guangyuan(vi)	166	–	–	166	32
WANG Jianxin(vii)	203	–	–	203	39
Total	1,213	20,373	230	21,816	13,754

13 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Directors' emoluments (continued)

The remuneration of directors of the Company for the year ended 31 December 2022 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Executive directors					
ZHANG Weigong	–	4,071	60	4,131	2,697
ZHAO Zongren	–	4,004	–	4,004	2,708
LI Ke	–	5,148	41	5,189	3,576
PENG Jihai	–	5,260	60	5,320	3,669
WANG Yongwen	–	3,507	60	3,567	2,235
Non-executive directors(i)					
WANG Jingwei	–	–	–	–	–
YUAN Mouzhen	–	–	–	–	–
WU Yi(viii)	–	–	–	–	–
CAI Qiwu(ix)	–	–	–	–	–
Independent non-executive directors					
MA Guangyuan	252	–	–	252	48
LIU Zhanqing	252	–	–	252	48
WANG Jianxin	252	–	–	252	48
GAO Bin	252	–	–	252	48
JIA Ning	252	–	–	252	48
Total	1,260	21,990	221	23,471	15,125

(i) Non-executive directors, except for an employee director, did not receive remuneration from the Company.

(ii) Mr. CHEN Yong, Ms. QIAN Yiqun and Mr. HOU Huisheng were appointed as the non-executive directors in August 2023.

(iii) Mr. YUAN Mouzhen resigned as a non-executive director of the Company from April 2023.

(iv) Mr. WU Xiaoqiu was appointed as an independent non-executive director in August 2023.

(v) Mr. HONG Qi was appointed as an independent non-executive director in October 2023.

(vi) Mr. MA Guangyuan resigned as an independent non-executive director in August 2023.

(vii) Mr. WANG Jianxin resigned as an independent non-executive director in October 2023.

(viii) Mr. WU Yi resigned as a non-executive director in March 2022.

(ix) Mr. CAI Qiwu resigned as a non-executive director in April 2022 and was reappointed as a non-executive director in August 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

13 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Supervisors' emoluments

The remuneration of supervisors of the Company for the year ended 31 December 2023 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
ZHUANG Liang	**–**	**1,362**	**48**	**1,410**	**477**
ZHANG Di	**–**	**–**	**–**	**–**	**–**
WANG Zhe	**252**	**–**	**–**	**252**	**48**
Total	**252**	**1,362**	**48**	**1,662**	**525**

The remuneration of supervisors of the Company for the year ended 31 December 2022 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
ZHUANG Liang	–	1,214	45	1,259	431
CHEN Zhijie(i)	–	–	–	–	–
WANG Zhe	252	–	–	252	48
ZHANG Di(ii)	–	–	–	–	–
Total	252	1,214	45	1,511	479

(i) CHEN Zhijie was a shareholder supervisor and did not receive remuneration from the Company. CHEN Zhijie resigned as supervisor in June 2022.

(ii) ZHANG Di was a shareholder supervisor and did not receive remuneration from the Company. Zhang Di was appointed as supervisor in June 2022.

13 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Five highest paid individuals

The five individuals with the highest emoluments in the Group for the years ended 31 December 2023 include three directors disclosed above (2022: three directors). Details of the remuneration of the highest paid employees who are not directors are as follows:

(in RMB thousand)	**2023**	2022
Salaries, allowances and other short-term benefits	**14,551**	15,104
Contributions to defined contribution plans	**130**	119
Total	**14,681**	15,223

The emoluments of the five highest paid individuals, except for the directors, fell within the following bands:

	Number of individuals	
	2023	2022
RMB1,000,001 – RMB2,000,000	**–**	–
RMB2,000,001 – RMB3,000,000	**–**	–
RMB3,000,001 – RMB4,000,000	**–**	–
RMB4,000,001 – RMB5,000,000	**–**	–
RMB5,000,001 – RMB6,000,000	**–**	–
RMB6,000,001 – RMB7,000,000	**1**	–
RMB7,000,001 – RMB8,000,000	**–**	2
RMB8,000,001 – RMB9,000,000	**1**	–
RMB9,000,001 – RMB10,000,000	**–**	–
Total	**2**	2

During the reporting period, no emoluments were paid by the Company to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Company or compensation for loss of office as a director of any member of the Group or of any other office in connection with the management.

The emoluments of the five highest paid individuals are the total emoluments paid to them during the reporting period.

Remuneration packages for directors, supervisors and other individuals were determined by the finally confirmed amounts during the year 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

14 INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority.

(a) Income tax:

	2023	2022
Current income tax	**221**	372
Deferred income tax (note 35)	**1,687**	(195)
Total	**1,908**	177

(b) The reconciliation between the Group's effective tax rate and the statutory tax rate of 25% in the PRC is as follows:

	2023	2022
Profit before income tax	**5,774**	4,805
Tax computed at the statutory tax rate	**1,444**	1,201
Non-taxable income	**(1,978)**	(1,453)
Expenses not deductible for tax purposes	**56**	42
Adjustments in respect of current tax of previous periods	**1**	(13)
Others	**2,385**	400
Income tax at the effective tax rate	**1,908**	177

15 EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	2023	2022
Consolidated net profit attributable to equity owners of the parent *(in RMB million)*	**3,738**	4,494
Weighted average number of ordinary shares in issue *(in million shares)*	**11,502**	10,421
Basic earnings per share	**RMB0.32**	RMB0.43
Diluted earnings per share	**RMB0.32**	RMB0.43

16 DIVIDENDS

	2023	2022
Dividends recognised as distributions during the year:		
2022 final dividend – RMB0.18 per ordinary share	**2,070**	–
2021 final dividend – RMB0.15 per ordinary share	**–**	1,553

17 PROPERTY AND EQUIPMENT

	Land and buildings	Office equipment	Motor vehicles	Construction in progress	Others	Total
Cost						
As at 1 January 2023	**16,406**	**1,531**	**589**	**3,751**	**1,671**	**23,948**
Transfers upon completion	**1**	**–**	**–**	**(69)**	**–**	**(68)**
Additions	**1,183**	**117**	**64**	**395**	**186**	**1,945**
Transfer to investment properties, net	**(194)**	**–**	**–**	**–**	**–**	**(194)**
Disposals	**(1)**	**(83)**	**(257)**	**–**	**(2)**	**(343)**
Exchange realignment	**98**	**1**	**–**	**1**	**6**	**106**
As at 31 December 2023	**17,493**	**1,566**	**396**	**4,078**	**1,861**	**25,394**
Accumulated depreciation						
As at 1 January 2023	**(2,311)**	**(1,023)**	**(356)**	**–**	**(1,320)**	**(5,010)**
Charge for the year	**(473)**	**(131)**	**(34)**	**–**	**(147)**	**(785)**
Transfer to investment properties, net	**4**	**–**	**–**	**–**	**–**	**4**
Disposals	**1**	**79**	**114**	**–**	**2**	**196**
Exchange realignment	**(26)**	**(1)**	**–**	**–**	**(4)**	**(31)**
As at 31 December 2023	**(2,805)**	**(1,076)**	**(276)**	**–**	**(1,469)**	**(5,626)**
Impairment						
As at 1 January 2023	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2023	**–**	**–**	**–**	**–**	**–**	**–**
Net book value						
As at 1 January 2023	**14,095**	**508**	**233**	**3,751**	**351**	**18,938**
As at 31 December 2023	**14,688**	**490**	**120**	**4,078**	**392**	**19,768**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

17 PROPERTY AND EQUIPMENT (CONTINUED)

	Land and buildings	Office equipment	Motor vehicles	Construction in progress	Others	Total
Cost						
As at 1 January 2022	14,894	1,516	595	4,077	1,478	22,560
Transfers upon completion	1,269	–	–	(1,269)	–	–
Additions	60	98	23	943	189	1,313
Disposals	–	(90)	(29)	–	(5)	(124)
Exchange realignment	183	7	–	–	9	199
As at 31 December 2022	16,406	1,531	589	3,751	1,671	23,948
Accumulated depreciation						
As at 1 January 2022	(1,851)	(918)	(346)	–	(1,139)	(4,254)
Charge for the year	(430)	(135)	(37)	–	(172)	(774)
Disposals	–	32	27	–	–	59
Exchange realignment	(30)	(2)	–	–	(9)	(41)
As at 31 December 2022	(2,311)	(1,023)	(356)	–	(1,320)	(5,010)
Impairment						
As at 1 January 2022	–	–	–	–	–	–
As at 31 December 2022	–	–	–	–	–	–
Net book value						
As at 1 January 2022	13,043	598	249	4,077	339	18,306
As at 31 December 2022	14,095	508	233	3,751	351	18,938

As at 31 December 2023, the net book value of buildings which was in the process of obtaining title certificates was RMB3,015 million (31 December 2022: RMB4,589 million).

18 LEASES

(a) Right-of-use assets

	Buildings	Prepaid land lease payments	Others	Total
Cost				
As at 1 January 2023	2,485	2,659	13	5,157
Additions	368	–	5	373
Deductions	(467)	(401)	(4)	(872)
As at 31 December 2023	2,386	2,258	14	4,658
Accumulated depreciation				
As at 1 January 2023	(1,571)	(526)	(9)	(2,106)
Charge for the year	(449)	(62)	(3)	(514)
Deductions	407	72	5	484
As at 31 December 2023	(1,613)	(516)	(7)	(2,136)
Impairment				
As at 1 January 2023	–	–	–	–
As at 31 December 2023	–	–	–	–
Net book value				
As at 1 January 2023	914	2,133	4	3,051
As at 31 December 2023	773	1,742	7	2,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

18 LEASES (CONTINUED)

(a) Right-of-use assets (continued)

	Buildings	Prepaid land lease payments	Others	Total
Cost				
As at 1 January 2022	2,424	2,659	8	5,091
Additions	368	–	5	373
Deductions	(307)	–	–	(307)
As at 31 December 2022	2,485	2,659	13	5,157
Accumulated depreciation				
As at 1 January 2022	(1,332)	(458)	(3)	(1,793)
Charge for the year	(493)	(68)	(6)	(567)
Deductions	254	–	–	254
As at 31 December 2022	(1,571)	(526)	(9)	(2,106)
Impairment				
As at 1 January 2022	–	–	–	–
As at 31 December 2022	–	–	–	–
Net book value				
As at 1 January 2022	1,092	2,201	5	3,298
As at 31 December 2022	914	2,133	4	3,051

The Group had no significant profit or loss from subleasing right-of-use assets or sale and leaseback transactions for the years ended 31 December 2023 and 2022.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	2023	2022
Interest on lease liabilities	**5**	28
Depreciation charge of right-of-use assets	**514**	567
Expense relating to short-term leases and leases of low-value assets	**69**	72
Total	**588**	667

19 INVESTMENT PROPERTIES

	2023	2022
Cost		
Beginning of year	**11,123**	11,123
Transfer from property and equipment	**595**	–
End of year	**11,718**	11,123
Accumulated depreciation		
Beginning of year	**(1,789)**	(1,502)
Additions	**(296)**	(287)
Transfer from property and equipment	**(76)**	–
End of year	**(2,161)**	(1,789)
Impairment losses		
Beginning of year	**(249)**	(249)
End of year	**(249)**	(249)
Net book value		
Beginning of year	**9,085**	9,372
End of year	**9,308**	9,085
Fair value		
End of year	**13,745**	13,292

The Group has no restrictions on the use of its investment properties and no contractual obligations to each investment property purchased, constructed or developed or for repairs, maintenance and enhancements.

As at 31 December 2023 and 2022, the Group had no significant investment properties which were in the process of obtaining title certificates.

The fair values of investment properties of the Group as at 31 December 2023 and 2022 were estimated by the Group having regards to valuations performed by independent appraisers. The investment properties were classified as Level 3 in the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2023	
	Carrying amount	Proportion of shares held by the Group (%)
Associates		
Chengtai Financing Lease (Shanghai) Co.,Ltd. ("Chengtai Lease")	**1,845**	**35.40**
Others	**7,457**	
Subtotal	**9,302**	
Joint ventures	**1,174**	
Total	**10,476**	

	31 December 2022	
	Carrying amount	Proportion of shares held by the Group (%)
Associates		
Chengtai Lease	1,776	35.40
Others	7,318	
Subtotal	9,094	
Joint ventures	1,136	
Total	10,230	

The Group had no contingent liabilities with the associates and joint ventures as at 31 December 2023 and 2022.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2023	31 December 2022
Listed		
Bonds		
Government bonds	–	12
Finance bonds	**204**	20
Corporate bonds	**2,122**	827
Mortgage-backed securities	**85**	339
Funds	**691**	70
Equity securities	**22,498**	10,129
Other investments	**207**	–
Subtotal	**25,807**	11,397
Unlisted		
Bonds		
Government bonds	**62**	128
Finance bonds	**19,301**	1,081
Corporate bonds	**2,093**	1,622
Interbank deposits	**1,266**	2,786
Funds	**22,473**	2,979
Debt investment schemes	**11,878**	–
Trust schemes	**674**	–
Other investments	**41,813**	3,816
Subtotal	**99,560**	12,412
Total	**125,367**	23,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

22 DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023
Listed	
Bonds	
Government bonds	**27,129**
Corporate bonds	**2,645**
Mortgage-backed securities	**1,143**
Subtotal	**30,917**
Unlisted	
Bonds	
Government bonds	**120,908**
Finance bonds	**33,982**
Corporate bonds	**4,075**
Interbank deposits	**34,262**
Debt investment schemes	**9,601**
Trust schemes	**26,873**
Subtotal	**229,701**
Total	**260,618**

23 EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023
Listed	
Equity securities	**30,129**
Unlisted	
Other equity investments	**1,702**
Total	**31,831**

For the equity investments which are not held for trading but for long-term investments, the Group has irrevocably elected to recognise them in this category at initial recognition.

24 HELD-TO-MATURITY FINANCIAL ASSETS

	31 December 2022
Listed	
Government bonds	24,142
Corporate bonds	368
Subtotal	24,510
Unlisted	
Government bonds	68,288
Finance bonds	18,800
Corporate bonds	3,106
Subtotal	90,194
Total	114,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

25 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2022
Debt investment schemes	13,799
Trust schemes	21,489
Total	35,288

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2022
Available-for-sale financial assets, at fair value	
Listed	
Debt investments	
Government bonds	13
Finance bonds	291
Corporate bonds	4,412
Mortgage-backed securities	793
Equity investments	
Equity securities	45,179
Funds	926
Other equity investments	203
Subtotal	51,817
Unlisted	
Debt investments	
Government bonds	15,511
Finance bonds	17,933
Corporate bonds	5,322
Interbank deposits	17,645
Debt investment schemes	7,635
Trust schemes	7,305
Equity investments	
Funds	19,072
Other equity investments	6,843
Subtotal	97,266
Available-for-sale financial assets, at cost	
Equity investments	20,406
Total	169,489

27 TERM DEPOSITS

	31 December 2023	31 December 2022
Maturing period		
Within 3 months (including 3 months)	**107**	11,525
3 months to 1 year (including 1 year)	**2,895**	6,658
1 to 2 years (including 2 years)	**338**	2,700
2 to 3 years (including 3 years)	**1,530**	–
3 to 4 years (including 4 years)	**–**	1,500
4 to 5 years (including 5 years)	**4,600**	–
Accrued interest	**128**	N/A
Less: Provisions for impairment losses	**(10)**	N/A
Total	**9,588**	22,383

28 STATUTORY DEPOSITS

	31 December 2023	31 December 2022
Analysis related to contract expiry date:		
Within 1 year	**906**	1,498
1 to 5 years	**4,977**	3,920
Less: Provisions for impairment losses	**(1)**	N/A
Total	**5,882**	5,418

Insurance companies in China are required to deposit an amount that equals to 20% of their registered capital with banks for the compliance with regulations of the NAFR. These funds may not be used for any purpose other than for paying off debts during liquidation proceedings.

29 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2023	31 December 2022
Bonds	**13,129**	7,375
Less: Provisions for impairment losses	**–**	N/A
Total	**13,129**	7,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

30 INSURANCE CONTRACT LIABILITIES/ASSETS

(1) The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows:

	2023								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	315,520	3,110	2,108	320,738	13,210	681	12,010	454	26,355
Insurance contract assets as at 1 January	2,244	(1,268)	(741)	235	342	(13)	264	(15)	578
Net insurance contract liabilities/assets as at 1 January	313,276	4,378	2,849	320,503	12,868	694	11,746	469	25,777
Insurance revenue	(18,645)	–	–	(18,645)	(41,255)	–	–	–	(41,255)
Incurred claims and other expenses	–	(2,907)	8,002	5,095	–	–	28,420	332	28,752
Amortisation of insurance acquisition cash flows	8,249	–	–	8,249	11,560	–	–	–	11,560
Losses on onerous contracts and reversal of those losses	–	3,437	–	3,437	–	(31)	–	–	(31)
Changes to liabilities for incurred claims	–	–	(322)	(322)	–	–	441	(289)	152
Insurance service expenses	8,249	530	7,680	16,459	11,560	(31)	28,861	43	40,433
Insurance service result	(10,396)	530	7,680	(2,186)	(29,695)	(31)	28,861	43	(822)
Insurance finance expenses	21,676	135	29	21,840	322	–	296	11	629
Total comprehensive income changes	11,280	665	7,709	19,654	(29,373)	(31)	29,157	54	(193)
Investment component	(49,550)	–	49,550	–	(941)	–	941	–	–
Premiums paid	86,931	–	–	86,931	48,687	–	–	–	48,687
Insurance acquisition cash flows paid	(11,998)	–	–	(11,998)	(11,838)	–	–	–	(11,838)
Claims paid and other relevant expenses	–	–	(57,409)	(57,409)	–	–	(29,947)	–	(29,947)
Other cash flows	(592)	–	–	(592)	(5,868)	–	559	–	(5,309)
Total cash flows	74,341	–	(57,409)	16,932	30,981	–	(29,388)	–	1,593
Net insurance contract liabilities/assets as at 31 December	349,347	5,043	2,699	357,089	13,535	663	12,456	523	27,177
Insurance contract assets as at 31 December	2,215	(1,385)	(321)	509	321	(16)	310	(13)	602
Insurance contract liabilities as at 31 December	351,562	3,658	2,378	357,598	13,856	647	12,766	510	27,779

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(1) The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows: (continued)

	2022								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				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 present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	287,157	535	1,916	289,608	11,560	773	11,775	411	24,519
Insurance contract assets as at 1 January	2,689	(1,529)	(337)	823	276	(42)	279	(49)	464
Net insurance contract liabilities/assets as at 1 January	284,468	2,064	2,253	288,785	11,284	815	11,496	460	24,055
Insurance revenue	(19,044)	–	–	(19,044)	(36,694)	–	–	–	(36,694)
Incurred claims and other expenses	–	(2,344)	8,966	6,622	–	–	23,839	305	24,144
Amortisation of insurance acquisition cash flows	8,359	–	–	8,359	10,746	–	–	–	10,746
Losses on onerous contracts and reversal of those losses	–	4,590	–	4,590	–	(121)	–	–	(121)
Changes to liabilities for incurred claims	–	–	(760)	(760)	–	–	613	(306)	307
Insurance service expenses	8,359	2,246	8,206	18,811	10,746	(121)	24,452	(1)	35,076
Insurance service result	(10,685)	2,246	8,206	(233)	(25,948)	(121)	24,452	(1)	(1,618)
Insurance finance expenses	6,060	68	29	6,157	299	–	273	10	582
Total comprehensive income changes	(4,625)	2,314	8,235	5,924	(25,649)	(121)	24,725	9	(1,036)
Investment component	(36,255)	–	36,255	–	(862)	–	862	–	–
Premiums paid	81,251	–	–	81,251	43,584	–	–	–	43,584
Insurance acquisition cash flows paid	(11,072)	–	–	(11,072)	(10,196)	–	–	–	(10,196)
Claims paid and other relevant expenses	–	–	(43,894)	(43,894)	–	–	(25,772)	–	(25,772)
Other cash flows	(491)	–	–	(491)	(5,293)	–	435	–	(4,858)
Total cash flows	69,688	–	(43,894)	25,794	28,095	–	(25,337)	–	2,758
Net insurance contract liabilities/assets as at 31 December	313,276	4,378	2,849	320,503	12,868	694	11,746	469	25,777
Insurance contract assets as at 31 December	2,244	(1,268)	(741)	235	342	(13)	264	(15)	578
Insurance contract liabilities as at 31 December	315,520	3,110	2,108	320,738	13,210	681	12,010	454	26,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(2) The analysis by measurement component of contracts not measured under the premium allocation method is as follows:

	2023			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities as at 1 January	273,937	3,623	43,178	320,738
Insurance contract assets as at 1 January	822	(587)	–	235
Net insurance contract liabilities/assets as at 1 January	273,115	4,210	43,178	320,503
Contractual service margin recognised for services provided	–	–	(3,624)	(3,624)
Change in the risk adjustment for non-financial risk for risk expired	–	(783)	–	(783)
Experience adjustments	(895)	–	–	(895)
Changes that relate to current services	(895)	(783)	(3,624)	(5,302)
Contracts initially recognised in the period	(7,692)	782	8,044	1,134
Changes in estimates that adjust the contractual service margin	3,442	62	(3,504)	–
Changes in estimates that do not adjust the contractual service margin	2,266	38	–	2,304
Changes that relate to future services	(1,984)	882	4,540	3,438
Adjustments to liabilities for incurred claims	(206)	(116)	–	(322)
Changes that relate to past services	(206)	(116)	–	(322)
Insurance service result	(3,085)	(17)	916	(2,186)
Insurance finance expenses	20,586	171	1,083	21,840
Total changes in the statement of comprehensive income	17,501	154	1,999	19,654
Premiums received	86,931	–	–	86,931
Insurance acquisition cash flows	(11,998)	–	–	(11,998)
Claims and other expenses paid	(57,409)	–	–	(57,409)
Other cash flows	(592)	–	–	(592)
Total cash flows	16,932	–	–	16,932
Net insurance contract liabilities/assets as at 31 December	307,548	4,364	45,177	357,089
Insurance contract assets as at 31 December	921	(412)	–	509
Insurance contract liabilities as at 31 December	308,469	3,952	45,177	357,598

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(2) *The analysis by measurement component of contracts not measured under the premium allocation method is as follows:* (continued)

	2022			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities as at 1 January	239,476	3,632	46,500	289,608
Insurance contract assets as at 1 January	1,392	(569)	–	823
Net insurance contract liabilities/assets as at 1 January	238,084	4,201	46,500	288,785
Contractual service margin recognised for services provided	–	–	(3,736)	(3,736)
Change in the risk adjustment for non-financial risk for risk expired	–	(612)	–	(612)
Experience adjustments	284	–	–	284
Changes that relate to current services	284	(612)	(3,736)	(4,064)
Contracts initially recognised in the period	(6,083)	828	6,185	930
Changes in estimates that adjust the contractual service margin	6,856	(240)	(6,616)	–
Changes in estimates that do not adjust the contractual service margin	3,605	56	–	3,661
Changes that relate to future services	4,378	644	(431)	4,591
Adjustments to liabilities for incurred claims	(648)	(112)	–	(760)
Changes that relate to past services	(648)	(112)	–	(760)
Insurance service result	4,014	(80)	(4,167)	(233)
Insurance finance expenses	5,223	89	845	6,157
Total changes in the statement of comprehensive income	9,237	9	(3,322)	5,924
Premiums received	81,251	–	–	81,251
Insurance acquisition cash flows	(11,072)	–	–	(11,072)
Claims and other expenses paid	(43,894)	–	–	(43,894)
Other cash flows	(491)	–	–	(491)
Total cash flows	25,794	–	–	25,794
Net insurance contract liabilities/assets as at 31 December	273,115	4,210	43,178	320,503
Insurance contract assets as at 31 December	822	(587)	–	235
Insurance contract liabilities as at 31 December	273,937	3,623	43,178	320,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(3) The impact on the statement of financial position of the initial recognition of insurance contracts not applying the premium allocation approach during the year is as follows:

	2023			2022		
	Onerous contracts	Others	Total	Onerous contracts	Others	Total
Insurance acquisition cash flows	**3,324**	**7,669**	**10,993**	3,730	6,313	10,043
Other cash outflows	**30,019**	**111,500**	**141,519**	39,326	88,981	128,307
Estimates of the present value of future cash outflows	**33,343**	**119,169**	**152,512**	43,056	95,294	138,350
Estimates of the present value of future cash inflows	**(32,653)**	**(127,551)**	**(160,204)**	(42,679)	(101,754)	(144,433)
Risk adjustment for non-financial risk	**444**	**338**	**782**	553	275	828
Contractual service margin	**–**	**8,044**	**8,044**	–	6,185	6,185
Losses recognised on initial recognition	**1,134**	**–**	**1,134**	930	–	930

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(4) The analysis of the contractual service margin for insurance contracts not measured under the premium allocation approach is as follows:

	2023		
	Contracts under the modified retrospective approach	Other contracts	Total
Contractual service margin as at 1 January	37,450	5,728	43,178
Changes that relate to current services			
Contractual service margin recognised for services provided	(2,803)	(821)	(3,624)
Changes that relate to future services			
Contracts initially recognised in the period	–	8,044	8,044
Changes in estimates that adjust the contractual service margin	(3,279)	(225)	(3,504)
Insurance service result	(6,082)	6,998	916
Insurance finance expenses	801	282	1,083
Changes in other comprehensive income	(5,281)	7,280	1,999
Total changes in the statement of comprehensive income	32,169	13,008	45,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(4) The analysis of the contractual service margin for insurance contracts not measured under the premium allocation approach is as follows: (continued)

	2022		
	Contracts under the modified retrospective approach	Other contracts	Total
Contractual service margin as at 1 January	46,500	–	46,500
Changes that relate to current services			
Contractual service margin recognised for services provided	(3,382)	(354)	(3,736)
Changes that relate to future services			
Contracts initially recognised in the period	–	6,185	6,185
Changes in estimates that adjust the contractual service margin	(6,424)	(192)	(6,616)
Insurance service result	(9,806)	5,639	(4,167)
Insurance finance expenses	756	89	845
Changes in other comprehensive income	(9,050)	5,728	(3,322)
Total changes in the statement of comprehensive income	37,450	5,728	43,178

As of 31 December 2023, the Group expects that 64% of the contract service margin (31 December 2022: 64%) will be recognised in profit or loss over the next 10 years.

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(5) The analysis of changes in the insurance finance expenses is as follows:

	2023		
	Insurance contracts not measured under the premium allocation approach	**Insurance contracts measured under the premium allocation approach**	**Total**
Insurance finance expenses			
Changes in fair value of underlying items of contracts with direct participation features	**5,666**	**–**	**5,666**
Interest accrual on insurance contracts and changes in financial assumptions	**16,174**	**629**	**16,803**
Total	**21,840**	**629**	**22,469**
Represented by:			
Amounts recognised in profit or loss	**8,271**	**629**	**8,900**
Amounts recognised in other comprehensive income	**13,569**	**–**	**13,569**

	2022		
	Insurance contracts not measured under the premium allocation approach	Insurance contracts measured under the premium allocation approach	Total
Insurance finance expenses			
Changes in fair value of underlying items of contracts with direct participation features	(7)	–	(7)
Interest accrual on insurance contracts and changes in financial assumptions	6,164	582	6,746
Total	6,157	582	6,739
Represented by:			
Amounts recognised in profit or loss	12,594	582	13,176
Amounts recognised in other comprehensive income	(6,437)	–	(6,437)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

30 INSURANCE CONTRACT LIABILITIES/ASSETS (CONTINUED)

(6) The following table describes the composition of assets or liabilities and fair values of the underlying items corresponding to the insurance contracts with direct participation features:

	2023 Fair value	2022 Fair value
Financial investments:		
Financial assets at fair value through profit or loss	**70,108**	3,331
Debt financial assets at fair value through other comprehensive income	**110,246**	N/A
Equity financial assets at fair value through other comprehensive income	**13,549**	N/A
Held-to-maturity financial assets	**N/A**	44,019
Investments classified as loans and receivables	**N/A**	28,386
Available-for-sale financial assets	**N/A**	108,446
Others	**27,654**	45,414

31 OTHER ASSETS

	31 December 2023	31 December 2022
Statutory deposits	**247**	395
Co-insurance receivable	**356**	337
Other receivables	**2,007**	2,648
Intangible assets	**181**	107
Others	**1,688**	1,897
Total	**4,479**	5,384

32 CASH AT BANK AND ON HAND

	31 December 2023	31 December 2022
Cash at bank and on hand	**13,553**	17,455
Less: provision for impairment	**–**	N/A
Total	**13,553**	17,455

33 BONDS PAYABLE

The information of the Group's major bonds payable is as follows:

Issuer	Issue date	Maturity	Early redemption option	Interest rate	31 December 2023	31 December 2022
Sunshine P&C	2021/12/07	10 years	End of the fifth year	4.5%-5.5%	**4,998**	4,998
Sunshine Life	2016/04/20	10 years	None	4.5%	**2,127**	2,088
Sunshine Life	2021/03/30	10 years	End of the fifth year	4.4%-5.4%	**5,063**	5,039
Sunshine Life	2023/12/12	10 years	End of the fifth year	3.88%-4.88%	**7,002**	–
Subtotal					**19,190**	12,125
Add: Accrued interest					**224**	N/A
Total					**19,414**	12,125

34 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2023	31 December 2022
Bonds	**29,662**	17,480

As at 31 December 2023, bonds with par value of RMB34,172 million (31 December 2022: RMB21,731 million) was pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group. The collateral is restricted from trading during the period of the repurchase transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

35 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	2023	2022
Net deferred income tax assets/(liabilities) before changes in accounting policies	**2,487**	1,936
Changes in accounting policies	**(1,003)**	–
Net deferred income tax assets/(liabilities), at beginning of year	**1,484**	1,936
Recognised in profit or loss (note 14)	**(1,687)**	195
Recognised in equity	**1,362**	356
Net deferred income tax assets/(liabilities), at end of year	**1,159**	2,487

	31 December 2023	31 December 2022
Insurance contract liabilities/assets	**371**	265
Provision for impairment of assets	**105**	1,538
Salaries and welfare payable	**284**	264
Net fair value adjustment on financial instruments	**(649)**	727
Others	**1,048**	(307)
Net deferred income tax assets/(liabilities)	**1,159**	2,487
Represented by:		
Deferred tax assets	**1,260**	2,548
Deferred tax liabilities	**(101)**	(61)

36 OTHER LIABILITIES

	31 December 2023	31 December 2022
Salaries and welfare payable	**1,904**	1,829
Accrued expenses	**579**	625
Deferred income	**579**	594
Dividends payable	**693**	578
Interest payables	**11**	218
Insurance guarantee fund	**138**	119
Payables for asset-backed securities	**2,430**	–
Maturity benefits payable	**2,266**	978
Others	**3,083**	3,740
Total	**11,683**	8,681

37 SHARE CAPITAL

	31 December 2023	31 December 2022
Numbers of shares issued and fully paid at RMB1 each (million)	**11,502**	11,502

38 RESERVES

The amounts of the Group's reserves and the movements therein in the reporting period are presented in the consolidated statement of changes in equity.

(a) General risk reserve

Pursuant to "Financial Standards of Financial Enterprises – Implementation Guide" issued by Ministry of Finance of the People's Republic of China (MOF) of the PRC on 30 March 2007, a general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations for such reserve based on their respective annual profit or year-end risk assets as determined in their annual financial statements. This reserve is not available for profit-distribution and cannot be transferred to capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

38 RESERVES (CONTINUED)

(b) Agriculture catastrophic loss reserve

Pursuant to "Regulation for the general risk reserve for catastrophic losses" issued by MOF of the PRC on 8 December 2013, the Group is required to make appropriation to a reserve when the agriculture insurance business records underwriting profits. This reserve cannot be used for dividend distribution but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases underwriting agriculture insurance business.

(c) Surplus reserve

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriation to a statutory surplus reserve based on its net profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriation to a discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash flows from operating activities:

	2023	2022
Profit before income tax	**5,774**	4,805
Investment income	**(5,348)**	(18,681)
Foreign exchange (gains)/losses	**131**	(106)
Finance costs	**1,127**	990
Impairment losses on other assets	**391**	23
Expected credit losses	**364**	N/A
Depreciation of right-of-use assets	**514**	567
Depreciation of property and equipment	**785**	774
Depreciation of investment properties	**296**	287
Amortisation of intangible assets	**71**	33
Amortisation of other assets	**35**	7
Share of profits and losses of associates and joint ventures	**216**	(313)
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	**8**	1
Increase in reinsurance assets	**(859)**	(383)
Increase in other operating assets	**5,054**	(860)
Increase in insurance contract liabilities	**24,501**	39,942
Increase in other operating liabilities	**(12,232)**	(826)
Income tax paid	**(494)**	(343)
Net cash inflows from operating activities	**20,334**	25,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

40 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, statutory deposits, etc.

The following table summarises the carrying value and estimated fair value of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable that measured at amortised cost with fair value not approximate to the carrying amount.

	31 December 2023	
	Carrying amount	**Fair value**
Financial liabilities:		
Bonds payable	**19,414**	**19,400**

	31 December 2022	
	Carrying amount	Fair value
Financial assets:		
Held-to-maturity financial assets	114,704	121,810
Investments classified as loans and receivables	35,288	34,674
Financial liabilities:		
Bonds payable	12,125	12,715

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

41 FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

41 FAIR VALUE MEASUREMENT (CONTINUED)

Determination of fair value and fair value hierarchy (continued)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Equity securities	22,441	57	–	22,498
Funds	23,164	–	–	23,164
Bonds	177	23,605	–	23,782
Others	–	11,608	44,315	55,923
Debt financial assets at fair value through other comprehensive income				
Bonds	–	188,739	–	188,739
Others	–	35,404	36,475	71,879
Equity financial assets at fair value through other comprehensive income				
Equity securities	30,129	–	–	30,129
Others	–	–	1,702	1,702
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	3,780	–	3,780
Liabilities for which fair values are disclosed				
Bonds payable	1,940	17,460	–	19,400

41 FAIR VALUE MEASUREMENT (CONTINUED)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities: (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Equity securities	13,179	3,069	746	16,994
Debt securities	201	6,614	–	6,815
Available-for-sale financial assets				
Equity securities	63,285	4,901	4,037	72,223
Debt securities	78	61,842	14,940	76,860
Assets for which fair values are disclosed				
Held-to-maturity financial assets	–	121,810	–	121,810
Investments classified as loans and receivables	–	–	34,674	34,674
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	4,546	–	4,546
Liabilities for which fair values are disclosed				
Bonds payable	1,810	10,905	–	12,715

For the years ended 31 December 2023 and 2022, there were no significant transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

41 FAIR VALUE MEASUREMENT (CONTINUED)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Financial assets at fair value through profit or loss	Debt financial assets at fair value through other comprehensive income	Equity financial assets at fair value through other comprehensive income
As at 1 January 2023	**40,735**	**36,345**	**1,686**
Purchases	**5,134**	**2,696**	–
Transfer from Level 3	**(494)**	–	–
Total gains recorded in profit or loss	**758**	**257**	–
Total gains recorded in other comprehensive income	–	**1,281**	**16**
Maturity and disposal	**(1,818)**	**(4,104)**	–
As at 31 December 2023	**44,315**	**36,475**	**1,702**

	Available-for-sale financial assets	
	Debt securities	Equity securities
As at 1 January 2022	13,520	3,800
Purchases	1,320	91
Total gains recorded in other comprehensive income comprehensive income	350	146
Maturity	(250)	–
As at 31 December 2022	14,940	4,037

41 FAIR VALUE MEASUREMENT (CONTINUED)

Determination of fair value and fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of financial assets at fair value classified as Level 3 together as at 31 December 2023 and 2022.

	Valuation technique	Significant unobservable input	Range	Relationships between fair value and unobservable inputs
Debt investments	Discounted cash flow method	Discount rate	31 December 2023: 3.36%-13.11% (31 December 2022: 3.18%-5.58%)	The fair value is inversely related to the discount rate
Equity investments	Discounted cash flow method	Discount rate	31 December 2023: 3.31%-4.03% (31 December 2022: 3.45%-5.03%)	The fair value is inversely related to the discount rate
	Comparable Company method	Liquidity discount	31 December 2023: 12%-30% (31 December 2022: 30%)	The fair value is inversely related to the liquidity discount

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method and comparable company method of listed companies, with appropriate adjustments have been made where applicable, for example, using option pricing models for lack of liquidity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT

Insurance risk

(1) Types of insurance risks

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 lapse and 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.

42 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

(1) Types of insurance risks (continued)

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.

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.

(2) 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 in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

(3) Assumptions and sensitivities

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, expenses assumptions, and policy dividend 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.

	31 December 2023		
	Change in assumptions	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Mortality/morbidity	+10%	(908)	(1,261)
Mortality/morbidity	–10%	856	1,253
Lapse and surrender rate	+10%	(1)	203
Lapse and surrender rate	–10%	(4)	(193)
Expenses	+10%	(94)	(120)
Expenses	–10%	94	120

42 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

		31 December 2022	
	Change in assumptions	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Mortality/morbidity	+10%	(719)	(848)
Mortality/morbidity	–10%	691	834
Lapse and surrender rate	+10%	31	48
Lapse and surrender rate	–10%	(30)	(41)
Expenses	+10%	(102)	(112)
Expenses	–10%	102	112

Property and casualty and short-term life insurance contracts

Assumptions

The principal assumption 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 risk margin and delays in settlement.

Sensitivities

It is not possible to quantify the sensitivity of certain variables such as legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the liabilities for incurred claims were not quantifiable with certainty at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

The Group uses sensitivity analyses to measure the impact that a reasonable and probable change in the claim costs, with all other assumptions held constant, would have on the Group's property and casualty and short-term life insurance incurred claims liabilities.

	31 December 2023				
	Change in assumptions	Impact on profit before tax		Impact on equity before tax	
		Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Average claim costs	**+1%**	**(143)**	**(110)**	**(143)**	**(110)**
	-1%	**143**	**110**	**143**	**110**

	31 December 2022				
	Change in assumptions	Impact on profit before tax		Impact on equity before tax	
		Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Average claim costs	+1%	(143)	(115)	(143)	(115)
	-1%	143	115	143	115

42 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

The following table indicates the gross claim development for property and casualty insurance contracts:

	2019	2020	2021	2022	2023	Total
Estimated cumulative claims paid:						
Year end	20,184	21,833	24,978	24,736	**27,920**	
1 year later	20,019	21,928	24,915	24,837		
2 years later	20,070	21,583	25,048			
3 years later	20,478	21,575				
4 years later	20,478					
Current estimate of cumulative claims	20,478	21,575	25,048	24,837	**27,920**	119,858
Cumulative payments to date	20,175	21,332	24,398	22,119	**19,073**	107,097
Subtotal						12,761
Prior period adjustments, unallocated loss adjustment expenses and risk adjustment for non-financial risk and discounting, etc						322
Total gross liabilities for incurred claims						13,083

About Us
Management Discussion and Analysis
Embedded Value
Corporate Governance
Financial Statements and Others

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

The following table indicates the net claim development for property and casualty insurance contracts:

	2019	2020	2021	2022	2023	Total
Estimated cumulative claims paid:						
Year end	19,471	20,993	23,784	23,801	**26,856**	
1 year later	19,317	21,086	23,622	23,250		
2 years later	19,369	20,715	23,765			
3 years later	19,565	20,685				
4 years later	19,534					
Current estimate of cumulative claims	19,534	20,685	23,765	23,250	**26,856**	114,090
Cumulative payments to date	19,339	20,590	23,436	21,514	**18,759**	103,638
Subtotal						10,452
Prior period adjustments, unallocated loss adjustment expenses and risk adjustment for non-financial risk and discounting, etc						(592)
Net liabilities for incurred claims						9,860
Amount recoverable on incurred claims						3,223
Total gross liabilities for incurred claims						13,083

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 line. 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 contracts assets and reinsurance contract 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.

42 RISK MANAGEMENT (CONTINUED)

Financial risk

(1) 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 foreign currency risk, interest rate risk and price risk.

(i) Foreign currency risk

The following tables summarise the Group's exposure to foreign currency exchange rate risk at the end of the reporting period by categorising financial assets and financial liabilities by major currency.

	31 December 2023				
	USD	HKD	AUD	EUR	Total
Financial assets					
Cash at bank and on hand	1,044	148	201	3	1,396
Term deposits	–	64	343	–	407
Financial assets at fair value through profit or loss	5,958	3,615	–	104	9,677
Equity financial assets at fair value through other comprehensive income	1,389	1,368	–	–	2,757
Debt financial assets at fair value through other comprehensive income	3,655	–	–	–	3,655
Total	12,046	5,195	544	107	17,892
Financial liabilities					
Bonds payable	2,127	–	–	–	2,127
Total	2,127	–	–	–	2,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(1) Market risk (continued)

(i) Foreign currency risk (continued)

	31 December 2022				
	USD	HKD	AUD	EUR	Total
Financial assets					
Cash at bank and on hand	3,110	6,344	295	5	9,754
Term deposits	25	–	137	–	162
Held-to-maturity financial assets	758	–	–	–	758
Financial assets at fair value through profit or loss	14	–	–	–	14
Available-for-sale financial assets	8,240	2,169	–	142	10,551
Total	12,147	8,513	432	147	21,239
Financial liabilities					
Bonds payable	2,088	–	–	–	2,088
Total	2,088	–	–	–	2,088

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 when the foreign exchange rates of USD and other foreign currencies vary.

	31 December 2023	
	Impact on profit before tax Increase/ (decrease)	**Impact on equity before tax Increase/ (decrease)**
+10%	**935**	**1,577**
– 10%	**(935)**	**(1,577)**

	31 December 2022	
	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
+10%	860	1,915
– 10%	(860)	(1,915)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(1) Market risk (continued)

(ii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, which mainly include listed equity securities and security investment funds of equity financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

The analysis below is performed for reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit and equity of the Group when the price of all kinds of financial instruments had been 10% higher/lower.

		31 December 2023		31 December 2022	
		Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Financial instruments	+10%	**2,319**	**5,332**	1,020	5,630
Insurance contract liabilities	+10%	**54**	**(1,168)**	202	(1,362)
Financial instruments	–10%	**(2,319)**	**(5,332)**	(1,020)	(5,630)
Insurance contract liabilities	–10%	**(62)**	**1,160**	(202)	1,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(1) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Group's debt financial assets are principally composed of term deposits, debt securities, debt scheme and wealth management products which are exposed to interest rate risk. The Group manages interest rate risk through adjustments to portfolio structure and duration, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

Sensitivity analysis of financial instruments

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, showing the pre-tax impact on the Group's profit and equity.

	31 December 2023	
	Impact on profit before tax Increase/(decrease)	**Impact on equity before tax Increase/(decrease)**
Change in assumptions		
+50bps	**(616)**	**(14,307)**
– 50bps	**616**	**14,307**

	31 December 2022	
	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Change in assumptions		
+50bps	(18)	(1,286)
– 50bps	18	1,286

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(1) Market risk (continued)

(iii) Interest rate risk (continued)

Sensitivity analysis of insurance contract liabilities

The analysis below measures the pre-tax impact of long-term life insurance contract liabilities at the end of each reporting period on the group's profit before tax and equity before tax in the event of changes in interest rate or discount rate.

	31 December 2023	
	Impact on profit before tax Increase/ (decrease)	**Impact on equity before tax Increase/ (decrease)**
Change in assumptions		
+25bps	**248**	**11,386**
– 25bps	**(253)**	**(12,316)**

	31 December 2022	
	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Change in assumptions		
+25bps	241	8,180
– 25bps	(244)	(8,858)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(2) Credit risk

Credit risk is the risk that one party of a financial transaction or the issuer of a financial instrument will fail to discharge its obligation and cause another party to incur a financial loss. Because the Group's investment portfolio is restricted to the types of investments as permitted by the NAFR and a significant portion of the portfolio is in government bonds, government agency bonds, interbank deposits, corporate bonds with higher credit rating and term deposits with the state-owned commercial banks, the Group's overall exposure to credit risk is relatively low. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, debt investment schemes, trust schemes, insurance receivables, other receivables and reinsurance arrangement, etc.

The Group manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. Where appropriate, the Group obtains collateral in the form of rights to cash, securities, property and equipment to lower the credit risk. The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months, but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Credit risk exposure

The carrying amount of financial assets, insurance contract assets and reinsurance contract assets included on the consolidated statement of financial position represents the maximum credit risk exposure at the reporting date without taking account of any collateral held or other credit enhancements attached. The Group had no credit risk exposure relating to off-balance sheet items as at 31 December 2023 and 2022.

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(2) Credit risk (continued)

Collateral and other credit enhancements

Securities purchased under agreements to resell are pledged by counterparties' debt securities or term deposits of which the Group could take the ownership if the owner of the collateral defaults. Policy loans and most of premium receivables are collateralised by their policies' cash value according to the terms and conditions of policy loan contracts and policy contracts, respectively.

Credit quality

The Group's debt securities investment mainly includes government bonds, corporate bonds, interbank deposits, financial bonds and subordinated bonds or debts. Most of these corporate bonds and subordinated bonds or debts have credit ratings of AA/A-2 or above. The bonds or debts' credit ratings are assigned by a qualified appraisal institution in the PRC.

Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above except for state-owned reinsurance companies. The Group believes these commercial banks and reinsurance companies have a high credit quality.

The credit risk associated with securities purchased under agreements to resell has not caused a material impact on the consolidated financial statements taking into consideration their sufficient collateral held and maturity terms of no more than one year as at 31 December 2023 and 2022.

Measurement of expected credit losses

The Group formulates the credit losses of financial assets, such as financial assets at amortised cost, debt financial assets at FVOCI and so on using expected credit loss models (ECL) according to IFRS 9 requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(2) Credit risk (continued)

Measurement of expected credit losses (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 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, 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:

(i) Debtor is more than 90 days past due after the contractual payment date

(ii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(iii) significant financial difficulty of the issuer or the borrower;

(iv) a breach of contract, such as a default or past due event;

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(2) Credit risk (continued)

Measurement of expected credit losses (continued)

The definition of credit-impaired assets (continued)

(v) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(vi) the disappearance of an active market for that financial asset because of financial difficulties;

(vii) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(2) Credit risk (continued)

Measurement of expected credit losses (continued)

Parameters of ECL model (continued)

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Group considers changes in default risk during the expected lifetime of the financial instrument. 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.

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" and "high risk" 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 credit losses. "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 credit losses. "High risk" means that there are factors revealing significant adverse impact on the asset quality, or financial investments actually in default.

The following table contains an analysis of the credit risk grading of loans and advances to customers, financial assets at amortised 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:

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(2) Credit risk (continued)

Measurement of expected credit losses (continued)

	2023			
	Stage one 12-month ECL	Stage two Lifetime ECL	Stage three Lifetime ECL	Total
Measured at fair value				
Credit grade				
Low risk	**253,413**	**547**	**–**	**253,960**
Medium risk	**2,452**	**3,079**	**–**	**5,531**
High risk	**–**	**–**	**1,127**	**1,127**
Carrying value	**255,865**	**3,626**	**1,127**	**260,618**

The movement in the provision for impairment of debt financial assets at fair value through other comprehensive income based on 12-month expected credit losses and lifetime expected credit losses is shown below:

	2023			
	Stage one 12-month ECL	Stage two Lifetime ECL (No credit impairment)	Stage three Lifetime ECL (Credit impairment occurred)	Total
Balance at the beginning of the year	**286**	**1,027**	**395**	**1,708**
Transfer between stages	**–**	**(936)**	**936**	**–**
Accrual/reversal during the year	**(153)**	**(7)**	**448**	**288**
Write-offs during the year	**(9)**	**–**	**(100)**	**(109)**
Balance at the end of the year	**124**	**84**	**1,679**	**1,887**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. When surrenders, reductions or other early terminations of policies occur, the Group determines the amounts that are payable on demand to the policyholders in accordance with the insurance contracts, which is usually the amount of unearned premiums corresponding to the relevant portion of the contract or the corresponding cash value of the policy, less the early termination fee (if any). 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.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and experience.

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(3) Liquidity risk (continued)

The following tables set forth the contractual and expected undiscounted cash flows for financial assets and liabilities and insurance liabilities:

	31 December 2023					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets						
Financial assets at fair value through profit and loss	–	7,141	20,812	21,280	83,454	132,687
Debt financial assets at fair value through other comprehensive income	–	63,911	70,804	245,908	–	380,623
Equity financial assets at fair value through other comprehensive income	–	–	–	–	31,831	31,831
Term deposits	–	3,301	7,331	–	–	10,632
Statutory deposits	–	1,775	4,092	290	–	6,157
Securities purchased under agreements to resell	–	13,129	–	–	–	13,129
Insurance contract assets	–	477	751	345	–	1,573
Reinsurance contract assets	–	2,879	1,403	391	–	4,673
Cash at bank and on hand	13,553	–	–	–	–	13,553
Liabilities						
Insurance contract liabilities	–	9,490	59,668	870,489	–	939,647
Reinsurance contract liabilities	–	30	12	–	–	42
Lease liabilities	–	354	395	10	–	759
Bonds payable	–	812	9,785	14,518	–	25,115
Financial liabilities at fair value through profit or loss	–	3,780	–	–	–	3,780
Securities sold under agreements to repurchase	–	29,662	–	–	–	29,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

(3) Liquidity risk (continued)

The following tables set forth the contractual and expected undiscounted cash flows for financial assets and liabilities and insurance liabilities: (continued)

	31 December 2022					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets						
Financial assets at fair value through profit or loss	–	4,126	2,435	499	19,818	26,878
Held-to-maturity financial assets	–	6,066	28,364	189,138	–	223,568
Investments classified as loans and receivables	–	5,081	32,185	3,467	–	40,733
Available-for-sale financial assets	–	29,586	43,684	24,078	88,038	185,386
Term deposits	–	18,972	4,486	–	–	23,458
Statutory deposits	–	1,676	4,506	–	–	6,182
Securities purchased under agreements to resell	–	7,375	–	–	–	7,375
Insurance contract assets	–	(164)	1,469	298	–	1,603
Reinsurance contract assets	–	2,175	1,043	449	–	3,667
Cash at bank and on hand	17,455	–	–	–	–	17,455
Liabilities						
Insurance contract liabilities	–	18,316	73,516	735,032	–	826,864
Reinsurance contract liabilities	–	24	13	–	–	37
Lease liabilities	–	505	325	31	–	861
Bonds payable	–	539	8,929	6,080	–	15,548
Financial liabilities at fair value through profit or loss	–	4,546	–	–	–	4,546
Securities sold under agreements to repurchase	–	17,480	–	–	–	17,480

42 RISK MANAGEMENT (CONTINUED)

Capital management

The Group's capital requirements are primarily dependent on the scale and 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 maximise shareholders' value.

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.

The solvency ratios of the Group and its major insurance subsidiaries as at 31 December 2023 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (II) and the Circular on Optimization of Solvency Supervision standard for Insurance Companies by National Administration of Financial Regulation.

The table below summarises the solvency ratios of the Group and its major insurance subsidiaries, calculated in accordance with the relevant solvency rules.

The Group

	31 December 2023	31 December 2022
Core capital	**73,869**	69,751
Actual capital	**107,874**	95,311
Minimum capital	**48,758**	48,081
Core solvency ratio	**152%**	145%
Comprehensive solvency ratio	**221%**	198%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

42 RISK MANAGEMENT (CONTINUED)

Capital management (continued)

Sunshine Life

	31 December 2023	31 December 2022
Core capital	**46,615**	43,133
Actual capital	**74,519**	62,540
Minimum capital	**40,611**	40,038
Core solvency ratio	**115%**	108%
Comprehensive solvency ratio	**183%**	156%

Sunshine P&C

	31 December 2023	31 December 2022
Core capital	**12,691**	10,837
Actual capital	**18,792**	16,990
Minimum capital	**7,660**	7,590
Core solvency ratio	**166%**	143%
Comprehensive solvency ratio	**245%**	224%

42 RISK MANAGEMENT (CONTINUED)

Disclosures about interest in unconsolidated structured entities

The Group's interests in unconsolidated structured entities are included in investments classified as financial assets at fair value through profit or loss and debt financial assets at fair value through other comprehensive income. 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 2.4(1) for the Group's consolidation consideration related to structured entities.

The following table shows the Group's interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur 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.

As at 31 December 2023, the Group's interests in unconsolidated structured entities and maximum exposure are shown below:

	Carrying amount	The Group's maximum exposure	Interest held by the Group
Products managed by the Group (note 1)	4,404	4,404	Investment income and management fee
Products managed by third parties (note 2)	49,471	49,471	Investment income
Total	53,875	53,875	

Note 1: As at 31 December 2023, the size of the unconsolidated structured entities that the Group sponsored and had interest was RMB47,612 million. As at 31 December 2023, the size of unconsolidated structured entities that the Group sponsored but had no interest was RMB356,685 million.

Note 2: The structured entities are sponsored by third party financial institutions and the information related to the size of these structured entities were not publicly available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

43 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Shareholders holding more than 5% of the Company's shares:

Name	Relationship with the Company	Percentage of shareholding
Beijing Chengtong Financial Holding Investment Co., Ltd.[(i)] ("Beijing Chengtong")	Shareholder of the Company	6.09%
China Chengtong Holdings Group Ltd.[(i)] ("China Chengtong")	Shareholder of the Company	3.04%
Beijing Ruiteng Yihong Investment Management Co., Ltd. [(ii)] ("Ruiteng Yihong")	Shareholder of the Company	6.09%
Jiangsu Tiancheng Property Development Co., Ltd.	Shareholder of the Company	5.22%
Lhasa Fengming Construction Machinery Sales Co., Ltd. [(ii)] ("Lhasa Fengming")	Shareholder of the Company	5.22%
Beijing Bangchen Zhengtai Investment Co., Ltd.[(iii)] ("Bangchen Zhengtai")	Shareholder of the Company	4.09%
Shanghai Xuchang Technology Co., Ltd.[(iii)] ("Shanghai Xuchang")	Shareholder of the Company	4.09%
Shannan Hongquan Equity Investment Co., Ltd.[(iii)] ("Shannan Hongquan")	Shareholder of the Company	3.24%

(i) Beijing Chengtong and China Chengtong are related parties and hold more than 5% of the Company's shares in total.

(ii) Ruiteng Yihong and Lhasa Fengming are related parties and hold more than 5% of the Company's shares in total.

(iii) Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan are related parties, and hold more than 5% of the Company's shares in total.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties

Name	Relationship with the Company
Jiangsu Yonggang Group Co., Ltd. ("Jiangsu Yonggang")	A shareholder of the Company
China Petroleum & Chemical Corporation ("SINOPEC")	A shareholder of the Company
Huishang Bank Co., Ltd. ("Huishang Bank")	An associate of the Group
Riverhead Capital Investment Management Co., Ltd. ("Riverhead Capital")	An associate of the Group
Hongde Fund Management Co., Ltd. ("Hongde Fund")	An associate of the Group
Beijing Zhongguancun Ronghui Financial Information Service Co., Ltd. ("Zhongguancun Ronghui")	An associate of the Group
Sunshine Family Insurance Sales & Services Co., Ltd. ("Sunshine Family") (i)	A subsidiary of the Group's associate
Sunshine Inclusive Information Technique Service Co., Ltd. ("Inclusive Technology") (i)	A subsidiary of the Group's associate
Beijing Yicai Human Resources Consulting Co., Ltd. ("Beijing Yicai")(ii)	A subsidiary of the Group's joint venture
Yicai Hongye Insurance Brokerage Co., Ltd. ("Yicai Brokerage") (ii)	A subsidiary of the Group's joint venture

(i) Sunshine Family and Inclusive Technology are subsidiaries of Zhongguancun Ronghui.

(ii) Beijing Yicai and Yicai Brokerage are subsidiaries of the Group's joint venture, Beijing Yicai Hongye Management Consulting Co., Ltd.

(c) Transactions with significant related parties

The following table summarises significant transactions carried out by the Group with its significant related parties:

	2023	2022
Gross written premiums from:		
Huishang Bank	**53**	47
Beijing Yicai	**27**	18
SINOPEC	**14**	–
Investment income from:		
Jiangsu Yonggang	**24**	26
Administrative and other expenses to:		
Inclusive Technology	**214**	141
Commission and brokerage expenses to:		
Sunshine Family	**804**	763
Yicai Brokerage	**17**	–
Huishang Bank	**13**	6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due from/to significant related parties

	31 December 2023	31 December 2022
Brokerage and commission payable to:		
Sunshine Family	**47**	39
Entrusted assets managed by[i]:		
Riverhead Capital	**9,775**	9,570
Hongde Fund	**5,501**	4,725
Zhongguancun Ronghui	**789**	638

(i) Entrusted assets managed by related parties represent the Group's investments in funds and wealth management products issued and managed by related parties.

(e) Key management personnel compensation

	2023	2022[i]
Employee benefit expenses	**100**	93

(i) Determined by the finally confirmed remuneration package.

44 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2023	31 December 2022
Contracted, but not provided for	**14,205**	19,500

45 CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 31 December 2023, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the management and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is extremely low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

46 STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(1) Statement of financial position of the Company:

	31 December 2023	31 December 2022
ASSETS		
Property and equipment	**553**	731
Right-of-use assets	**782**	1,160
Investments properties	**509**	–
Investments in subsidiaries	**31,738**	30,292
Financial Investments:		
Financial assets at fair value through profit or loss	**903**	–
Debt financial assets at fair value through other comprehensive income	**5,194**	N/A
Available-for-sale financial assets	**N/A**	6,246
Interest receivables	**N/A**	41
Other assets	**7,815**	2,753
Cash at bank and on hand	**753**	6,490
Total assets	**48,247**	47,713
LIABILITIES AND EQUITY		
Liabilities		
Lease liabilities	**16**	37
Securities sold under agreements to repurchase	**1,759**	1,417
Other liabilities	**1,435**	1,429
Total liabilities	**3,210**	2,883
Equity		
Share capital	**11,502**	11,502
Reserves	**30,225**	29,808
Retained profits	**3,310**	3,520
Total equity	**45,037**	44,830
Total liabilities and equity	**48,247**	47,713

ZHANG Weigong
Director

PENG Jihai
Director

46 STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(2) Reserve movement of the Company:

	Capital reserves	Surplus reserves	General risk reserves	Financial assets at FVOCI reserves	Available -for-sale financial assets revaluation reserve	Total	Retained profits
As at 31 December 2022	**27,094**	**1,324**	**1,324**	**–**	**66**	**29,808**	**3,520**
Changes in accounting policies	–	8	8	(4)	(66)	(54)	55
As at 1 January 2023	**27,094**	**1,332**	**1,332**	**(4)**	**–**	**29,754**	**3,575**
Net profit	–	–	–	–	–	–	2,255
Other comprehensive income	–	–	–	21	–	21	–
Total comprehensive income	–	–	–	21	–	21	2,255
Dividend declared	–	–	–	–	–	–	(2,070)
Appropriation to surplus reserves	–	225	–	–	–	225	(225)
Appropriation to general risk reserves	–	–	225	–	–	225	(225)
As at 31 December 2023	**27,094**	**1,557**	**1,557**	**17**	**–**	**30,225**	**3,310**

	Capital reserves	Surplus reserves	General risk reserves	Available -for-sale financial assets revaluation reserve	Total	Retained profits
As at 1 January 2022	22,539	1,068	1,068	179	24,854	3,021
Net profit	–	–	–	–	–	2,564
Other comprehensive income	–	–	–	(113)	(113)	–
Total comprehensive income	–	–	–	(113)	(113)	2,564
Dividend declared	–	–	–	–	–	(1,553)
Issue of shares	4,555	–	–	–	4,555	–
Appropriation to surplus reserves	–	256	–	–	256	(256)
Appropriation to general risk reserves	–	–	256	–	256	(256)
As at 31 December 2022	27,094	1,324	1,324	66	29,808	3,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS EXPRESSED IN RMB MILLION UNLESS OTHERWISE SPECIFIED)

47 SUBSEQUENT EVENTS

Profit distribution

On 25 March 2024, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2023 and declared a final cash dividend of 2023 with a total distribution of RMB2,070 million in the amount of RMB0.18 (tax inclusive) per share. The profit distribution plan is subject to the approval by the Annual General Meeting.

48 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.

阳光保险集团
Sunshine Insurance Group