



阳光保险集团

Sunshine Insurance Group

Sunshine Insurance Group Company Limited

阳光保险集团股份有限公司

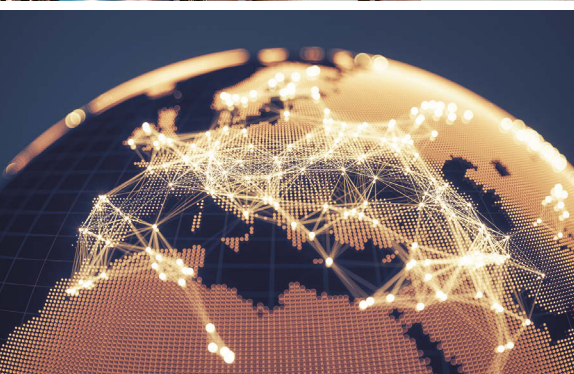
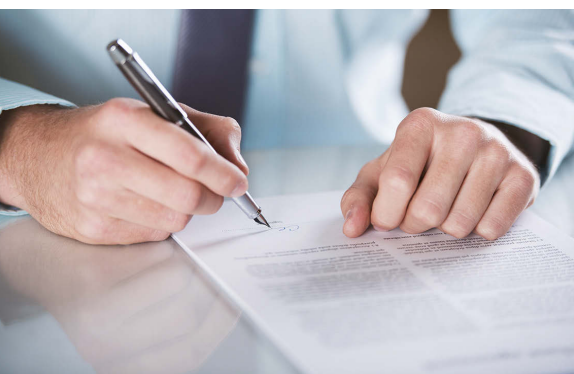
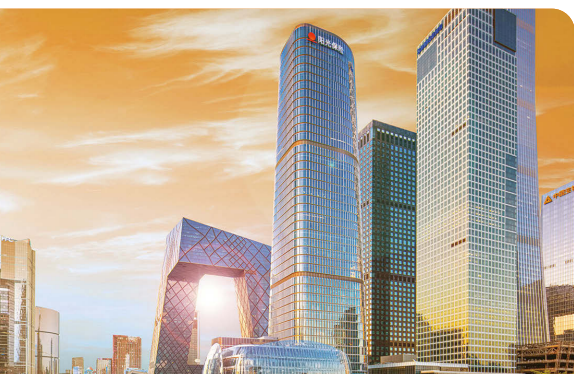
(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06963)

2022

ANNUAL REPORT





| | |
|-------------|---|
| Definitions | 2 |
|-------------|---|

ABOUT US

| | |
|-----------------------|----|
| Honors and Awards | 8 |
| Corporate Information | 10 |
| Chairman Statements | 12 |
| Results Highlights | 18 |

MANAGEMENT DISCUSSION AND ANALYSIS

| | |
|----------------------------|----|
| Business Overview | 20 |
| Analysis of Annual Results | 25 |
| Analysis on Special Items | 48 |
| Major Events | 51 |
| Prospects | 56 |

EMBEDDED VALUE

CORPORATE GOVERNANCE

| | |
|---|-----|
| Directors, Supervisors, Senior Management and Employees | 64 |
| Report of the Board of Directors | 79 |
| Report of the Board of Supervisors | 102 |
| Corporate Governance Report | 105 |

FINANCIAL STATEMENTS AND OTHERS

| | |
|---|-----|
| Independent Auditor's Report | 137 |
| Consolidated Financial Statements and Notes | 145 |

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”, “PRC” or “Mainland China” | 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,” “PRC” or “Mainland China” 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 14 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 |

DEFINITIONS

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| “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 |
| “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, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication |

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| “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 (中華人民共和國財政部) |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| “Offer Shares” | the Hong Kong Offer Shares and the International Offer Shares |
| “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 |

DEFINITIONS

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|---------------------|---|
| “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 |
| “Reporting Period” | for the year ended December 31, 2022 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “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 |

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|---------------------------|---|
| “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 Supervisor(s) |
| “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 2022

Awarding Entity

China Enterprise Confederation, China Enterprise Directors Association
 All-China Federation of Industry and Commerce
 China Foundation for Poverty Alleviation
 China Banking and Insurance News
 National Business Daily

 Securities Times

 Yicai
 21st Century Business Herald

Honors and Awards

Ranked among the "Top 500 Chinese Enterprises" for 12 consecutive years
 71st among the Top 500 Chinese Private Enterprises
 Outstanding Contribution Award for Facilitating Poverty Alleviation
 Model of China's Influential Financial Brand
 Annual Award of Annual Financial Contribution for Serving the Real Economy
 2022 Ark Award for Insurance Companies with Outstanding Social Responsibility
 Insurance Company of the Year
 2022 Asia Excellent Technology Insurance Institution

AWARDS OF SUNSHINE P&C FOR 2022

Awarding Entity

21st Century Business Herald
 National Business Daily
 ZMoney

Honors and Awards

2022 Excellent Customer Service
 Excellent Property and Casualty Insurance Company of the Year
 Insurance Company for Excellent Claims Service

AWARDS OF SUNSHINE LIFE FOR 2022

Awarding Entity

National Business Daily
 The Economic Observer
 JRJ

Honors and Awards

Annual Outstanding Life Insurance Company
 Annual Excellent Customer Experience Insurance Company Award
 Outstanding Insurance Service Award

AWARDS OF SUNSHINE AMC FOR 2022

Awarding Entity

China Securities Journal

 Securities Times

Honors and Awards

Insurance Asset Management Portfolio Product Golden Bull Award
 2022 Ark Award for Innovative Insurance Asset Management Products

AWARD OF SUNSHINE UNION HOSPITAL FOR 2022

Awarding Entity

All-China Federation of Trade Unions, Publicity Department of the Communist Party of China, Central Civilized Office, Ministry of Industry and Information Technology, Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council

Honors and Awards

The 17th National Model Unit for Professional Ethics Construction



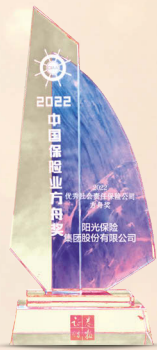
213th among the Top 500 Chinese Enterprises



71st among the Top 500 Chinese Private Enterprises



Outstanding Contribution Award for Facilitating Poverty Alleviation



2022 Ark Award for Insurance Companies with Outstanding Social Responsibility



Insurance Asset Management Portfolio Product Golden Bull Award



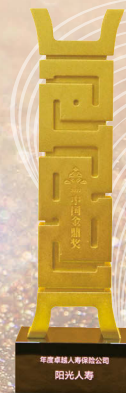
Annual Excellent Customer Experience Insurance Company Award



Insurance Company for Excellent Claims Service



2022 Excellent Customer Service



Annual Outstanding Life Insurance Company

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 Office of the Board of Directors
Telephone: (8610) 5828 9818
E-mail: ir@sinosig.com

LEGAL REPRESENTATIVE

Mr. ZHANG Weigong

SECRETARY TO THE BOARD

Mr. DONG Yingqiu

AUTHORIZED REPRESENTATIVES

Mr. PENG Jihai
Mr. DONG Yingqiu

JOINT COMPANY SECRETARIES

Mr. DONG Yingqiu
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

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CHAIRMAN STATEMENTS



Dear shareholders,
On December 9, 2022, Sunshine Insurance was successfully listed on the Hong Kong Stock Exchange thanks to the trust of new and existing shareholders and all walks of life. Insurance is built on trust. The management of the Company is deeply grateful for the trust of our shareholders and will further drive the value creation for the Company to live up to that trust and reward our shareholders and the society.

2022 was an extraordinary year. In the face of the severe international environmental wind and the numerous unexpected factors in the country, the CPC led the people of all nationalities in China to rise to form a strong team and work hard and maintain the general economic and social stability. The 20th CPC National Congress was held triumphantly, drawing up a grand blueprint for building a socialist modern country in all respects and on all fronts advancing the great rejuvenation of the Chinese nation through a Chinese path to modernization. Against the backdrop of both opportunities and challenges, the Company responded to the times and the trend, continuously focusing on its main business of insurance and value development, taking reform and innovation as the driving force for development, adhering to the principle of combining growth with pragmatism and successfully achieving all its business targets.



ZHANG Weigong
Chairman of the Board

ABOUT US

MANAGEMENT DISCUSSION
AND ANALYSIS

EMBEDDED VALUE

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS AND OTHERS

CHAIRMAN STATEMENTS

During the year, we adhered to the development concept of “sound and fast, sound outbalances fast” and achieved a steady growth in overall business performance, which helped to further enhance our value creation capability. The total revenue of the Company for the year amounted to RMB128.58 billion, an increase of 7.2% year on year. Embedded value amounted to RMB101.27 billion, an increase of 8.0% compared with the end of last year. Net profit attributable to equity owners of the parent was RMB4.88 billion. Sunshine Life’s first-year regular premiums (“FYRPs”) were RMB14.75 billion, with an increase of 9.3% year on year, while the value of one year’s new business amounted to RMB3.02 billion, achieving positive growth year on year. Sunshine P&C made a profit on underwriting with a premium income of RMB40.38 billion.

During the year, we continued to enrich and improve our product and service systems based on the “Matrix Partner” strategic plan, and further promoted our customer strategy, realizing a rapid growth in the number of active customers. We actively explored the “Matrix” plan for individuals and families, and built a multi-level and differentiated ecological service system covering the whole life cycle of families around the core systems of health, retirement, children’s education and wealth management of our customers. We firmly implemented the “Partner” action for enterprise organizations. To that end, we were committed to becoming a trusted partner in enterprise risk management by providing a systematic and integrated package of risk solutions to our customers, and by promoting the transformation from a mere provider of financial compensation insurance to a risk management service supporter. As of the end of 2022, the Group had approximately 32.88 million active customers.

During the year, we took core capacity building as the driving force, with the core competencies of our major subsidiaries more consolidated, the channel layout continuously optimized and the exploration of model innovation accelerated. Sunshine Life adhered to the business model of diversified and synergistic development of channels, laying a good foundation for “multiple-line progress”. The agent channel built a comprehensive and diversified product and service ecosystem with a differentiated team management model and business model, first-year regular premium of the channel increased by 6.7% year on year, and productivity per capita increased by 13.9% year on year, with the number of MDRT achievers increasing by 31.4% year on year. While the bancassurance channel focuses on the development strategy of value-oriented products, value-oriented outlets and value-oriented teams, the Company has established a professional distribution coordination team with strong network operation capability, customer service capability and productivity per capita. The profitability of Sunshine P&C was rapidly improved, with the loss ratio and expense ratio dropping by 1.6 and 3.6 percentage points respectively year on year. The use of the intelligent life table for automobile insurance (車險智能生命表) was gradually improved and the risk identification and product pricing capacity of non-automobile insurance was steadily enhanced. Moreover, the management of risk reduction was beginning to bear fruit.

During the year, we comprehensively promoted digital transformation and technological innovation, and promoted the online, intelligent and value enhancement of business. Focusing on process optimisation and data and model application, the Company continued to improve its five core capabilities of digital customer insight, digital marketing, digital product innovation, digital risk control and digital operation, and comprehensively promoted the digital transformation of the Company. Sunshine Life promoted the application of digital technology in sales support, customer service and risk prevention to empower business and operational efficiency improvement. By relying on big data and artificial intelligence technology, Sunshine P&C will continue to optimise customer base and develop business, improve operation efficiency and enhance risk prevention ability.

During the year, we stayed true to our original aspiration to contribute the warmth and power of sunshine to the society in serving the real economy, securing the people's livelihood, promoting common prosperity and advancing a green China. In 2022, we provided risk coverage of RMB44.5 trillion for the real economy, green insurance coverage of nearly RMB60 trillion, risk coverage of RMB82.2 billion for the "Belt and Road" Initiative project and risk coverage of RMB170 billion for small and medium-sized enterprises. Also, we assisted small and medium-sized enterprises in financing RMB14.5 billion. As at the end of 2022, the balance of sustainable investment exceeded RMB40.0 billion and the cumulative investment in public charities exceeded RMB596 million.

The year 2023 marked the beginning of embarking on a new journey towards the implementation of the guiding principles of the 20th CPC National Congress and the construction of a Chinese path to modernization. Staying true to its main business and responsibilities, Sunshine will well position itself in serving the great Chinese path to modernization. That will mean accelerating the Company's high-quality development and high-value growth, taking the initiative to serve the general economic and social landscape and giving full play to the insurance protection. All these efforts will help the Company move faster towards a customer-driven high-value insurance group.

Things must be done with consistency, and there must be regularity in governance. No matter how times develop or how the years change, common sense and principles will not change. Focus and determination have been the key assets of our development over the past 18 years, while our long valued Sunshine culture have been even our "company treasure" in rooting and managing the Company. Facing the changes of the times, we will respond to the "changes" with "constancy" by standing fast to our main business of insurance, firmly adhering to the culture of Sunshine, defending customer sovereignty and unswervingly promoting the construction of both basic and core capabilities, for further strengthening ability to develop value through compliant operation of the Company.

We are customer-oriented and deeply rooted in our mission so that other businesses will flourish. The value of a company comes down to its customers. To this end, we commit ourselves to being a customer-driven high-value insurance group by focusing all our efforts on "customer-centric" core competencies. We implemented our "Matrix Partner" strategic plan to realize our business pursuit of being a professional and leading provider of family insurance protection services and a trustworthy enterprise risk management partner.

CHAIRMAN STATEMENTS

Built on value, we will resolve all problems. The report to the 20th CPC National Congress takes the “effective quality improvement and reasonable quantity growth” as the internal requirement of high-quality economic development. We will take this as the fundamental guideline for the Company’s development, uphold the concept of value development and practice the development ideology of “moving forward in a good way”. We will focus more on the value of new business, effective manpower, capital efficiency and ROE of life insurance, and the core operating indicators of combined ratio, cash flow, reserve adequacy and ROE of property and casualty insurance business, so as to further improve the Company’s overall operating capability.

We will seek innovations while reinforcing our foundation. Basic and core competencies are the fundamental drivers of long-term sustainable value development, and we have formulated a clearly-defined development strategy around basic and core competencies. Focusing on the projected themed “One Body, Two Wings (一身兩翼)” and “One Extension, One High (一延一高)”, we will consolidate the base of individual agents channel for life insurance and develop a new business of “Blue Ocean of Value (價值藍海)”, extend the value space for single customer and the high-value customer base. Property and casualty insurance is focusing on the “last mile (最後一公里)” target of the life table for automobile insurance (車險生命表工程) project and the breakthrough of the non-automobile revitalization project, for building a stable source of profit from automobile insurance and establishing the relative advantages of non-automobile insurance and improving risk reduction services.

We are committed to becoming a technology-driven and ecologically sound company. Adhering to the strategy-driven and target-driven technology strategy, we will steadfastly promote the digital transformation of the Company. That means taking the “Luobupo Project (羅布泊計劃)” as the starting point. This will drive us to achieve key breakthroughs while moving forward and fully release the vitality and capability of our technology team. Meanwhile, in response to customers’ big health needs in the post-pandemic era, the Company will continue to integrate internal and external resources, enrich the ecosystem around the main business such as medical and health care, create an integrated service ecosystem and provide customers with a differentiated value-added service system.

In the ever-changing current of the times, if a company is likened to a ship, serving the Chinese path to modernization will be the “guiding light (指明燈)” that leads the way. We will anchor our orientation and establish coordinates in serving the Chinese path to modernization, with the Sunshine culture as the rudder to ensure that the ship is on course. Taking the construction of basic and core capabilities as the oar and the technological innovation and ecological conservation as the sail, that will provide us with even stronger power to push the “Sunshine” ship to travel steadily and further. All these efforts will make greater contributions to the Chinese path to modernization.

Sunshine Insurance Group Company Limited

陽光保險集團股份有限公司

ZHANG Weigong

Chairman of the Board

RESULTS HIGHLIGHTS

RMB in millions

| KEY PERFORMANCE DATA | End of 2022 | End of 2021 | Increase/ decrease | End of 2020 | End of 2019 |
|----------------------|----------------|----------------|-----------------------|----------------|----------------|
| Total Assets | 485,357 | 441,623 | 9.9% | 406,494 | 332,558 |
| Total liabilities | 423,338 | 382,407 | 10.7% | 349,547 | 281,415 |
| Total equity | 62,019 | 59,216 | 4.7% | 56,947 | 51,143 |

| KEY PERFORMANCE DATA | 2022 | 2021 | Increase/ decrease | 2020 | 2019 |
|--|----------------|---------|-----------------------|--------|--------|
| GWPs | 108,740 | 101,759 | 6.9% | 92,569 | 87,907 |
| Net profit | 5,015 | 6,020 | -16.7% | 5,681 | 5,151 |
| Net profit attributable to shareholders of the parent | 4,881 | 5,883 | -17.0% | 5,619 | 5,086 |

| KEY PERFORMANCE INDICATORS | 2022 | 2021 | Increase/ decrease | 2020 | 2019 |
|--|-------------|-------|-----------------------|-------|-------|
| Earnings per share (RMB/share) ¹ | 0.47 | 0.57 | -17.5% | 0.54 | 0.49 |
| Net assets per share (RMB) ¹ | 5.28 | 5.60 | -5.7% | 5.39 | 4.83 |
| Weighted average return on net assets ¹ | 8.6% | 10.3% | -1.7% | 10.6% | 11.0% |

Note 1: Based on the data attributable to shareholders of the Company. Earnings per share and percentage of increase or decrease in net assets per share are calculated based on the data before rounding.

MANAGEMENT DISCUSSION AND ANALYSIS

| | |
|----------------------------|----|
| Business Overview | 20 |
| Analysis of Annual Results | 25 |
| Analysis on Special Items | 48 |
| Major Events | 51 |
| Prospects | 56 |

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

Dedicated to value creation, we are a fast-growing, privately owned insurance group in the PRC that provides comprehensive solutions focusing on professional risk protection and diverse service offerings to our customers.

We carry out our life and health insurance business mainly through Sunshine Life, offering 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 short-term health insurance, guarantee insurance, liability insurance, agriculture insurance and commercial property insurance. We primarily manage our insurance funds through Sunshine AMC.

(I) Results of operations

Sunshine Insurance focuses on insurance as its core business, and strives to create value and maintain a comprehensive and balanced insurance business. Through continuous innovation, Sunshine Insurance provides new momentum for business development. The Company continuously promotes customer strategy, continues to explore “Matrix Plan” for individual customers and their families and “Partnership Action” for enterprises and organizations, builds a full life cycle and multi-service system covering families, and provides a systematic risk solutions for system integration for institutional customers.

In 2022, the Company’s overall operating performance grew steadily, and its ability to create value has been continuously enhanced, maintaining a sound growth momentum. The Group achieved the total revenue of RMB128.58 billion, representing a year-on-year increase of 7.2%, among which the gross written premiums (GWPs) were RMB108.74 billion, representing a year-on-year increase of 6.9%. The Group’s net profit attributable to shareholders of the parent was RMB4.88 billion, representing a year-on-year decrease of 17.0%. The Group’s embedded value was RMB101.27 billion, up 8.0% from the end of last year. The value of one year’s new business of Sunshine Life was RMB3.02 billion, representing a year-on-year increase of 0.1%. The combined ratio of Sunshine P&C was 99.9%. The Group’s total investment yield was 5.0%, representing a year-on-year decrease of 0.4 percentage points. At the end of 2022, the Group had approximately 32.88 million active customers⁽¹⁾.

- **The business of life insurance was sound, with premiums of the insurance business continuing to grow, and the value of new business maintained a steady growth.**
 - The life insurance gross written premiums were RMB68.30 billion, representing a year-on-year increase of 12.3%;
 - The first-year regular premiums (“FYRPs”) were RMB14.75 billion, representing a year-on-year increase of 9.3%;
 - The value of one year’s new business was RMB3.02 billion, representing a year-on-year increase of 0.1%.

Note 1: The active customers refer to the applicants and insureds who hold at least one valid insurance policy at the point of time of the statistics, excluding complimentary insurance. 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.

- **The profitability of property and casualty insurance business⁽²⁾ was enhanced, and the business structure was optimized.**

- Net profit was RMB1,602 million and underwriting profit was RMB42 million, and the combined ratio was 99.9%. Of which, underwriting profit of automobile insurance amounted to RMB632 million, with a combined ratio of 97.4%; The combined ratio of non-automobile insurance was 104.1%, mainly due to the increase in guarantee insurance costs as a result of macroeconomic and market changes. The combined ratio of non-guarantee insurance of non-automobile insurance was 99.7%, achieving overall profitability.
- The OPI was RMB40,376 million, and the quality and structure of the business were continuously optimized. For one thing, the Company actively controlled the scale of credit and guarantee insurance business and tightened risk exposure, resulting in a year-on-year decrease of 21.4% in the scale of guarantee insurance; For another thing, we continued to improve customer management and maintained steady growth in major value business. The proportion of

non-guarantee insurance business increased by 3.9 percentage points. Among them, the growth rate of private passenger vehicle premiums was 7.5%, the growth rate of new energy vehicle premiums was 97.1%, the growth rate of agricultural insurance premiums was 61.7% and the growth rate of policy-supported health insurance premiums was 112.0%.

- **We firmly practiced the concept of long-term value investment, and focused on asset and liability management, achieving a sound and steady investment performance.**

- The total investment income reached RMB20.13 billion, representing a year-on-year increase of 5.4%; the total investment yield was 5.0%, representing a year-on-year decrease of 0.4 percentage points.
- We continuously improved our comprehensive investment management ability and customer service level of multi-asset, multi-strategy and multi-customer, with third-party assets under management of RMB414.98 billion, representing a year-on-year increase of 21.4%.



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

MANAGEMENT DISCUSSION AND ANALYSIS

- **We promoted digital transformation and technological innovation, and promote online and intelligent business and corporate value enhancement.**
 - Focusing on process optimisation and data and model application, we continued to improve the five core capabilities of digital customer insight, digital marketing, digital product innovation, digital risk control and digital operation, and comprehensively promoted the Company's digital transformation.
 - We highlighted technological innovation, focused on RPA robotic process automation, effectively supported risk selection and pricing, operational cost control and differentiated customer services, and won 14 external technological innovation awards.
 - We strengthened technological support, strengthened the construction of a big data platform, built distributed, micro-service and cloud-native architecture, promoted the online and intelligent business of the Company, and obtained 13 new patents during the year.
- **We served the real economy, fulfilled social responsibilities, and practiced sustainable development.**
 - We improved the well-being of the people and served the real economy. We promoted rural revitalization and steadily expanded the coverage of agricultural product insurance related to the national economy and people's livelihood and national food security; we deeply served the real economy and provided a total of RMB44.5 trillion of risk protection for the real economy in 2022; we provided services to jointly build the "Belt and Road" Initiative, and provided risk protection of RMB82.2 billion for "Belt and Road" projects; and we provided more than RMB170.0 billion of risk protection for 12 thousand micro, small and medium-sized enterprises and helped micro and small enterprises obtain financing worth RMB14.5 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. By the end of 2022, Sunshine Insurance has invested more than RMB596 million in various public welfare and charitable undertakings; Over 28,000 teachers and students benefited from 71 schools established in 24 provinces across the country. A total of 16,372 rural doctors were trained to benefit nearly 11 million villagers. We sincerely care for our employees and their families, and parent-supporting subsidies were granted to a total of 33,200 employees.
- We promoted green development and achieved harmonious coexistence. In 2022, we had provided nearly RMB60 trillion in green insurance protection to 16.35 million enterprises and individuals, and more than RMB4 billion in compensation support. We built a sustainable investment framework and incorporate environmental, social and governance factors into investment decisions. As at the end of 2022, the balance of sustainable investment exceeded RMB40.0 billion. We promote low-carbon office, energy conservation and consumption reduction, and resource recycling, continuously improve the utilisation rate of electronic insurance policies and online services, and implement the concept of "carbon peaking and carbon neutrality".

(II) Major indicators

Unit: RMB in millions

| Indicators | 31 December 2022/January- December 2022 | 31 December 2021/January- December 2021 | Increase/ decrease |
|--|---|---|-----------------------|
| GWPs | 108,740 | 101,759 | 6.9% |
| Net profit | 5,015 | 6,020 | -16.7% |
| Net profit attributable to equity owners of the parent | 4,881 | 5,883 | -17.0% |
| Total assets | 485,357 | 441,623 | 9.9% |
| Total liabilities | 423,338 | 382,407 | 10.7% |
| Total equity | 62,019 | 59,216 | 4.7% |
| Equity attributable to owners of the parent | 60,741 | 58,008 | 4.7% |
| Earnings per share (RMB/share) ¹ | 0.47 | 0.57 | -17.5% |
| Net assets per share (RMB) ¹ | 5.28 | 5.60 | -5.7% |

Note 1: Fill in with data attributable to the owners of the Company. Earnings per share and percentage of increase or decrease in net asset value per share are calculated based on rounded data.

Unit: RMB in millions

| Indicators | 31 December 2022/January- December 2022 | 31 December 2021/January- December 2021 | Increase/ decrease |
|---|---|---|-----------------------|
| Embedded value of the Group | 101,273 | 93,776 | 8.0% |
| Value of one year's new business of Sunshine Life | 3,018 | 3,015 | 0.1% |
| Comprehensive solvency ratio (%)¹ | | | |
| – The Group | 198 | 223 | -25pt |
| – Sunshine Life | 156 | 189 | -33pt |
| – Sunshine P&C | 224 | 267 | -43pt |

Note 1: The comprehensive solvency ratio as of 31 December 2022 is calculated 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)》) (“C-ROSS Phase II Rules”) issued by the CBIRC. The comprehensive solvency ratio as of 31 December 2021 is calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (No. 1-17) (《保險公司償付能力監管規則(1-17號)》) (“C-ROSS Phase I Rules”) issued by the former CIRC.

MANAGEMENT DISCUSSION AND ANALYSIS

| Indicators (%) | 31 December 2022/January- December 2022 | 31 December 2021/January- December 2021 | Increase/ decrease |
|--|---|---|-----------------------|
| The Group | | | |
| Weighted average return on equity ¹ | 8.6 | 10.3 | -1.7 pt |
| Net investment yield ² | 4.1 | 4.6 | -0.5 pt |
| Total investment yield ³ | 5.0 | 5.4 | -0.4 pt |
| Life Insurance | | | |
| Total investment yield ³ | 5.4 | 5.1 | 0.3 pt |
| Commission and brokerage ratio ⁴ | 10.3 | 11.1 | -0.8 pt |
| Property and Casualty Insurance⁵ | | | |
| Loss ratio ⁶ | 65.0 | 66.6 | -1.6 pt |
| Expense ratio ⁷ | 34.9 | 38.5 | -3.6 pt |
| Combined ratio ⁸ | 99.9 | 105.1 | -5.2 pt |
| Total investment yield ³ | 4.8 | 5.9 | -1.1 pt |

Note 1: Weighted average return on equity equals net profits 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. Investment assets refer to cash and short-term deposits, 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, policy loans, 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, realized gains and gains and losses from fair value changes, less impairment losses on investment assets.

Note 4: Commission and brokerage ratio equals commission and brokerage expenses in a period divided by GWPs for the period.

Note 5: Financial ratios of property and casualty insurance refer to those financial ratios of Sunshine P&C.

Note 6: Loss ratio represents the ratio of loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned.

Note 7: Expense ratio represents the ratio of operating expenses (including commission and brokerage expenses), net of reinsurance commission income, to net premiums earned.

Note 8: Combined ratio equals the sum of the loss ratio and the expense ratio.

Explanation on discrepancies between domestic and overseas accounting standards

There were no discrepancies between the Group's consolidated net profit for the year 2022 or consolidated equity as at 31 December 2022 as presented in the financial statements prepared in accordance with the PRC GAAP and those prepared in accordance with IFRS.

II. ANALYSIS OF ANNUAL RESULTS

Life Insurance

(I) Business analysis

In 2022 when the global economic environment was turbulent, the domestic market environment and customer demand were changing, and industry transformation entered a deep-water zone, Sunshine Life continuously pursued sustainable value growth and actively explored new ideas for development. Based on the deep understanding of the market environment and changes in customer needs, we began to implement the “Matrix Plan” to build our customer-oriented core competency. Driven by our insight into customer needs, we worked on sales force transformation and upgrading, product system improvement, service system construction, and digital innovation to ensure sustainable high-quality and sound development. The GWPs were RMB68.30 billion in 2022, a year-on-year increase of 12.3%; the value of one year’s new business was RMB3.02 billion, a year-on-year increase of 0.1%.

1. Operational channels

Sunshine Life adhered to the business model of diversified and synergistic development of sales channels. On the premise of maintaining the advantages of the current bancassurance channel, it accelerated the reform and transformation of the individual insurance agent channel, and actively cultivated new channels with the potential to further consolidate the Company’s good foundation of “multiple-lines progress”.



MANAGEMENT DISCUSSION AND ANALYSIS*Unit: RMB in millions*

| For the year ended December 31 | 2022 | 2021 | YOY growth |
|---|---------------|---------------|--------------|
| Individual insurance agent channel | 15,806 | 15,089 | 4.8% |
| First-year premiums | 3,553 | 3,330 | 6.7% |
| Including: long-term insurance (more than one year) | 3,154 | 2,889 | 9.2% |
| – Including: regular premium | 2,933 | 2,749 | 6.7% |
| – Including: single premium | 221 | 140 | 57.9% |
| Including: short-term insurance (one year or below) | 399 | 441 | -9.5% |
| Renewal premiums | 12,253 | 11,759 | 4.2% |
| Bancassurance channel | 45,296 | 39,050 | 16.0% |
| First-year premiums | 28,359 | 27,855 | 1.8% |
| Including: long-term insurance (more than one year) | 28,359 | 27,855 | 1.8% |
| – Including: regular premium | 11,311 | 9,847 | 14.9% |
| – Including: single premium | 17,048 | 18,008 | -5.3% |
| Including: short-term insurance (one year or below) | – | – | – |
| Renewal premiums | 16,937 | 11,195 | 51.3% |
| Other channels⁽¹⁾ | 7,193 | 6,687 | 7.6% |
| GWPs | 68,295 | 60,826 | 12.3% |
| First-year premiums | 34,867 | 33,588 | 3.8% |
| Including: long-term insurance (more than one year) | 32,117 | 31,804 | 1.0% |
| – Including: regular premium | 14,745 | 13,485 | 9.3% |
| – Including: single premium | 17,372 | 18,319 | -5.2% |
| Including: short-term insurance (one year or below) | 2,750 | 1,784 | 54.1% |
| Renewal premiums | 33,428 | 27,238 | 22.7% |

Note 1: Other channels include the group insurance channel, integrated channel, online sales channel, and insurance agencies and insurance brokers channel.

(1) *Individual insurance agent channel*

Through its individual insurance agent channel, Sunshine Life adhered to high-quality transformation and development, implemented differentiated management and different operation strategies for different levels of agent groups, and enhanced the team's capability to sell products and services to various customer groups, and strived to build agent teams pertinent to specific customer groups. In 2022, the GWPs from the individual insurance agent channel amounted to RMB15.81 billion, a year-on-year growth of 4.8%, of which FYRPs amounted to RMB2.93 billion, a year-on-year growth of 6.7%. The productivity per capita⁽¹⁾ amounted to approximately RMB14,000, a year-on-year growth of 13.9%. The number of insurance agents meeting the MDRT standard achieved a year-on-year increase of 31.4%.

The agent channel adhered to the agent team structure optimization, promoted more resources to attract and nurture the high-performance agents, implemented customer management projects of new agents, enhanced customer management ability of new agents, and realized the healthy development and transformation of the team. The new agents' productivity per capita amounted to approximately RMB11,000 in 2022, a year-on-year increase of 13.1%.

Meanwhile, Sunshine Life has implemented breakthrough projects in central cities and provincial capitals since 2020. In the tier-1 and tier-2 cities, Sunshine Life has made every effort to build an elite sales team of over a thousand agents that can serve medium and high-net-worth customers. In 2022, agents in this team with tertiary education and above exceeded 80%, with productivity per capita amounting to approximately RMB30,000, which is 2.1 times that of the whole individual insurance agent team.



MANAGEMENT DISCUSSION AND ANALYSIS

| For the year ended December 31 | 2022 | 2021 | YOY growth |
|---|---------------|--------|------------|
| Average number of agents per month ⁽²⁾ | 62,990 | 81,113 | -22.3% |
| Average ratio of active agents per month ⁽³⁾ | 16.4% | 16.8% | -0.4pt |
| Productivity per capita (RMB) | 13,940 | 12,235 | 13.9% |

Note 1: Productivity per capita refers to the ratio of average monthly first-year regular standard premiums to average monthly active labour. First-year regular standard premiums=FYRPs with a term of more than one year X 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: 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.

Note 3: 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 of Sunshine Life adhered to value development as the core. Through measures such as strategic map layout, refined institutional management and differentiated management, Sunshine Life built the development strategy of products, outlets and teams, and actively reduced single premium placement and vigorously developed regular premium value-oriented business, with single premiums to FYRPs ratio being optimised year by year. In 2022, the GWPs from the bancassurance channel amounted to RMB45.30 billion, a year-on-year growth of 16.0%, of which FYRPs amounted to RMB11.31 billion, a year-on-year growth of 14.9%; the average productivity of branches and outlets⁽¹⁾ amounted to approximately RMB66,000, a year-on-year growth of 24.7%.

At the same time, we have been deeply cultivating the team's basic competencies, and established a professional distribution coordination team with outlet management capabilities and customer service

capabilities in bank channels such as state-owned, joint-stock and local commercial banks. In 2022, the productivity per capita of the team⁽²⁾ amounted to approximately RMB120,000, representing a year-on-year increase of 15.7%, maintaining its leading position in the industry.

(3) Other channels

Sunshine Life actively explored the marketing model to reach institutional customers, integrated the internal high-quality group customer resources, and continuously expanded the external group customers. Through insights and study of the needs of customers in key industries, Sunshine Life deeply cooperated with group customers in response to the pain points of different types of enterprises, provided medical, pension, health and other series of insurance products and services for their employees and family members, through which further increased the number of individual customers and sought new breakthroughs.

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.

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 labour; the active labour of the bancassurance channel refers to the labour whose first-year regular standard premiums in the current month are greater than RMB0.

In addition, Sunshine Life accelerated the pace of development, optimized the business structure and explored innovative development models for group insurance channel, integrated channel, online sales channel, insurance agencies and insurance brokers channel, and improved the capability of value development so as to meet the needs of customers in different scenarios.

In 2022, the GWPs from other channels amounted to RMB7.19 billion, a year-on-year increase of 7.6%.

2. Customer Management

Upholding the customer-centric business philosophy, Sunshine Life implemented the “Matrix Plan” around the whole life cycle of customers’ families, and continuously improved the “insurance + service” construction of product and ecological service system. As of the end of 2022, Sunshine Life had 14.95 million active customers. Meanwhile, through in-depth insights into customer needs, certain breakthroughs were achieved in the operation 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 28.3%, and the number of customers with in-force policies of first-year standard premiums of RMB50,000 and above increased by 18.5%.

In terms of insurance product system, we provided a full range of coverage for family members at different stages, including healthcare, life insurance, accident, education and elderly-care. We launched the “Sunshine Insurance i Family (陽光保i家)” series of family critical illness insurance products to meet the healthcare demands of each family member of customers; launched the “Sunshine Life Longevity (陽光壽)” and

other functional products to meet the increasing caring needs of elderly customers in the context of aging; launched the “Sunshine Life Baby (陽光貝)” children’s education fund products to meet the long-term education reserve needs of the new generation of family members; launched the “Union (Relief Edition) (融和(安心版))” for customer families that needed long-term medical insurance with adjustable rates to meet the long-term medical guarantee needs of customers.

In terms of service system, we built the “Zhen • Cheng (臻•橙)” customer service brands, including the two brands of “Sunshine Sincere Desire (陽光•橙意)” and “Sunshine Legacy (陽光•臻傳)”. Focusing on the four core needs of family customers in healthcare, elderly care planning, child education, wealth management, etc., we strived to build a multilayered “insurance + service” service ecosystem covering the entire life cycle of customers’ families, specifically including: establishing a comprehensive “medical, medicine, health and elderly care” service system and building a comprehensive and multilayered health and elderly care service system where institutions offering services for the elderly play a principal role, integrate health regimen caring, elderly vacationing residents, and residential caring, and providing comprehensive solutions for children’s education and education fund for customers; establishing the “Sunshine Legacy • Family Office (陽光•臻傳家族辦公室)” to provide services such as human capital, financial capital, intellectual capital and organizational capital for high-net-worth customers; launching the industry-leading serial service brands of “Legacy • Insurance Benefit Trust (臻傳•保險金信託)” to meet the needs of high-net-worth customers for asset security, appreciation and inheritance, and to ensure the direct linkage between capital and quality life services.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Product Operation

(1) Analysis by business type

Unit: RMB in millions

| For the year ended 31 December | 2022 | 2021 | YOY growth |
|--------------------------------|---------------|--------|------------|
| Life insurance | 56,589 | 49,744 | 13.8% |
| – Traditional | 36,232 | 26,761 | 35.4% |
| – Participating | 20,148 | 22,771 | -11.5% |
| – Universal | 209 | 212 | -1.4% |
| Accident insurance | 711 | 932 | -23.7% |
| Health insurance | 10,995 | 10,150 | 8.3% |
| GWPs | 68,295 | 60,826 | 12.3% |

(2) Information on the top five products

For the year ended 31 December

Unit: RMB in millions

| Ranking | Name | Type | 2022 | |
|---------|--|------------------------------|--------|------------------------------------|
| | | | GWPs | 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 | 20,424 | Bancassurance channel |
| 2 | 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 | 8,706 | Bancassurance channel |
| 3 | Sunshine Life Insurance Jin Man Ying (Exclusive Version) Endowment (Participating) (陽光人壽金滿盈(尊享版)兩全保險(分紅型)) | Participating life insurance | 7,521 | Bancassurance channel |
| 4 | Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (陽光人壽臻愛倍致終身壽險) | Traditional life insurance | 5,701 | Bancassurance channel |
| 5 | Sunshine Life Insurance Sunshine Rise B Whole Life (陽光人壽陽光升B款終身壽險) | Traditional life insurance | 2,323 | Individual insurance agent channel |

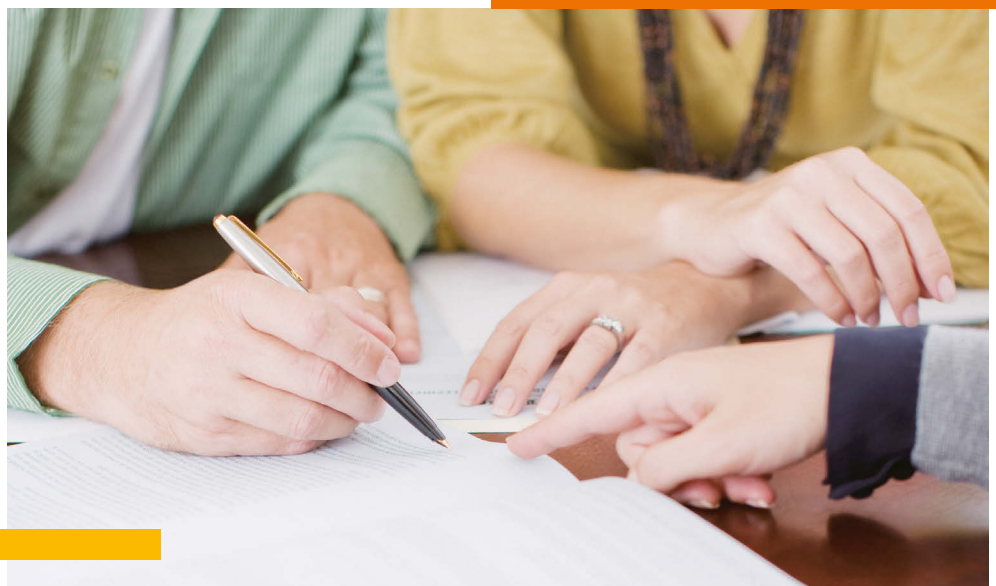
4. Premium persistency ratio

| For the year ended December 31 | 2022 | 2021 | YOY |
|---|------|------|-------|
| 13-month premium persistency ratio (%) ⁽¹⁾ | 90.5 | 87.0 | 3.5pt |
| 25-month premium persistency ratio (%) ⁽²⁾ | 78.5 | 76.7 | 1.8pt |

The persistency ratio increased thanks to the continuous optimization of business quality of Sunshine Life. The 13-month persistency ratio for 2022 was 90.5%, a year-on-year increase of 3.5 percentage points while the 25-month persistency ratio for 2022 was 78.5%, increased by 1.8 percentage points year on year.

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 given year, while the nominator is the premiums from such policies which have remained in force in the given 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 given year, while the nominator is the premiums from such policies which have remained in force in the given year.



MANAGEMENT DISCUSSION AND ANALYSIS

5. Premiums in the top ten regions

Unit: RMB in millions

| For the year ended December 31 | 2022 | 2021 | YOY growth |
|--------------------------------|---------------|--------|------------|
| Zhejiang | 4,219 | 2,478 | 70.3% |
| Guangdong | 3,982 | 3,255 | 22.3% |
| Hubei | 3,842 | 3,828 | 0.4% |
| Shandong | 3,387 | 3,039 | 11.5% |
| Chongqing | 3,380 | 3,178 | 6.4% |
| Hebei | 3,056 | 4,251 | -28.1% |
| Shenzhen | 2,912 | 1,857 | 56.8% |
| Henan | 2,798 | 2,515 | 11.3% |
| Beijing | 2,783 | 2,231 | 24.7% |
| Fujian | 2,518 | 1,895 | 32.9% |
| Subtotal | 32,877 | 28,527 | 15.2% |
| Subtotals of other regions | 35,418 | 32,299 | 9.7% |
| GWPs | 68,295 | 60,826 | 12.3% |

6. Digital Innovation

Sunshine Life focuses on customer insights, precision marketing, intelligent customer service, risk management and other application scenarios through scientific and technological innovation, and actively promotes projects such as robots and big data to realize technology empowerment business and operational efficiency enhancement.

(1) Sales Support

Investing in a sales robot that is oriented to customer needs. Using the big data platform and artificial intelligence algorithm and based on accurate customer profile, we fast iterated sales strategies and empowered agents to identify customer needs and provide “products+services” guarantee planning for customers and their families throughout their entire life cycle.

Building a management robot that empowers frontline managers. Using big data models, independently developed dendrogram components and other cutting-edge technologies for closed-loop management across the whole operational process, clarified the path of business operation, provides multi-dimensional and all-round diagnosis report on the operation, quickly and precisely identifies key problems and offers reference solutions. We transformed the business management mode from “experience + feeling” to “science + reason” and improved the management efficiency.

(2) Customer Services

We use our intelligent service platform “My Home Sunshine” APP to have customers get 7x24-hour full, accurate, fast and precise service experience, get online services of claim settlement and preservation available anytime and anywhere and get effective connection with the Company. As of the end of 2022, the total number of registered users of “My Home Sunshine” APP reached approximately 4.02 million, and this APP served approximately 60.74 million person-times throughout the year.

The service robots provide self-service for customers and business teams, explore service pain points, promote the optimisation of service processes and tools, and form a virtuous cycle of improving customer service experience.

(3) Risk Prevention

We effectively made identification pertinent to objects, methods and disposal mechanisms, set more than 260 monitoring indicators, and establish risk monitoring and early warning platform “Sky Eye System (天眼系統)” by applying big data and machine learning technologies, and considering the characteristics and trends of industry reports and complaints, public opinion events, and major risk cases. We form the dynamic processing process to effectively prevent operational risks through the pre-risk management identifying the risk of sales behavior of sales personnel and the risk of non-compliance of key positions personnel.

Catering to various protection needs of our customers, health trends and industry regulations, we focused on health big data, promoted the health big data project and provided diversified insurance products to meet different needs for personal health. We developed prediction models for death risk, hospitalization risk, and critical illness risk to accurately price long-term insurance products, improve the capability to make accurate pricing and prevent the two core risks beforehand, which benefits our value development, and we gained one national patent for invention.



MANAGEMENT DISCUSSION AND ANALYSIS

(II) Financial Analysis

The following table sets forth the summary of Statements of Profit or Loss for our life insurance segment for the periods indicated:

Unit: RMB in millions, except for percentages

| For the year ended December 31 | 2022 | 2021 | Changes |
|---|---------------|---------------|--------------|
| Net premiums earned | 66,719 | 59,575 | 12.0% |
| Investment income | 18,056 | 12,670 | 42.5% |
| Share of profits and losses of associates and joint ventures | 1,065 | 2,322 | -54.1% |
| Other income | 901 | 1,027 | -12.3% |
| Total revenues | 86,741 | 75,594 | 14.7% |
| Net policyholders' benefits and claims: | 64,829 | 54,306 | 19.4% |
| Interest credited to investment contracts | 3,832 | 3,470 | 10.4% |
| Commission and brokerage expenses | 7,040 | 6,739 | 4.5% |
| Finance costs | 814 | 1,074 | -24.2% |
| Other operating and administrative expenses | 5,395 | 6,028 | -10.5% |
| Total benefits, claims and expenses | 81,910 | 71,617 | 14.4% |
| Profit before tax | 4,831 | 3,977 | 21.5% |
| Income Tax | 105 | 553 | -81.0% |
| Net profit | 4,936 | 4,530 | 9.0% |

Net premiums earned

Net premiums earned from the life insurance segment increased by 12.0% from RMB59,575 million in 2021 to RMB66,719 million in 2022, mainly because we have made constant efforts in implementing the multichannel strategy for the sales channels, and have achieved fast growth in bancassurance channel.

Investment income

Our investment income from the life insurance segment increased by 42.5% to RMB18,056 million in 2022 from RMB12,670 million in 2021, primarily due to: (i) an increase in our interest and dividend income as a result of an increase in our investment assets; (ii) increases in realized gains and unrealized gains.

Share of profits and losses of associates and joint ventures

Share of profits and losses of associates and joint ventures from the life insurance segment decreased by 54.1% to RMB1,065 million in 2022 from RMB2,322 million in 2021, primarily due to the disposal of certain associates.

Other income

Other income from the life insurance segment decreased by 12.3% to RMB901 million in 2022 from RMB1,027 million in 2021, primarily due to the decrease in the income from investment contracts.

Net policyholders' benefits and claims

Net policyholders' benefits and claims from the life insurance segment increased by 19.4% to RMB64,829 million in 2022 from RMB54,306 million in 2021, primarily due to growth of life insurance business.

Interest credited to investment contracts

Interest credited to investment contracts from the life insurance segment increased by 10.4% to RMB3,832 million in 2022 from RMB3,470 million in 2021, primarily due to the increase in investment contract liabilities.

Commission and brokerage expenses

Commission and brokerage expenses from the life insurance segment increased by 4.5% to RMB7,040 million in 2022 from RMB6,739 million in 2021, primarily due to the increase in premium.

Finance costs

Finance costs from the life insurance segment decreased by 24.2% to RMB814 million in 2022 from RMB1,074 million in 2021, primarily due to decreases in interest on securities sold under agreements to repurchase, bonds payable and asset-backed securities.

Other operating and administrative expenses

Other operating and administrative expenses from the life insurance segment decreased by 10.5% to RMB5,395 million in 2022 from RMB6,028 million in 2021, primarily due to a decrease in impairment loss on other assets and change in foreign exchange gain or loss.

Net profit

As a result of the foregoing, our net profit from the life insurance segment increased by 9.0% to RMB4,936 million in 2022 from RMB4,530 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Property and Casualty Insurance

We provide property and casualty insurance products and services mainly through Sunshine P&C. In 2022, Sunshine P&C's GWPs accounted for 99.9% of our GWPs generated from property and casualty insurance business. Unless otherwise specified, this section shall only describe the business of Sunshine P&C.

(I) Business analysis

In 2022, Sunshine P&C adhered to the development concept of prioritizing profitability while pursuing growth, which improved its profitability, optimized its business structure and consolidated a solid foundation for high-quality development. It achieved an underwriting profit of RMB42 million, a combined ratio of 99.9%, a loss ratio of 65.0%, and an expense ratio of 34.9%. The annual OPI was RMB40.38 billion, representing a year-on-year decrease of 0.4 percentage points.

Unit: RMB in millions

| For the year ended December 31 | 2022 | 2021 | YOY |
|--------------------------------|--------|--------|--------|
| Original premium income | 40,376 | 40,531 | -0.4% |
| Premiums ceded to us | 33 | 388 | -91.5% |
| Gross written premiums | 40,409 | 40,919 | -1.2% |

Unit: RMB in millions

| Original premium income For the year ended December 31 | 2022 | 2021 | YOY |
|---|---------------|---------------|--------------|
| Automobile insurance | 24,630 | 23,176 | 6.3% |
| Non-automobile insurance | 15,746 | 17,355 | -9.3% |
| Guarantee insurance | 5,816 | 7,397 | -21.4% |
| Accident and short-term health insurance | 4,775 | 5,047 | -5.4% |
| Liability insurance | 2,262 | 2,055 | 10.1% |
| Commercial property insurance | 1,047 | 905 | 15.7% |
| Others ⁽¹⁾ | 1,846 | 1,951 | -5.4% |
| Total | 40,376 | 40,531 | -0.4% |

Note 1: Others mainly include agricultural insurance, engineering insurance, cargo insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

| All types For the year ended 31 December | 2022 (%) | 2021 (%) | YOY growth |
|---|----------|----------|------------|
| Expense ratio ⁽¹⁾ | 34.9 | 38.5 | -3.6pt |
| Loss ratio ⁽²⁾ | 65.0 | 66.6 | -1.6pt |
| Combined ratio ⁽³⁾ | 99.9 | 105.1 | -5.2pt |

Note 1: Expense ratio refers to the ratio of operating expenses (including commission and brokerage expenses), net of reinsurance commission income, to net premiums earned.

Note 2: Loss ratio refers to the ratio of loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned.

Note 3: Combined ratio refers to the sum of the loss ratio and the expense ratio.

1. Business by insurance type

Unit: RMB in millions

| Insurance name | Original premium income | Insured amount | Claims | Reserves | Underwriting profit | Combined ratio |
|--|-------------------------|----------------------|---------------|---------------|---------------------|----------------|
| Automobile insurance | 24,630 | 17,778,799 | 16,534 | 17,607 | 632 | 97.4% |
| Non-automobile insurance | 15,746 | 2,175,457,147 | 8,919 | 19,658 | -590 | 104.1% |
| Guarantee insurance | 5,816 | 338,361 | 4,153 | 11,411 | -613 | 109.3% |
| Accident and short-term health insurance | 4,775 | 53,994,875 | 1,916 | 2,782 | 360 | 91.6% |
| Liability insurance | 2,262 | 2,113,858,001 | 920 | 2,383 | -63 | 103.5% |
| Commercial property insurance | 1,047 | 2,873,501 | 556 | 1,263 | -90 | 120.1% |
| Others | 1,846 | 4,392,409 | 1,374 | 1,819 | -184 | 112.7% |



MANAGEMENT DISCUSSION AND ANALYSIS

(1) *Automobile insurance*

In 2022, Sunshine P&C's OPI from automobile insurance was RMB24.63 billion, representing a year-on-year increase of 6.3%. The combined ratio of automobile insurance was 97.4%, with an underwriting profit of RMB632 million. Through continuously promoting the implementation of the project of "intelligent life table for automobile insurance(車險智能生命表)", Sunshine P&C deeply integrated automobile insurance operation and actuarial technique, continued to pursue a more precise way of pricing and a more scientific way of resource allocation, and further consolidated the foundation for the sustainable and healthy development of automobile insurance.

At the same time, we focused on continuously improving the management of individual customers and actively broadened the strategic business segments. The growth rate of private passenger vehicle premiums was 7.5% with the proportion in auto insurance business increased by 0.7 percentage points and the growth rate of new energy vehicle premiums was 97.1% with the proportion in auto insurance business increased by 3.3 percentage points. In the future, we will continue to deepen the construction and implementation of the intelligent life table for automobile insurance project, further improve product pricing and scientific resource allocation capabilities, and build the core competitiveness of Sunshine's automobile insurance.

(2) *Non-automobile insurance*

In 2022, Sunshine P&C's OPI of non-automobile insurance was RMB15.75 billion, representing a year-on-year decrease of 9.3%, and the combined ratio of non-automobile insurance was 104.1%. In 2022, Sunshine P&C strove to enhance its capabilities in relation to non-automobile risk identification and pricing, established the framework system of life table for non-automobile insurance, set detailed rules for evaluating and adjusting the cost of risk for different products, industries and regions, and proactively adjusted business structure at the same time. In the future, Sunshine P&C will continue to improve its capabilities in relation to non-automobile risk identification and product pricing, improve the level of risk management services, and further optimize its business structure and quality, and continuously consolidate the foundation for sustainable and healthy development of non-automobile insurance.

Guarantee insurance

In 2022, Sunshine P&C's OPI of guarantee insurance was RMB5.82 billion, representing a year-on-year decrease of 21.4%. The combined ratio was 109.3%. On the one hand, based on the judgment of the macro situation, the Company has taken the initiative to optimize its business structure, tighten the access criteria and scale down its business; on the other hand, owing to changes of market environments, customers' business activities and repayment ability were greatly affected, and the loss ratio showed a significant increase. In the future, Sunshine P&C will maintain a prudent development strategy, continue to optimize its business structure and customers' structure, further improve its risk control capability and enhance operational stability.

Accident and short-term health insurance

In 2022, Sunshine P&C's OPI of accident and short-term health insurance was RMB4.78 billion in 2022, representing a year-on-year decrease of 5.4 percentage points; the combined ratio was 91.6%. Based on the advantages of Sunshine Insurance Group in the medical field, Sunshine P&C actively participated in social security supplementary insurance programs in China, increased efforts on developing the business of policy-supported insurance, such as critical illness insurance, and large-amount of supplementary medical insurance for urban employees, and achieved breakthroughs in areas such as long-term care insurance and outpatient chronic disease insurance, with the growth rate of 112.0% in policy-supported health insurance premiums. In the future, the Company will gradually build a professional solution of "insurance institution+ health management+ technology empowerment" to establish Sunshine's comparative advantages and characteristics in the field of policy-supported health insurance.

Liability insurance

In 2022, Sunshine P&C's OPI of liability insurance was RMB2.26 billion, representing a year-on-year increase of 10.1%. The combined ratio was 103.5%, representing a year-on-year decrease of 0.6 percentage points. Sunshine P&C actively participated in social governance, production safety and public services, supported the development of real economy and green economy, and provided insurance protection for new citizens. In the future, the Company will further increase its efforts to serve the modernization of national governance and give full play to the role of liability insurance in resolving conflicts and disputes, while continuously improving its capabilities in relation to risk identification and product pricing to achieve "sound and fast" development of liability insurance.

Commercial property insurance

In 2022, the OPI from commercial property insurance of Sunshine P&C was RMB1.05 billion, representing a year-on-year increase of 15.7%; The combined ratio was 120.1%, representing a year-on-year decrease of 20.6 percentage points through continuous improvement of risk identification and pricing capabilities and strict control of business quality. Sunshine P&C supports the development of real economy and serves the Belt and Road. In addition, Sunshine P&C continued to innovate product models and optimize a series of "Boss Relieved" insurance products to assist the development of small, medium and micro-sized enterprises, help smooth operation of the economy and help small, medium and micro-sized enterprises tide over difficult times. In the future, the Company will continue to provide risk protection and risk reduction services for real economy enterprises, and actively play the role of shock absorbers for the real economy and social stabilizers. At the same time, we will further enhance our risk identification and product pricing capabilities, optimize our business structure and quality, and effectively decrease cost.

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 P&C". As of the end of 2022, Sunshine P&C had 18.72 million active customers.

In terms of individual customers, we continued to deepen the research on individual customers, accelerated the innovation of personal non-automobile insurance products, strengthened customer retention, extended the insurance and service coverage, and achieved rapid improvement in individual customer retention and conversion. The renewal rate of private passenger vehicle insurance customers was 63.7%, representing a year-on-year increase of 4.4 percentage points. The proportion of non-automobile insurance products purchased by individual auto insurance customers reached 47.0%, representing a year-on-year increase of 4.1 percentage points.

In terms of institutional customers, we have steadily promoted the implementation of the "Partner Initiative", established a nationwide risk management network under the direct leadership of the headquarters and branches, respectively, launched the Sunshine Sky Eye risk map platform. We focused on key business development areas in the form of "insurance + technology + service", increased risk management services on the basis of the single risk transfer of traditional insurance products, improved risk identification and product pricing capabilities, and helped enterprises achieve risk reduction and value enhancement. In 2022, we provided technology-based disaster mitigation and professional risk consulting services to more than 4,300 important corporate customers.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Premiums in the top ten regions

Unit: RMB in millions

| Original premium income For the year ended December 31 | 2022 | 2021 | YOY |
|---|---------------|---------------|--------------|
| Shandong | 4,833 | 4,709 | 2.6% |
| Henan | 3,751 | 3,633 | 3.2% |
| Zhejiang | 3,245 | 3,509 | -7.5% |
| Hebei | 2,845 | 2,617 | 8.7% |
| Guangdong | 2,091 | 2,095 | -0.2% |
| Sichuan | 1,876 | 1,765 | 6.3% |
| Jiangsu | 1,815 | 1,834 | -1.0% |
| Anhui | 1,456 | 1,586 | -8.2% |
| Hubei | 1,398 | 1,094 | 27.8% |
| Beijing | 1,325 | 1,443 | -8.2% |
| Subtotal | 24,635 | 24,285 | 1.4% |
| Subtotal in other regions | 15,741 | 16,246 | -3.1% |
| Total | 40,376 | 40,531 | -0.4% |

4. Digital Transformation

Relying on big data and artificial intelligence technology, Sunshine P&C made breakthroughs in key projects, supported by the reform of model and mechanism, continued to promote digital transformation, continuously optimized customer experience, empowered business development, improved operational efficiency and enhanced risk prevention, driving the high-quality development of the Company.

(1) Customer service

Relying on the sunshine online platform (Auto•Life APP, mini program, official website, Wecom account), we optimized the customer service process and provided customers with one-stop convenient services, serving over 120 million customers in total, with a service satisfaction rate of 94%. At the same time, we actively promoted the online and intelligent counter services to further improve customer experience and operational efficiency.

(2) Business operations

We promoted the reshaping of basic capabilities, launched the new generation core business system for non-automobile insurance, and greatly improved the stability, security, scalability and configuration of the system. The Company deeply explored the innovation of business scenarios, created the "Automobile Insurance Robot", organically combined big data algorithms with expert experiences, and actively explored the intelligent pricing and allocation fee of automobile insurance and automatic business operation diagnosis. Based on customer insights and content mining, we built the "Internet and Telephone Sales Robot" to support dynamic monitoring, analysis and auxiliary sales.

(3) Risk prevention

Relying on the Sunshine Sky Eye risk map platform, we present the national natural disaster risk distribution and policy risk distribution, empower underwriting pricing, risk screening and customer risk management, and provide customers with more than 250 thousand weather disasters, typhoon paths, and waterlogging point data and other early warning information. At the same time, based on the automobile insurance anti-fraud model, we reduced the accumulated insurance claim costs exceeding RMB63 million in 2022.

(II) Financial Analysis

Since we carry out substantially all of our property and casualty insurance business through Sunshine P&C, the following discussion on the segment operating performance of our property and casualty insurance business is mainly a discussion on the respective performance of Sunshine P&C during the periods indicated.

Sunshine P&C

Unit: RMB in millions

| For the year ended December 31 | 2022 | 2021 | Changes |
|--|---------------|---------------|---------------|
| Net premiums earned | 38,441 | 37,757 | 1.8% |
| Investment income | 1,940 | 2,312 | -16.1% |
| Share of profits and losses of associates and joint ventures | 187 | 171 | 9.4% |
| Other income | 159 | 177 | -10.2% |
| Total revenues | 40,727 | 40,417 | 0.8% |
| Net policyholders' benefits and claims: | 24,987 | 25,148 | -0.6% |
| Commission and brokerage expenses | 4,334 | 5,242 | -17.3% |
| Finance costs | 316 | 196 | 61.2% |
| Other operating and administrative expenses | 9,293 | 9,514 | -2.3% |
| Total benefits, claims and expenses | 38,930 | 40,100 | -2.9% |
| Profit before tax | 1,797 | 317 | 466.9% |
| Income Tax | -195 | 135 | -244.4% |
| Net profit | 1,602 | 452 | 254.4% |

MANAGEMENT DISCUSSION AND ANALYSIS

Net premiums earned

Net premiums earned of Sunshine P&C increased by 1.8% to RMB38,441 million in 2022 from RMB37,757 million in 2021, primarily due to the combined effect of GWPs and net change in unearned premium reserves.

Investment income

Investment income of Sunshine P&C decreased by 16.1% to RMB1,940 million in 2022 from RMB2,312 million in 2021, primarily due to the decrease in realized gains.

Share of profits and losses of associates and joint ventures

Share of profits and losses of associates and joint ventures of Sunshine P&C increased by 9.4% to RMB187 million in 2022 from RMB171 million in 2021, primarily due to an increase in the profits of certain associates.

Other income

Other income of Sunshine P&C decreased by 10.2% to RMB159 million in 2022 from RMB177 million in 2021, primarily due to a decrease in commission income from withholding vehicle and vessel tax.

Net policyholders' benefits and claims

Net policyholders' benefits and claims of Sunshine P&C remained stable at RMB25,148 million and RMB24,987 million in 2021 and 2022, respectively.

Commission and brokerage expenses

Commission and brokerage expenses of Sunshine P&C decreased by 17.3% to RMB4,334 million in 2022 from RMB5,242 million in 2021, primarily due to a decrease in GWPs from Sunshine P&C, and lower commission and brokerage ratios in relation to accident and short-term health insurance, resulting from the implementation of laws and regulations relating to the Internet insurance business.

Finance costs

Finance costs of Sunshine P&C increased by 61.2% to RMB316 million in 2022 from RMB196 million in 2021, primarily due to an increase in the interest on bonds payable.

Other operating and administrative expenses

Other operating and administrative expenses of Sunshine P&C decreased by 2.3% to RMB9,293 million in 2022 from RMB9,514 million in 2021, primarily due to a decrease in business promotion and consulting expenses.

Net profit

As a result of the foregoing, net profit of Sunshine P&C increased by 254.4% to RMB1,602 million in 2022 from RMB452 million in 2021.

Asset Management

The Group has always focused on its own investment capacity building. Adhering to the core principle of asset and liability management, as well as philosophy of long-term and value investment. The Group has built up sound institutional system of asset management. With the full-range investment qualifications and diversified investment capability, the Group has developed the core competitiveness with distinct characteristics of Sunshine during many years of practice in investment. This has not only achieved long-term, stable and sustainable performance and returns for insurance funds, but also played an important synergistic role in enhancing our insurance business and value development.

(I) Our Group's investment assets

In 2022, due to the impact of overseas interest-rate hikes and geopolitical conflicts, as well as weakened domestic economic growth, the equity market in China declined significantly, and the investment yields of long-term bond and high-quality non-standard debt assets were decreasing on average. The Group always maintains strategic determination, strictly follows the principle of asset liability management and persists in medium and long-term strategic asset allocation. Whilst focusing on stable investment return, the Group makes dynamic tactical asset allocation adjustments based on market changes. Firstly, we seized the time windows of market opportunities to increase the allocation of long-term government bonds and policy bank bonds. Therefore, the Group further extended the asset duration, and hence reduced the duration gap and reinvestment risk. Secondly, we actively increased the investment in high-quality alternative assets to strengthen the cost-return matching on the premise of well-controlled credit risk exposure. Last but not least, the Group maintained a reasonable equity positions with balanced allocation of value stocks and growth stocks, aiming to reduce portfolio volatility and balance risk and return. As of December 31, 2022, our Group's total investment assets reached RMB428.84 billion, representing a year-on-year increase of 10.3%, and total investment income reached RMB20.13 billion, representing a year-on-year increase of 5.4%.



MANAGEMENT DISCUSSION AND ANALYSIS

1. Investment portfolio

Unit: RMB in millions

| | December 31, 2022 | | Change in percentage from the end of the previous year | Change in amount from the end of the previous year |
|---|-------------------|---------------|--|--|
| | Amount | Percentage | | |
| Fixed-income financial assets | 289,207 | 67.4% | 2.3pt | 14.2% |
| Term deposits | 22,383 | 5.2% | -0.6pt | -0.1% |
| Bonds | 183,167 | 42.7% | 0.7pt | 12.1% |
| Policy loans | 11,077 | 2.6% | -0.1pt | 5.9% |
| Wealth management products ⁽¹⁾ | 50,208 | 11.7% | 0.3pt | 13.0% |
| Other debt investments ⁽²⁾ | 22,372 | 5.2% | 2.0pt | 78.3% |
| Equity financial assets | 89,587 | 20.9% | 2.3pt | 24.4% |
| Stocks | 52,972 | 12.4% | 3.7pt | 56.5% |
| Equity funds | 6,093 | 1.4% | -1.4pt | -43.2% |
| Wealth management products ⁽¹⁾ | 24,203 | 5.6% | 0.4pt | 18.6% |
| Other equity investments ⁽³⁾ | 6,319 | 1.5% | -0.4pt | -10.1% |
| Investments in associates and joint ventures | 16,136 | 3.8% | -3.6pt | -44.0% |
| Investment properties | 9,085 | 2.1% | -0.3pt | -3.1% |
| Cash and cash equivalents and others⁽⁴⁾ | 24,829 | 5.8% | -0.7pt | -1.8% |
| Investment assets (total) | 428,844 | 100.0% | - | 10.3% |

Notes:

- (1) Wealth management products mainly include trust schemes from trust companies, products from insurance asset management companies, wealth management products from commercial banks and private equity funds.
- (2) Other debt investments mainly include statutory deposits, bond funds and money market funds.
- (3) Other equity investments include unlisted equities, preferred shares and equity perpetual bonds.
- (4) Cash and cash equivalents and others mainly include cash deposits and securities purchased under agreements to resell.

(1) By investment category

Bonds investment. The Group performed in-depth research into interest rate trend, and increased long-term government bonds investment in order to stabilize portfolio yields and improve asset and liability duration matching. As of December 31, 2022, bond investments accounted for 42.7% of the total investment assets, an increase of 0.7 percentage points from the end of the previous year; among them, government bonds accounted for 59.0% of the bond investments. The Group has attached great importance to credit risk management, strictly controlled risk exposures by sector(s) and by counterparty(ies), etc., and carefully selected targets to ensure the risk was manageable. Overall, the issuers of the Group's bond investments are of strong financial strength, hence, the credit risk of bond portfolio is well managed. 98.3% of domestic bonds (excluding government bonds and policy bank bonds) held by us received a credit rating of AA+ or above by external rating agencies, of which 95.2% received a credit rating of AAA or above; 100% of overseas bonds held by us were investment-grade bonds with a credit rating of BBB or above by external rating agencies, of which 93.6% received a credit rating of A or above.

Fixed-income wealth management products. Fixed-income wealth management products held by the Group include fixed-income insurance asset management portfolio products and debt investment schemes issued by insurance asset management companies, and fixed-income collective investment trust schemes issued by trust companies. As of December 31, 2022, the fixed-

income wealth management products held by the Group amounted to RMB50.21 billion, accounting for 11.7% of the Group's total investment assets. 95.0% of the debt investment schemes and trust schemes we held received credit ratings of AAA. In terms of industry distribution, the underlying projects are spread across sectors including infrastructure, non-banking financial services, real property, public services and manufacturing. For the risk management of fixed-income wealth management products, the Group mainly focuses on three aspects: asset allocation, product selection and investment portfolio management. In addition, we continually monitor and strictly manage the credit risk throughout the full life cycle of the investment, including fund raising, investment, management and exiting, and establish an overall and individual risk alert framework covering all investment fields, varieties and instruments to ensure that the risks of investment assets in the entire process are thoroughly assessed and controlled.

Equity financial assets. Equity financial assets held by the Group include stocks, equity funds, equity wealth management products and other equity investments. As of December 31, 2022, the Group's investment in equity financial assets amounted to RMB89.59 billion, accounting for 20.9% of the total investment assets, an increase of 2.3 percentage points from the end of the previous year, of which the investment in stocks and equity funds accounted for 13.8% of the total investment assets. When selecting listed shares, we prefer value stocks with high dividend yield and high-quality growth stocks with sustainable performance, basing our decisions on in-depth industry researches as well as the government industrial policy guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) By investment purpose

Unit: RMB in millions

| | December 31, 2022 | | Change in percentage from the end of the previous year | Change in amount from the end of the previous year |
|---|-------------------|---------------|--|--|
| | Amount | Percentage | | |
| Financial assets at fair value through profit or loss | 20,455 | 4.8% | 1.7pt | 68.2% |
| Available-for-sales financial assets | 169,469 | 39.5% | -1.5pt | 6.2% |
| Held-to-maturity investments | 114,704 | 26.7% | 5.1pt | 36.4% |
| Investments in associates and joint ventures | 16,136 | 3.8% | -3.6pt | -44.0% |
| Loans and others ⁽¹⁾ | 108,080 | 25.2% | -1.7pt | 3.8% |
| Investment assets (total) | 428,844 | 100.0% | - | 10.3% |

Note 1: Loans and others mainly include cash and bank balances, term deposits, securities purchased under agreements to resell, policy loans, statutory deposits, investments classified as loans and receivables, and investment properties.

2. Investment income

Unit: RMB in millions

| | December 31, 2022 | December 31, 2021 | Changes |
|---|-------------------|-------------------|---------------|
| Net investment income ⁽¹⁾ | 16,314 | 16,458 | -0.9% |
| Realized gains ⁽²⁾ | 6,734 | 5,826 | 15.6% |
| Unrealized gains or losses | 618 | -2,172 | -128.5% |
| Impairment loss on investment assets | -3,536 | -1,016 | 248.1% |
| Total investment income⁽³⁾ | 20,130 | 19,096 | 5.4% |
| Net investment yield (%)⁽⁴⁾ | 4.1 | 4.6 | -0.5pt |
| Total investment yield (%)⁽⁵⁾ | 5.0 | 5.4 | -0.4pt |

Notes:

- (1) Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, operating lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.
- (2) Realized gains include realized capital gains from securities investments.
- (3) Total investment income refers to the sum of net investment income, realized gains and unrealized gains or losses, less impairment loss on investment assets.
- (4) 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. Investment assets refer to cash and short-term deposits, 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, policy loans, investments in associates and joint ventures, statutory deposits and investment properties.
- (5) 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.

In 2022, we achieved a net investment income of RMB16.31 billion, down 0.9% year on year, and the net investment yield was 4.1%, down 0.5 percentage points year on year. We achieved a total investment income of RMB20.13 billion for the year, an increase of RMB1.03 billion or 5.4% from 2021; the total investment yield was 5.0%, down 0.4 percentage points year on year, primarily due to the capital market fluctuations, declining market interest rates and increased provision for impairment.

(II) Third-party assets managed

Sunshine AMC, with a professional investment team and the investment philosophy of “value-oriented, long-term pursuit”, has accumulated profound experience in long-term asset management, and developed multiple lines of business in asset management and investment. It has full-spectrum investment capabilities and qualifications for credit risk management, stock investment, use of derivatives, debt investment schemes, equity investment schemes, qualified domestic institutional investors (境內資金境外投資受託人), portfolio products issuance, etc.

Sunshine AMC stands out in fields such as diversified asset allocation, professional asset management and market-oriented product innovation, which has been widely recognized by many institutional investors and corporate customers, and has built up Sunshine’s unique brand influence.

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 other services for other investors, and helping customers achieve robust asset appreciation through insurance asset management products or customized special accounts. As of December 31, 2022, Sunshine AMC achieved the assets under management (“AUM”) amounted to RMB756.96 billion, representing an increase of 15.8% from the end of 2021, among which our third-party AUM amounted to RMB414.98 billion, representing an increase of 21.4% from the end of 2021.

Unit: RMB in millions

| | December 31, 2022 | December 31, 2021 | Changes |
|---|-------------------|-------------------|---------|
| Assets under management entrusted to Sunshine AMC | 756,955 | 653,621 | 15.8% |
| including: AUM entrusted by Group | 341,979 | 311,913 | 9.6% |
| including: AUM entrusted by third party | 414,976 | 341,708 | 21.4% |

Sunshine AMC actively grasps the trend of the asset management industry and the customer needs, adheres to the development strategy of marketization, professionalism and standardization, continuously polishes its investment research capability, and improves customer service level. It meets various market demands through a multi-asset and multi-strategy product system, and promotes the sound development of the third-party business. In 2022, the portfolio insurance asset management products managed by Sunshine AMC operated steadily, with the fixed-income, equity and hybrid products all maintaining growth, and two of equity products received the “2022 China Insurance Investment Golden Bull Award (中國保險業投資金牛

獎)”. In addition, Sunshine AMC continued to support the development of the real economy through its debt business. On the premise of holding the risk bottom line, it continuously supported national infrastructure construction, actively participated in industrial upgrading in line with national policies, and effectively invested funds in various high-quality enterprises, with priority to fields such as infrastructure, transportation and environmental protection. One of the debt investment schemes managed by Sunshine AMC won 2022 Ark Prize for Innovative Insurance Asset Management Products organized by Securities Times, as an active practice of insurance funds in support of the green development.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS ON SPECIAL ITEMS

(I) Liquidity Analysis

1. Gearing Ratio

| | 31 December 2022 | 31 December 2021 |
|---------------|---------------------|---------------------|
| Gearing Ratio | 87.2% | 86.6% |

Note: gearing ratio = total liabilities/total assets

2. Statement of Cash Flows

| For the year ended December 31 | <i>Unit: RMB million</i> | | |
|---|--------------------------|---------|-------------------|
| | 2022 | 2021 | Increase/decrease |
| Net cash inflows from operating activities | 26,229 | 44,573 | -41.2% |
| Net cash outflows from investing activities | -28,755 | -4,686 | 513.6% |
| Net cash inflows/(outflows) from financing activities | 1,903 | -26,363 | -107.2% |

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, investment income, and cash inflows from the sale or maturity of investment assets, etc. The demand for working capital mainly includes the surrenders, withdrawals or other forms of early termination of insurance contracts, the reimbursement or payment of insurance, 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 RMB24.83 billion and term deposits of RMB22.38 billion. In the case of interest loss, most 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 RMB289.21 billion and the book value of equity financial assets investment was RMB89.59 billion.

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

(II) Solvency

The Group and each of its insurance subsidiaries have implemented the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》) (“C-ROSS Phase II Rules”) from 2022, and the solvency data as at December 31, 2022 has reflected the impact of the changes in C-ROSS Phase II Rules. The solvency data as at December 31, 2021 is still calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (No. 1-17) (《保險公司償付能力監管規則(1-17號)》) (“C-ROSS Phase I Rules”) issued by the CIRC.

As of December 31, 2022, the comprehensive solvency ratio and the core solvency ratio of the Group and each of its insurance subsidiaries had met the regulatory requirements.

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

| | December 31, 2022 | December 31, 2021 | Increase/ Decrease |
|----------------------------------|------------------------------|----------------------|-----------------------|
| The Group | | | |
| Core capital | 69,751 | 81,669 | -14.6% |
| Actual capital | 95,311 | 92,683 | 2.8% |
| Minimum capital | 48,081 | 41,557 | 15.7% |
| Core solvency ratio (%) | 145 | 197 | -52 pt |
| Comprehensive solvency ratio (%) | 198 | 223 | -25 pt |
| Sunshine Life | | | |
| Core capital | 43,133 | 60,040 | -28.2% |
| Actual capital | 62,540 | 65,056 | -3.9% |
| Minimum capital | 40,038 | 34,335 | 16.6% |
| Core solvency ratio (%) | 108 | 175 | -67pt |
| Comprehensive solvency ratio (%) | 156 | 189 | -33pt |
| Sunshine P&C | | | |
| Core capital | 10,837 | 12,769 | -15.1% |
| Actual capital | 16,990 | 18,767 | -9.5% |
| Minimum capital | 7,590 | 7,036 | 7.9% |
| Core solvency ratio (%) | 143 | 181 | -38pt |
| Comprehensive solvency ratio (%) | 224 | 267 | -43pt |

Notes: (1) Core solvency ratio = core capital / minimum capital; comprehensive solvency ratio = actual capital / minimum capital.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(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, 2022, the charge information of the relevant securities is set out in Note 37 to the consolidated financial statements of this annual report.

(IV) Bank Borrowings

The aggregate balance of bank borrowings of the Group as at December 31, 2022 were RMB320 million, excluding the bonds issued by some subsidiaries of the Group and the securities sold under repurchase agreements of its investment business. The bonds payable by the Group are set out in Note 36 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. As of December 31, 2022, the book value of foreign exchange financial assets and financial liabilities held by the Group amounted to RMB21.24 billion and RMB2.61 billion, respectively.

(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, 2022, 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.

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 recognized 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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:

| | <i>(RMB million)</i> | | |
|--|----------------------|-------|-------|
| For the year ended 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, 2022, the fees for investment management services paid by the Group to Sunshine AMC were RMB821 million actually 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 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 47. 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 are 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, the Board 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 (including approvals from the regulatory authorities of the insurance industry, filings with the CSRC and approvals from the Hong Kong Stock Exchange) and compliance with all applicable laws, rules and regulations, such Domestic Shares will be converted into H Shares and we will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, such H Shares on the Main Board. According to the Articles of Association, the conversion and listing shall be approved by a special resolution at the general meeting of the Company. In case where the aforementioned approval from shareholders' meeting is not obtained, the Company will reconvene a shareholders' meeting every three months thereafter to seek relevant approval from its shareholders.



(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.

(VI) Use of Proceeds

The shares of the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange on December 9, 2022 with gross proceeds of approximately HK\$6,705 million from the IPO. As of the Latest Practicable Date, the Company has used approximately HK\$247 million out of the proceeds from the IPO to pay underwriting commissions and estimated expenses payable by us in relation to the IPO. The unused proceeds will be used by the Company to strengthen our capital base to support the ongoing growth of our business as committed in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

V. PROSPECTS

(I) Market Environment

In the 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. Driven by the overall economic improvement, residents' wealth accumulation, aging population and other factors, China's insurance market still has great potential for growth.

At present, China's development has entered a period where strategic opportunities and risks and challenges coexist, and where uncertain factors are increasing. In 2022, the domestic economy was facing greater downward pressure, the development of the insurance industry was under pressure, and the transformation had entered a critical period due to the impact of international geopolitical conflicts, repeated epidemics and weak domestic demand. As the 20th National Congress of CPC was successfully held, an all-round layout of Chinese path to modernization had been implemented, and high-quality development has become our main task. Looking forward to 2023, as the epidemic enters a new stage, domestic demand is activated, the economy recovers and confidence is boosted, the fundamentals is obviously enjoying a positive trend, and the in-depth reform and transformation of the insurance industry is expected to usher in an upward turning point.

(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". We have been focusing on the core business of insurance and the value-based business development in the bancassurance channel, reinforced technology empowerment and combination of medical treatment and endowment, and continuously enhanced the ability to create value, so as to maintain steady and sustainable business development. We implemented the development requirements of "striving for quality and seeking further progress based on quality". We solidly promoted the "Matrix" plan and the "Partnership" action. In terms of life insurance, we will steadily improve the agency force base, optimize the team structure, continue to maintain the advantages of bancassurance, and at the same time explore a new "blue ocean of value"; based on the needs of customers in the whole life cycle, we realized the matching of differentiated products and services, and built the empowerment and support capabilities of data technology in the fields of marketing, service, risk control and operation. In terms of property insurance, based on the improvement of risk identification and product pricing capabilities, we will continue to deepen the construction of automobile insurance and non-automobile insurance life tables, deeply understand customer needs, do a good job in risk reduction management, strengthen technological innovation empowerment, and accelerate the cultivation of core competitiveness. In terms of investment sector, we will adhere to the long-term investment strategy and the principle of asset-liability matching, systematically plan asset allocation strategies for major categories, and build a portfolio that matches the demand for liabilities and can deliver long-term stable returns.

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 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries in November 2016 ("CAA [2016] No. 36") (thereafter referred to as "Appraisal of Embedded Value" standards). We have engaged Towers Watson Management Consulting (Shenzhen) Co. Ltd. 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, 2022.

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 of the book value of certain assets to market value, together with net-of-tax adjustments for differences between policy liabilities under China Accounting Standards and policy liabilities under "Appraisal of Embedded Value" standards.

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 in the 12 months to the valuation date. The distributable interest is determined based on policy liabilities and required capital valued under "Appraisal of Embedded Value" standards.

Sunshine Life uses the traditional deterministic discounted cash flow methodology for determining its value of in-force business and value of one year's 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 one year's 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.

EMBEDDED VALUE REPORT

II. KEY ASSUMPTIONS

This section summarizes the key assumptions used in determining the value of embedded value and value of one year's new business as of December 31, 2022. 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 11%.

2. *Investment Returns*

Investment return assumptions of Sunshine Life's major business accounts are set as 5.0%, and that of Bancassurance Participating Single Premium account and Bancassurance Universal Life Single Premium account are set as 5.7%, which will remain unchanged 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.

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 one year's new business of Sunshine Life as of December 31, 2022 (in RMB million):

1. Embedded value

| Valuation Date | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| The adjusted net worth of Sunshine Insurance Group | 70,807 | 65,861 |
| The adjusted net worth of Sunshine Life | 45,447 | 44,841 |
| Sunshine Life's value of in-force business before cost of capital | 38,164 | 33,769 |
| Cost of capital | (7,697) | (5,855) |
| Sunshine Life's value of in-force business after cost of capital | 30,466 | 27,914 |
| Embedded value of Sunshine Insurance Group | 101,273 | 93,776 |
| Embedded value of Sunshine Life | 75,913 | 72,755 |

2. Value of one year's new business

| Valuation Date | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Sunshine Life's value of one year's new business before cost of capital | 5,265 | 5,218 |
| Cost of capital | (2,247) | (2,204) |
| Sunshine Life's value of one year's new business after cost of capital | 3,018 | 3,015 |

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

| Valuation Date | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Total of Sunshine Life | 3,018 | 3,015 |
| Of which: Individual insurance agent channel | 1,152 | 1,433 |
| Bancassurance channel | 1,797 | 1,497 |

EMBEDDED VALUE REPORT

IV. ANALYSIS OF EMBEDDED VALUE MOVEMENT

The table below shows the change in the embedded value of Sunshine Insurance Group from December 31, 2021 to December 31, 2022 (in RMB million):

| Items | Amount |
|--|----------------|
| 1. Embedded value of Sunshine Life at beginning of period | 72,755 |
| 2. Impact of new business | 3,018 |
| 3. Expected return | 5,318 |
| 4. Investment experience variance | (4,295) |
| 5. Other experience variance | 98 |
| 6. Methodology, Model and Assumptions change | 283 |
| 7. Diversification effects | 756 |
| 8. Capital injection/shareholder dividend | (2,018) |
| 9. Others | (1) |
| 10. Embedded value of Sunshine Life at end of period | 75,913 |
| 11. Adjusted net worth of the Group's other business at end of period | 26,639 |
| 12. Adjustment for minority shareholders' interest | (1,279) |
| 13. Embedded value of Sunshine Insurance Group at end of period | 101,273 |

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. Reflects changes in diversification benefits on cost of capital from new business and different business mix.

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.

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, 2022 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 | 30,466 | 3,018 |
| Risk discount rate increased by 50 base points | 29,088 | 2,771 |
| Risk discount rate decreased by 50 base points | 31,963 | 3,287 |
| Investment returns increased by 50 base points | 38,328 | 4,557 |
| Investment returns decreased by 50 base points | 22,565 | 1,472 |
| Mortality increased by 10% (i.e. 110% of Base) | 30,089 | 2,967 |
| Mortality decreased by 10% (i.e. 90% of Base) | 30,850 | 3,071 |
| Morbidity increased by 10% (i.e. 110% of Base) | 29,653 | 2,981 |
| Morbidity decreased by 10% (i.e. 90% of Base) | 31,291 | 3,055 |
| Lapse and surrender rates increased by 10% (i.e. 110% of Base) | 30,120 | 2,918 |
| Lapse and surrender rates decreased by 10% (i.e. 90% of Base) | 30,817 | 3,121 |
| Expenses assumptions increased by 10% (i.e. 110% of Base) | 30,104 | 2,696 |

EMBEDDED VALUE REPORT

INDEPENDENT ACTUARIAL REVIEW OPINION ON EMBEDDED VALUE

To: Sunshine Insurance Group Company Limited

Board of Directors

Towers Watson Management Consulting (Shenzhen) Co. Ltd Beijing Branch (“Willis Towers Watson” or “we”) has been engaged by Sunshine Insurance Group Company Limited (“Sunshine Insurance Group”) to review the embedded value information of Sunshine Insurance Group as of December 31, 2022.

This review opinion is addressed solely to Sunshine Insurance Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than Sunshine Insurance Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Our scope of work comprised:

- A review of the methodology used to develop the embedded value of Sunshine Insurance Group and the value of one year’s sales of Sunshine Life Insurance Corporation Limited (“Sunshine Life”) as of December 31, 2022, in the light of the requirements of the “CAA Standards of Actuarial Practice: Appraisal of Embedded Value” issued by the China Association of Actuaries (“CAA”);
- A review of the economic and operating assumptions used to develop the embedded value of Sunshine Insurance Group and the value of one year’s sales of Sunshine Life as of December 31, 2022;
- A review of the results of Sunshine Insurance Group and Sunshine Life’s calculation of the embedded value of Sunshine Insurance Group, the value of one year’s sales of Sunshine Life, the results of the analysis of movement of embedded value of Sunshine Insurance Group, and the sensitivity results of the value of in-force business and value of one year’s sales of Sunshine Life.

Opinion

As a result of our review of the embedded value of Sunshine Insurance Group and the value of one year's sales of Sunshine Life as of December 31, 2022 prepared by Sunshine Insurance Group, we have concluded that:

- The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the CAA;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions have been set with regard to current market information.

We have performed reasonableness checks and analysis of the embedded value of Sunshine Insurance Group and value of one year's sales of Sunshine Life as of December 31, 2022, and we have concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of Sunshine Insurance Group's 2022 annual report and that the aggregate results are reasonable in this context.

We confirm that the results shown in the Embedded Value section of Sunshine Insurance Group's 2022 annual report are consistent with those reviewed by Willis Towers Watson.

In carrying out our review, we have relied on the accuracy of audited and unaudited data and information provided by Sunshine Insurance Group and Sunshine Life.

For and on behalf of **Willis Towers Watson**
Lingde Hong *FSA, CCA*

March 29, 2023

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 |
| WANG Jingwei (王京偉) | September 1978 | Non-executive Director | December 2018 |
| YUAN Mouzhen (袁謀真) | August 1964 | Non-executive Director | December 2020 |
| MA Guangyuan (馬光遠) | March 1972 | Independent non-executive Director | December 2016 |
| LIU Zhanqing (劉湛清) | June 1965 | Independent non-executive Director | December 2018 |
| WANG Jianxin (王建新) | April 1973 | Independent non-executive Director | August 2017 |
| GAO Bin (高濱) | October 1962 | Independent non-executive Director | May 2018 |
| JIA Ning (賈寧) | May 1980 | Independent non-executive Director | November 2021 |

Note: 1. For details of Directors' positions in the special committee under the Board, please refer to the section headed "Corporate Governance Report" in this annual report.

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 |

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 | June 2011 |
| PENG Jihai (彭吉海) | March 1970 | Joint chief executive officer, Deputy general manager, chief financial officer, head of investment and chief investment officer | January 2010 |
| WANG Yongwen (王永文) | April 1963 | Deputy general manager, chief auditor | November 2010 |
| NING Shoubo (寧首波) | July 1963 | Deputy general manager | May 2014 |
| XIA Fangchen (夏芳晨) | March 1965 | Deputy general manager | July 2016 |
| LI Wei (李偉) | May 1973 | Assistant to general manager | July 2016 |
| NIE Rui (聶銳) | June 1968 | Chief compliance officer, chief risk 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 |
| DONG Yingqiu (董迎秋) | April 1975 | Secretary to the Board | December 2020 |
| 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, a company listed on the Shanghai Stock Exchange (Stock Code: 601319) and the Hong Kong Stock Exchange (Stock Code: 01339)) ("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 Beijing, the PRC 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 served as the director of the Labor Union of the Company from December 2009 to May 2020, the chief Supervisor of the Company from April 2009 to May 2011, and the assistant to general manager of the Company from August 2007 to April 2009. Mr. Zhao has been a non-executive director of Huishang Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 03698)) 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), a company listed on the Hong Kong Stock Exchange (Stock Code: 01359)) ("China Cinda"), Nanning Office from July 2005 to August 2007, the deputy director, member of Party Committee and secretary of the Disciplinary Committee of China Cinda, Jinan Office from November 1999 to February 2005, 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), a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and the Hong Kong Stock Exchange (Stock Code: 00939)), Shandong Branch from June 1996 to November 1999, and vice president of China Construction Bank, Jining Branch from August 1991 to June 1996. Mr. Zhao obtained a Master's Degree in National Economics from Dongbei University of Finance & Economics (東北財經大學) in Liaoning Province, the PRC 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 served as the deputy general manager of the Company from June 2011 to March 2013, the vice chairman of Sunshine P&C from September 2009 to October 2015 and successively as a member of founding group of Sunshine P&C and the deputy general manager of Sunshine P&C from January 2005 to January 2012. Prior to joining the Company, Mr. Li joined PICC Property and Casualty Company Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 02328)) (“**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 Shandong Province, the PRC in July 1984, and obtained an EMBA from Tsinghua University in Beijing, the PRC 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 was the general manager of the Finance Department of the Company from April 2008 to October 2018. Prior to joining the Company, Mr. Peng joined ING Capital Life Insurance Company Limited (首創安泰人壽保險有

限公司) in June 2003 and served as its chief financial officer, 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) from April 1995 to May 2003. 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 Beijing, the PRC 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 Beijing, the PRC in November 1998, and an EMBA from Tsinghua University in Beijing, the PRC 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.

Mr. WANG Yongwen (王永文) is an executive Director, deputy general manager and chief auditor 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 and chief auditor of the Company since November 2010. Mr. Wang was successively the temporary principal and the general manager of Sunshine P&C from July 2013 to June 2016, the assistant to general manager of the Company from September 2012 to August 2019 and the auditing director of the Company from August 2010 to December 2010. He successively served as the assistant to general manager and deputy general manager of Sunshine P&C and assumed other positions from February 2007 to January 2010, successively as a member of the founding group and the general manager of Sunshine P&C, Henan Branch from August 2005 to February 2007. 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 from April 1997 to August 2005. Mr. Wang obtained a Bachelor’s Degree in Mathematics from Henan Normal University (河南師範大學) in Henan Province, the PRC in July 1983.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Directors

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. He served as an independent director of China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600340)) from December 2017 to May 2020, 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) (a company listed on the Shenzhen Stock Exchange (Stock Code: 002700)) from September 2016 to May 2019, and was the director of the Marketing Division, the EMBA Education Centre of School of Economics and Management, Tsinghua University from October 2003 to May 2012. Mr. Wang obtained a Bachelor's Degree in Enterprise Management from Nankai University in Tianjin, the PRC in June 2001, and obtained a Master's Degree in Business Administration from the Chinese University of Hong Kong in Hong Kong in December 2010.

Mr. YUAN Mouzhen (袁謀真) is a non-executive Director of our Company.

Mr. Yuan has served as a non-executive Director of the Company since December 2020. He has been a deputy general manager of the Capital and Finance Department of Sinopec Group since December 2019,

deputy director of the Capital Operation Department of Sinopec Group and deputy general manager of Sinopec Group Asset Management Co., Ltd. (中國石化集團資產經營管理有限公司) from November 2015 to December 2019, served as director and assumed other positions of the First Property Rights Division of the Property Rights Management Bureau of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會產權管理局產權一處) from March 2003 to July 2014, deputy inspector of the Property Rights Management Bureau of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會產權管理局) from July 2014 to November 2015, deputy director of the Property Rights Registration Division of the State-owned Capital Basic Management Department (國有資本金基礎管理司產權登記處) and Regulation Division (制度處) and the General Division (綜合處) of the Enterprise Department (企業司) of the Ministry of Finance from July 1998 to March 2003, chief officer and deputy director of the Enterprise Department (企業司) and Property Rights Registration Division of the Property Rights Department (產權司產權登記處) of the State Administration of State-owned Assets (國家國有資產管理局) from September 1992 to July 1998. From July 1986 to September 1992, he served as an assistant engineer and economist of the Bureau of Electrification Engineering of the Ministry of Railways (鐵道部電氣化工程局). Mr. Yuan obtained a Bachelor's Degree in Transport Economics from Northern Jiaotong University (北方交通大學) (now known as Beijing Jiaotong University (北京交通大學)) in Beijing, the PRC in July 1986, and obtained a Master's Degree in Technical Economy from Northern Jiaotong University in April 1998.

Independent Non-executive Directors

Mr. MA Guangyuan (馬光遠) is an independent non-executive Director of our Company.

Mr. Ma has served as an independent non-executive Director of the Company since December 2016. Mr. Ma has served as a director for Beijing Science and Technology Park Construction (Group) Co., Ltd. (北京科技園建設(集團)股份有限公司) since November 2017, and an independent director for Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600031)) from September 2017 to April 2022. Mr. Ma was engaged in research of economics and published a number of articles in macro-economics, corporate merger, private economy and other areas. Mr. Ma obtained a Doctorate Degree in National Economics from the China Academy of Social Sciences (中國社會科學院) in Beijing, the PRC in June 2011. Mr. Ma was granted the qualification of lawyer by the Ministry of Justice of the PRC (中國司法部) in May 1999.

Mr. LIU Zhanqing (劉湛清) is an independent non-executive 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) (a company formerly listed on the Hong Kong Stock Exchange (Stock Code: 01041) and delisted on April 22, 2022) from September 2017 to March 2020, the deputy general manager of China National Agricultural Development Group Co., Ltd. (中國農業發展集團有限公司) from December 2014 to October 2016. He joined 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)) in July 1986, and successively served as the deputy general manager, general manager and the chairman of the board of directors from March 2003 to May 2015. 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 Shanghai, the PRC in September 2008.

Mr. WANG Jianxin (王建新) is an independent non-executive Director of our Company.

Mr. Wang has served as an independent non-executive Director of the Company since August 2017. Mr. Wang has served as an independent director of Winner Technology Co., Inc. (匯納科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300609)) since May 2020, an independent director of China Minsheng Trust Co., Ltd. (中國民生信託有限公司) since September 2019, and a professor, researcher and doctoral tutor at the China Academy of Fiscal Sciences (中國財政科學研究院) since December 2008. He served as an independent director of Beijing ZZNode Technologies Co., Ltd. (北京直真科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 003007)) from June 2017 to June 2022, an independent director of Hunan Lead Power Dazhi Technology Incorporated Company (湖南領湃達志科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 300530)) from January 8, 2022 to January 28, 2022, an independent director of Kelin Environmental Protection Equipment, Inc. (科林環保裝備股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002499)) from February 2021 to July 2021, an independent director of Easy Visible Supply Chain Management Co., Ltd. (易見供應鏈管理股份有限公司) (a company formerly listed on the Shanghai Stock Exchange (Stock Code: 600093)) from August 2020 to August 2021, an

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

independent director of AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司) (formerly known as AVIC Capital Co., Ltd. (中航資本控股股份有限公司)) (a company listed on the Shanghai Stock Exchange (Stock Code: 600705)) from December 2018 to December 2021, an independent non-executive director of AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司) (a company listed on the Hong Kong Stock Exchange (Stock Code: 02357)) from June 2018 to May 2021, an independent director of Changjiang Securities Co., Ltd. (長江證券股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code:000783)) from December 2017 to November 2019, an independent director of Guangdong Homa Group Co., Ltd. (廣東奧馬電器股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 002668)) from November 2017 to April 2021, and successively as the deputy researcher and postgraduate (master's degree) tutor at the Research Institute for Fiscal Science, Ministry of Finance (財政部科研所) from July 2004 to December 2008. Mr. Wang obtained a Master's Degree in Accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei Province, the PRC in June 2002, and obtained a Doctorate Degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC in September 2004. Mr. Wang was awarded the title of researcher by the Ministry of Finance in December 2008, and was admitted as a fellow professional national accountant of the National Institute of Accountants (now known as Institute of Public Accountants) in Australia in June 2005.

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 (a company listed on the Hong Kong Stock Exchange (Stock Code: 00718)) 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) (a company listed on the Shanghai Stock Exchange (Stock Code: 600963)) from October 2018 to January 2022, and served as an independent director for Sogou Inc. (a company formerly listed on the New York Stock Exchange (stock code: SOGO)) from November 2017 to September 2021, 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) from June 2016 to October 2020, head of strategy at Guard Capital Management Limited from May 2014 to December 2015, successively served as 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 from April 2005 to May 2014, and successively

as the head of quantitative portfolio strategy (Asia) and the senior vice president of Lehman Brothers Japan Inc. (Tokyo) and Lehman Brothers Inc. (NY) from May 2004 to April 2005. Mr. Gao obtained a Bachelor's Degree in Space Physics from the University of Science and Technology of China (中國科學技術大學) in Anhui Province, the PRC in July 1985, a Master's Degree in Astrophysics from Princeton University in the United States in June 1991, a Master's Degree in Finance from New York University in the United States in September 1994, and 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 lecturer of the School of Economics and Management of Tsinghua University from January 2008 to November 2010. Ms. Jia obtained a Bachelor's Degree in Computer Science, Economics from the University of Minnesota in the United States 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》).

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 been the general manager of the Company's tendering, procurement and logistic center since February 2019. He served as the general manager of the Company's Logistic Department from December 2016 to February 2019, the deputy general manager of the Company's Logistic Department from December 2013 to December 2016, successively served as a member of the founding group of Sunshine P&C, the general manager of the Human Resources and Administration Department and the office chief director of Sunshine P&C, Jiangsu Branch from May 2004 to December 2013. Prior to joining the Company, Mr. Zhuang was the section director of Nanjing Insurance Regulatory Office of CIRC (中國保監會南京保監辦) from October 2001, and worked at Jiangsu Insurance Association (江蘇省保險行業協會) from August 1996 to October 2000. 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 Liaoning Province, the PRC in July 1984, and obtained a second Bachelor's Degree in Industrial Economics Management from Southeast University (東南大學) in Jiangsu Province, the PRC 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 worked at Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) from February 2010 to December 2014. Ms. Zhang obtained dual Bachelor's Degrees in International Politics and Economics from Peking University in Beijing, the PRC 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 deputy director of the Alumni Affairs Department and Development Department of Cheung Kong Graduate School of Business (長江商學院) since October 2008, and was a teacher at the Affiliated College of Nationalities of Hebei Normal University (河北師範大學附屬民族學院) from July 2004 to October 2008. Ms. Wang obtained a Bachelor's Degree in English from Hebei Normal University in Hebei Province, the PRC in June 2004 and obtained an EMBA from Cheung Kong Graduate School of Business in Beijing, the PRC 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. NING Shoubo (寧首波) is the deputy general manager of our Company.

Mr. Ning has served as the deputy general manager of the Company since May 2014, and the director of Sunshine P&C since December 2013. He served as the general manager of the Elderly Care and Real Estate Center of the Company from September 2019 to December 2019, and successively served as a member of the founding group, the deputy general manager, the vice chairman of the board of directors, the chief compliance officer and the general manager of Sunshine Life from June 2007 to March 2019. Prior to joining the Company, Mr. Ning served as the senior deputy general manager of Sino-US MetLife Insurance Co., Ltd. (中美大都會人壽保險有限公司) from August 2004 to June 2007, successively as deputy general manager of Ping An Life Insurance Company of China, Ltd., Hebei Branch (中國平安人壽保險有限公司河北分公司), the deputy general manager and the general manager of Ping An Life Insurance Company of China, Ltd., Tianjin Branch (中國平安人壽保險有限公司天津分公司) and the general manager of Ping An Life Insurance Company of China, Ltd., Shanghai Branch (中國平安人壽保險有限公司上海分公司) from November 1996 to July 2004. Mr. Ning obtained a Bachelor's Degree in Finance from the Finance and Economics Institute of Tianjin (天津財經學院) (now known as Tianjin University of Finance and Economics (天津財經大學)) in Tianjin, the PRC in July 1986, and obtained an EMBA from Peking University (北京大學) in Beijing, the PRC in July 2007.

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

Mr. Xia has served as the director of the Labor Union of the Company since May 2020, the deputy general manager of the Company since July 2016 and a member of the reserved management team of the Company from December 2015 to July 2016. Before that, Mr. Xia served as the director of equity of Shandong Social Security Fund Committee (山東省社會保障基金理事會) from August 2015 to December 2015, deputy mayor of Weifang, Shangdong Province from January 2010 to August 2015, and was appointed as director of the Finance Bureau of Weifang, Shangdong Province (山東省濰坊市財政局) in April 2003. Mr. Xia obtained an EMBA from Tsinghua University in Beijing, the PRC in July 2006, and obtained a Doctorate Degree in Public Finance from Dongbei University of Finance and Economics in Liaoning Province, the PRC in June 2011.

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

Mr. Li has served as a director of Sunshine Life since December 2016 and as an assistant to general manager of the Company since July 2016. He served as the deputy general manager of Sunshine P&C from January 2014 to July 2018, successively as senior manager, assistant to general manager, deputy director and director of the office of the chairman of the Board of the Company from November 2009 to December 2013, successively as the assistant to general manager of Sales Management Department, Planning and Actuarial

Department and Planning Department of Sunshine P&C from March 2008 to February 2010, and successively as the deputy general manager and general manager of the Sales and Management Department of Sunshine P&C, Shandong Branch from July 2005 to November 2008. Prior to joining the Company, Mr. Li served at PICC, Shandong branch from July 1994 to July 2005, and successively served as deputy section director and section director. Mr. Li obtained a Bachelor's Degree in Insurance from Nankai University (南開大學) in Tianjin, the PRC in July 1994.

Mr. NIE Rui (聶銳) is the chief compliance officer and chief risk officer.

Mr. Nie has served as chief auditor of Sunshine AMC since September 2019, director of Sunshine Surety since December 2018, chief risk officer of the Company since July 2015, chief compliance officer of the Company since May 2014, director of Sunshine Life since October 2013, executive director and deputy general manager of Sunshine AMC since January 2013, director of Sunshine P&C since May 2011 and general counsel of the Company since May 2011. Mr. Nie served as executive director of the Company from June 2016 to May 2017. Prior to joining the Company, Mr. Nie served as a partner of Guantao Law Firm (觀韜律師事務所) from April 1999 to March 2011. Mr. Nie obtained a Bachelor's Degree in Law from Shanghai University (上海大學) in Shanghai, the PRC in July 1990, and obtained a Master's Degree in Law from Peking University in Beijing, the PRC in August 2003. Mr. Nie was granted the qualification of lawyer by the Ministry of Justice of the PRC in March 1994.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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. Ms. Gao served as the assistant to the chairman of the Company from November 2020 to August 2021, the deputy general manager of Sunshine Life and assumed other positions from November 2016 to April 2021. Ms. Gao served as a non-executive director of Yidu Tech Inc. (a company listed on the Hong Kong Stock Exchange (Stock Code: 02158)) from August 2020 to September 2021. Prior to joining the Company, Ms. Gao served in New China Life Insurance Company Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 601336) and the Hong Kong Stock Exchange (Stock Code: 01336)) from October 2002 to November 2016, and assumed positions including the general manager of its Jilin Branch. Ms. Gao obtained an EMBA from Peking University in Beijing, the PRC in January 2012.

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. Mr. Liu served as the assistant to the general manager of Sunshine P&C from December 2015 to March 2017, the senior manager, deputy general manager and general manager of Sunshine P&C, Henan Branch from November 2012 to November 2016, and a member of the founding group, the deputy general manager and general manager of Sunshine P&C, Nanyang Central Sub-branch from December 2005 to November 2012. Mr. Liu obtained a Master's Degree in Business Administration from Peking University in Beijing, the PRC in January 2017.

Mr. DONG Yingqiu (董迎秋) is secretary to the Board of our Company.

Mr. Dong has served as secretary to the Board of our Company since December 2020, joint company secretary of our Company since April 2022, general manager of Strategic Development Department of our Company concurrently since February 2019, director of Sunshine Surety since May 2016, and the strategy director of our Company since November 2013. Mr. Dong served as chief director of the office of the Board of our Company from January 2016 to January 2019, successively as general manager of the Strategy and Innovation Development Centre, general manager of the Strategic Development Department of our Company and assumed other positions from November 2009 to November 2013, successively served as senior manager and assistant to the chief director of the office of the Board of our Company from September 2007 to November 2009, successively served as a member of the founding group, assistant to the chief director of the office of the board of directors of Sunshine P&C and assumed other positions from January 2005 to September 2007. Mr. Dong served as a non-executive director of Mashang Consumer Finance Co., Ltd. (馬上消費金融股份有限公司) since June 2015. Prior to joining the Company, Mr. Dong served Beijing Wukesong Culture & Sports Center Co., Ltd (北京五棵松文化體育中心有限公司) from November 2003 to December 2004, and worked at Beijing Urban Construction Investment & Development Co., Ltd. (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600266)) from November 1999 to September 2001. Mr. Dong obtained a Bachelor's Degree in Enterprise Management from Shandong University of Finance (山東財政學院) (now known as Shandong University of Finance and Economics (山東財經大學)) in Shandong Province, the PRC in July 1998, and a Master's Degree in Business Administration from Peking University in Beijing, the PRC in August 2003.

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. Ms. Wang successively served as deputy planning director, general manager of the Planning and Actuarial Department and planning director of our Company from December 2015 to July 2021, successively served as a member of the founding group, general manager of the Planning Department, general manager of the Finance Department and head of finance of Sunshine Life and assumed other positions from September 2007 to December 2018 and successively served as a member of the founding group, director and senior manager of the Strategic Development Department of Sunshine P&C from March 2005 to August 2007. Ms. Wang obtained a Bachelor's Degree in Insurance from Shanghai University of Finance and Economics in Shanghai, the PRC in June 1998, and a Master's Degree in Business Administration from Peking University in Beijing, the PRC 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 and general manager of the Human Resources Department 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 successively served as deputy director of the Company's office of the Chairman, director of the office of the Company and assumed other positions from June 2008 to February 2019, served as a member of the founding group and the deputy general manager of the Human Resources and Administration Department

of Sunshine P&C, Chongqing Branch, director of the secretariat of the office of Sunshine P&C and assumed other positions from July 2005 to June 2008. Prior to joining the Company, Mr. Yang successively 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 from July 1997 to July 2005. Mr. Yang obtained a Bachelor's Degree in Computer and Application from Chongqing Normal University (重慶師範大學) in Chongqing, the PRC in July 1997, and 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, the PRC in June 2014.

JOINT COMPANY SECRETARIES

For the biography of **Mr. DONG Yingqiu (董迎秋)**, please refer to the paragraphs headed "Senior Management" above.

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 13 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 vice 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 Charterholder, 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).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 date of this report, there has been no change to such information.

CHANGES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THEIR INFORMATION

Changes of Directors and Their Information

As the term of office of the Fifth Session of the Board of Directors of the Company will expire soon, the Board of Directors held the meeting on March 16, 2023, and considered and approved the Proposal on the Nomination of Candidates for the Sixth Session of the Board of Directors. The Board of Directors nominated Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai and Mr. WANG Yongwen as the candidates for 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 as the candidates for 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 as the candidates for independent non-executive Directors of the Sixth Session of the Board of Directors of the Company, which will be submitted to the general meeting for election.

In order to further optimize the structure of corporate governance and in accordance with the requirements of the Code of Corporate Governance for Banking and Insurance Institutions issued by the CBIRC in 2021, the Company will appoint employee Director, who will be democratically elected by the employee representatives’ meeting, the employees’ general meeting or any other forms of democratic election. The Company held the employee representatives’ meeting on March 16, 2023 to elect Mr. HOU Huisheng as the employee director of the Company, who will form the Sixth Session of the Board of the Company, together with the Directors to be elected at the general meeting of the Company.

Mr. YUAN Mouzhen will cease to be the non-executive Director of the Company from the date of election of the Sixth Session of the Board of Directors at the general meeting upon expiry of his term of office. Mr. MA Guangyuan and Mr. WANG Jianxin will continue to perform the relevant duties as the chairman and member of various special committees of the Board of Directors until the qualification of a newly appointed independent non-executive director of the Company is approved by the Chinese insurance regulatory authority.

For details of the changes of Board of Directors, please see the Company’s announcement dated March 16, 2023.

Changes of Supervisors and Their Information

The term of office of the Fifth Session of the Board of Supervisors of the Company will expire soon, the Board of Supervisors held the meeting on March 16, 2023, and considered and approved the Proposal on the Nomination of Candidates for the Sixth Session of the Board of Supervisors. The Board of Supervisors nominated Ms. ZHANG Di as a candidate for shareholder supervisor of the Sixth Session of the Board of Supervisors of the Company, and Ms. Wang Zhe as a candidate for external supervisor of the Sixth Session of the Board of Supervisors of the Company, which will be submitted to the general meeting for election.

The Company held the meeting of employee representatives on March 16, 2023, to elect Mr. ZHUANG Liang as the employee supervisor of the Company, who will form the Sixth Session of the Board of Supervisors of the Company, together with the supervisors to be elected at the general meeting.

For details of the changes of the Board of Supervisors, please refer to the Company's announcement dated March 16, 2023.

Changes of Senior Management and Their Information

In order to meet the needs of strategic transformation of the Company from its listing on the Hong Kong Stock Exchange and under new situations, strengthen development stability and mechanism optimization of the Company, promote its healthy and sustainable development, as well as learn from effective practices of global corporate governance, the Board approved the establishment of a co-chief executive officers (Co-CEOs) mechanism on March 29, 2023, which is designated to effectively enhance collective decision-making of the executive committee and continuously improve the Company's management and execution capabilities. At the same time, Mr. LI Ke and Mr. PENG Jihai are appointed as Co-CEOs. For details of appointing Co-CEOs, please refer to the Company's announcement dated March 29, 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Employees

As of the end of the reporting period, we had 57,152 employees.

By position

| | Number of employees | Percentage of total number of employees (%) |
|--------------------|------------------------|--|
| Management | 6,312 | 11.0 |
| Professional staff | 18,120 | 31.7 |
| Salespeople | 32,720 | 57.3 |
| Total | 57,152 | 100 |

By age

| | Number of employees | Percentage of total number of employees (%) |
|--------------|------------------------|--|
| 30 and under | 17,151 | 30.0 |
| 31 to 40 | 29,508 | 51.6 |
| 41 to 50 | 8,488 | 14.9 |
| 51 and above | 2,005 | 3.5 |
| Total | 57,152 | 100 |

By educational accomplishment

| | Number of employees | Percentage of total number of employees (%) |
|--------------------------|------------------------|--|
| Master's degree or above | 2,139 | 3.7 |
| Bachelor's degree | 24,657 | 43.1 |
| Others | 30,356 | 53.1 |
| Total | 57,152 | 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 first report and the audited financial statements of the Group for the year ended December 31, 2022.

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 short-term 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 and executive Directors. Our ESG committee is responsible for formulating the Company’s 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.

Details of the Company’s environmental protection, social responsibility and employee care are set out in the Company’s 2022 Sustainability Report dated April 25, 2023 prepared in accordance with the requirements of Appendix 27 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 such laws and regulations. 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 businesses, 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 involved in our business that are beyond our control. We are of the view that the major risks we may face in the future 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 51 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 family's structure and life stages;
2. Institutional customer strategy: to serve enterprises as their trusted risk management partner;
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 PROFIT DISTRIBUTION

The Group's profit for the year ended December 31, 2022 and the financial position of the Group as at December 31, 2022 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, 2022 of RMB0.18 (tax included) per share, totaling approximately RMB2.07 billion (the "2022 Final Dividend"). The 2022 Final Dividend is subject to the approval of shareholders of the Company at the 2022 annual general meeting, and is expected to be paid to the shareholders on Friday, July, 28, 2023, and will be denominated and distributed in Renminbi, while the dividend for H shares 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 interbank foreign exchange market for the last five business days up to and including the date of the 2022 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 2022 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) (國家稅務總局《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稅有關問題的通知》(國稅函[2008]897號)).

SHARE CAPITAL

Immediately before the Global Offering

| Description of Shares | Number of Shares | Percentage of the Issued Share Capital (%) |
|---|------------------|--|
| Domestic Shares in issue of the Company | 10,351,370,000 | 100% |

Immediately following completion of the Global Offering

| Description of Shares | Number of Shares | Percentage of the Issued Share Capital (%) |
|---|-----------------------|--|
| Domestic Shares in issue of the Company | 10,351,370,000 | 90.00% |
| H Shares issued pursuant to the Global Offering | 1,150,152,500 | 10.00% |
| Total | 11,501,522,500 | 100% |

REPORT OF THE BOARD OF DIRECTORS

Details of the changes in the total share capital of the Company for the year ended December 31, 2022 can be found in Note 40 to the financial statements.

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 as at the Latest Practicable Date and within the knowledge of the Directors, from the Listing Date to the Latest Practicable Date, 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 of the Company.

DISTRIBUTABLE RESERVES

As of the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders was RMB3.52 billion. Details are set out in Note 50 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 18 and Note 20 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.

Details are set out in the Note 13 to the financial statements.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of the remuneration of Directors and Supervisors are set out in Note 14 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 | 1 |
| RMB1,500,001 to RMB2,000,000 | 1 |
| RMB2,000,001 to RMB2,500,000 | 0 |
| RMB2,500,001 to RMB3,000,000 | 0 |
| RMB3,000,001 to RMB3,500,000 | 3 |
| RMB3,500,001 to RMB4,000,000 | 2 |
| RMB4,000,001 to RMB4,500,000 | 0 |
| RMB4,500,001 to RMB5,000,000 | 1 |
| RMB5,000,001 to RMB5,500,000 | 1 |
| RMB5,500,001 to RMB6,000,000 | 0 |

The Company confirms that there was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration during the Reporting Period.

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 14 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.

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.

REPORT OF THE BOARD OF DIRECTORS

We are committed to creating a fair and nurturing working environment for our employees. We strictly comply with the Labor Law of the PRC and the Labor Contract Law of the PRC 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 2022, our women employees represented approximately 56.5% 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, intellectual property protection, aiming to improve employees' compliance awareness in business operations. Since its launch in December 2017, the "Sunshine Academy" has attained over 44 million visits and over 3.4 million live-streaming participants as of December 31, 2022.

We attach significance to protecting our employees and their families by providing them with COVID-19 care and safeguarding plans. We have also set up a special fund for the families of employees infected during the prevention and control of COVID-19 pandemic. In addition, we have been caring for our employees and their families and have implemented a parental support allowance program since 2010. As of December 31, 2022, we had paid parental support allowances exceeding RMB427.75 million to approximately 33,200 employees.

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 10,351,370,000 Domestic Shares and 1,150,152,500 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 five Directors (Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai and Mr. WANG Yongwen), one Supervisor (Mr. ZHUANG Liang) and eight senior management members (Mr. NING Shoubo, Mr. XIA Fangchen, Mr. LI Wei, Mr. NIE Rui, Mr. LIU Yingchun, Mr. DONG Yingqiu, Ms.

WANG Zhenling and Mr. YANG Xueli)). The number of shares to which any single holder 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.

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.

INFORMATION RELATED TO GLOBAL OFFERING

Issue of H Shares and Listing on the Hong Kong Stock Exchange

On December 9, 2022, the H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange with 1,150,152,500 offer shares under global offering, comprising the Hong Kong Public Offering of 14,501,000 Hong Kong Offer Shares and the International Offering of 1,135,651,500 International Offer Shares at a nominal value of RMB1.00 per H Share. Shares were issued to and subscribed by Hong Kong and overseas investors through an initial public offering at the Offer Price of HK\$5.83 per H share (excluding brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, and Stock Exchange trading fee of 0.005%). In connection with the Global Offering, the Company grants the Over-allotment Option to the International Underwriters,

exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time during the stabilization period, i.e. from the listing date until January 4, 2023, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 172,522,500 additional Offer Shares, representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, at the Final Offer Price, to solely cover over-allocations in the International Offering, if any. Over-allotment Option was not exercised during the stabilization period and lapsed on January 4, 2023.

Gross Proceeds from the Global Offering

Based on the final Offer Price of HK\$5.83 per Offer Share, the net proceeds from the Global Offering to be received by the Company, after deduction of the underwriting commissions and other estimated expenses payable by the Company in connection with the Global Offering, is approximately HK\$6.458 billion.

We intend to use the net proceeds from the Global Offering (after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering) to strengthen our capital base to support the continued growth of our business. As of the Latest Practicable Date, there was no change in the intended use of net proceeds from the Global Offering as disclosed in the Prospectus and the expected implementation timetable. From the Listing Date until the Latest Practicable Date, the Group has not used any part of the net proceeds and will use the net proceeds pursuant to the intended use and is expected that the net proceeds will be fully utilised before the end of 2023.

REPORT OF THE BOARD OF DIRECTORS

Details on the intended use of net proceeds from the Global Offering and the expected timing of the use are set out in the Future Plans and Use of Proceeds section in the Prospectus of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the listing date to the end of the Reporting Period, the Company or any of its subsidiaries had not purchased, sold or redeemed any of its listed securities.

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.

CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB18.38 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. WANG Jingwei

Mr. YUAN Mouzhen

Independent non-executive Directors

Mr. MA Guangyuan

Mr. LIU Zhanqing

Mr. WANG Jianxin

Mr. GAO Bin

Ms. JIA Ning

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance with relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

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

As at the end of the Reporting Period, 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) upon the listing of H shares 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 upon the listing of H shares, 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 (%) | Approximate percentage of total issued share capital (%) |
|---------------------------------|--|------------------------------------|-----------------|------------------|--------------------|---|--|
| ZHANG Weigong ⁽¹⁾⁽²⁾ | Executive Director, Chairman and chief executive officer | Interest of controlled corporation | Domestic Shares | 1,315,000,000 | Long position | 12.70 | 11.43 |
| | | Others | Domestic Shares | 10,799,373 | Long position | 0.10 | 0.09 |
| ZHAO Zongren ⁽³⁾ | Executive Director | Others | Domestic Shares | 11,810,335 | Long position | 0.11 | 0.10 |
| LI Ke ⁽⁴⁾ | Executive Director | Others | Domestic Shares | 12,263,949 | Long position | 0.12 | 0.11 |
| PENG Jihai ⁽⁵⁾ | Executive Director | Others | Domestic Shares | 6,832,297 | Long position | 0.07 | 0.06 |
| WANG Yongwen ⁽⁶⁾ | Executive Director | Others | Domestic Shares | 6,439,812 | Long position | 0.06 | 0.06 |

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同) (“**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 99.99% 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 the general partner of Ningbo Dingzhi Jintong.

According to the Disclosure of Interests Form filed by Mr. ZHANG Weigong on December 22, 2022, 100,000,000 shares and 144,620,000 shares were pledged by Bangchen Zhengtai and Shanghai Xuchang, respectively.

(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.

Save as disclosed above, as at the end of the Reporting Period, 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) upon the listing of H shares 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 upon the listing of H shares, 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.

REPORT OF THE BOARD OF DIRECTORS

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

As at the end of the Reporting Period, 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 Class of Shares (%) | Approximate Percentage of Issued Share Capital (%) |
|--|------------------------------------|-----------------|------------------|--------------------|---|--|
| Beijing Ruiteng Yihong Investment Management Co., Ltd. (北京銳騰宜鴻投資管理有限公司) (“Ruiteng Yihong”) ⁽¹⁾ | Beneficial owner | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| Beijing Ruiyu Jinhe Investment Management Center (Limited Partnership) (北京瑞譽金合投資管理中心(有限合夥)) (“Beijing Ruiyu Jinhe”) ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| Tibet Ruiyu Investment Management Co., Ltd. (西藏瑞譽投資管理有限公司) (“Tibet Ruiyu”) ⁽¹⁾⁽²⁾ | Interest of controlled corporation | Domestic shares | 1,300,000,000 | Long position | 12.56 | 11.30 |
| YUAN Tao ⁽¹⁾⁽²⁾ | Interest of controlled corporation | Domestic shares | 1,300,000,000 | Long position | 12.56 | 11.30 |
| Duilongdeqing Yizhuo Investment Management Co., Ltd. (堆龍德慶奕卓投資管理有限公司) ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| Septwolves (Xiamen) Wealth Management Co., Ltd. (廈門七匹狼財富管理有限公司) ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| Septwolves Group Holding Co., Ltd. (七匹狼控股集團股份有限公司) (“Septwolves Holding”) ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| | Beneficial owner | Domestic shares | 100,000,000 | Long position | 0.97 | 0.87 |
| Fujian Septwolves Group Co., Ltd. (福建七匹狼集團有限公司) ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| | Interest of controlled corporation | Domestic shares | 100,000,000 | Long position | 0.97 | 0.87 |

| Equity Holder Name | Nature of Interest | Class of Shares | Number of Shares | Nature of Interest | Approximate Percentage of Class of Shares (%) | Approximate Percentage of Issued Share Capital (%) |
|---|------------------------------------|-----------------|------------------|--------------------|---|--|
| ZHOU Yongwei ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| | Interest of controlled corporation | Domestic shares | 100,000,000 | Long position | 0.97 | 0.87 |
| ZHOU Shaoxiong ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| | Interest of controlled corporation | Domestic shares | 100,000,000 | Long position | 0.97 | 0.87 |
| ZHOU Shaoming ⁽¹⁾ | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| | Interest of controlled corporation | Domestic shares | 100,000,000 | Long position | 0.97 | 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”) ⁽²⁾ | Beneficial owner | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| 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”) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. (安信乾盛財富管理(深圳)有限公司) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Essence Fund Management Co., Ltd. (安信基金管理有限責任公司) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Minmetals Capital Holdings Limited (五礦資本控股有限公司) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Minmetals Capital Company Limited (五礦資本股份有限公司) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Essence Securities Co., Ltd. (安信證券股份有限公司) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| SDIC Capital Co., Ltd. (國投資本股份有限公司) ⁽²⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 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 Class of Shares (%) | Approximate Percentage of Issued Share Capital (%) |
|---|------------------------------------|-----------------|------------------|--------------------|---|--|
| Jiangsu Tiancheng Property Development Co., Ltd. (江蘇天誠物業發展有限責任公司) ("Jiangsu Tiancheng") ⁽³⁾ | Beneficial owner | Domestic shares | 600,000,000 | Long position | 5.80 | 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)) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Huashan Ruilian Fund Management Co., Ltd. (華杉瑞聯基金管理有限公司) ("Huashan Ruilian") ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Tibet Hongyu Enterprise Management Co., Ltd. (西藏宏煜企業管理有限公司) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Hainan Hongyu Industry Investment Co., Ltd. (海南弘煜實業投資有限公司) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Beijing Hongyu Consulting Management Co., Ltd. (北京宏煜諮詢管理有限公司) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| CHEN Zhijie ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司) ("Huatai Zijin") ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Huatai Securities Co., Ltd. (華泰證券股份有限公司) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥)) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 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)) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 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)) ⁽³⁾ | Interest of controlled corporation | Domestic shares | 600,000,000 | Long position | 5.80 | 5.22 |
| 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 | 5.06 | 4.55 |

| Equity Holder Name | Nature of Interest | Class of Shares | Number of Shares | Nature of Interest | Approximate Percentage of Class of Shares (%) | Approximate Percentage of Issued Share Capital (%) |
|---|------------------------------------|-----------------|------------------|--------------------|---|--|
| Everrising Holdings Co., Ltd. (永卓控股有限公司) ⁽⁴⁾ | Interest of controlled corporation | Domestic shares | 523,700,000 | Long position | 5.06 | 4.55 |
| Suzhou Yongyuan Holding Co., Ltd. (苏州永源控股有限公司) ⁽⁴⁾ | Interest of controlled corporation | Domestic shares | 523,700,000 | Long position | 5.06 | 4.55 |
| Bangchen Zhengtai ⁽⁵⁾ | Beneficial owner | Domestic shares | 470,900,000 | Long position | 4.55 | 4.09 |
| Beijing Hengyi ⁽⁵⁾ | Interest of controlled corporation | Domestic shares | 470,900,000 | Long position | 4.55 | 4.09 |
| Shanghai Xuchang ⁽⁶⁾ | Beneficial owner | Domestic shares | 470,900,000 | Long position | 4.55 | 4.09 |
| Shanghai Xule ⁽⁶⁾ | Interest of controlled corporation | Domestic shares | 470,900,000 | Long position | 4.55 | 4.09 |
| Shannan Hongquan ⁽⁷⁾ | Beneficial owner | Domestic shares | 373,200,000 | Long position | 3.61 | 3.24 |
| Ningbo Dingzhi Jintong ⁽⁷⁾ | Interest of controlled corporation | Domestic shares | 373,200,000 | Long position | 3.61 | 3.24 |
| Tibet Hengyi ⁽⁵⁾⁽⁶⁾⁽⁷⁾ | Controlled corporation | Domestic shares | 1,315,000,000 | Long position | 12.70 | 11.43 |
| Shanghai Loyal Valley Investment Management Co., Ltd. (上海正心谷投资管理有限公司) ("Shanghai Loyal Valley") ^{(5) (6) (7)} | Interest of controlled corporation | Domestic shares | 1,315,000,000 | Long position | 12.70 | 11.43 |
| LIN Lijun ^{(5) (6) (7)} | Interest of controlled corporation | Domestic shares | 1,315,000,000 | Long position | 12.70 | 11.43 |
| GONG Ruilin ⁽⁸⁾ | Spouse's interests | Domestic shares | 1,315,000,000 | Long position | 12.70 | 11.43 |
| Shanghai Shengle Investment Partnership (Limited Partnership) (上海盛樂投資合夥企業(有限合夥)) ("Shanghai Shengle") ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |
| Shanghai Baolin Enterprise Management Co., Ltd. (上海寶麟企業管理有限公司) ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |
| Shanghai Baohe Enterprise Management Co., Ltd. (上海寶荷企業管理有限公司) ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |
| Shanghai Baoxin Enterprise Management Co., Ltd. (上海保忻企業管理有限公司) ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |
| Shanghai Baoyao Enterprise Management Co., Ltd. (上海寶鏞企業管理有限公司) ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |

REPORT OF THE BOARD OF DIRECTORS

| Equity Holder Name | Nature of Interest | Class of Shares | Number of Shares | Nature of Interest | Approximate Percentage of Class of Shares (%) | Approximate Percentage of Issued Share Capital (%) |
|--|------------------------------------|-----------------|------------------|--------------------|---|--|
| Wealth Smart International Holdings Limited (駿寶國際集團有限公司) ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |
| Cheer Wealthy Holdings Limited (展裕控股有限公司) ^{(5) (6)} | Interest of controlled corporation | Domestic shares | 941,800,000 | Long position | 9.10 | 8.19 |
| Beijing Chengtong Financial Holding Investment Co., Ltd. (北京誠通金控投資有限公司) (“Beijing Chengtong”) ⁽⁹⁾ | Beneficial owner | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) (“China Chengtong”) ⁽⁹⁾ | Beneficial owner | Domestic shares | 350,000,000 | Long position | 3.38 | 3.04 |
| | Interest of controlled corporation | Domestic shares | 700,000,000 | Long position | 6.76 | 6.09 |
| CCB International Capital Limited ⁽¹⁰⁾ | Underwriter | H shares | 172,522,500 | Long position | 15.00 | 1.50 |
| | Underwriter | H shares | 250,849,000 | Short position | 21.81 | 2.18 |
| CCB International (Holdings) Limited ⁽¹⁰⁾ | Interest of controlled corporation | H shares | 172,522,500 | Long position | 15.00 | 1.50 |
| | Interest of controlled corporation | H shares | 250,849,000 | Short position | 21.81 | 2.18 |
| CCB Financial Holdings Limited ⁽¹⁰⁾ | Interest of controlled corporation | H shares | 172,522,500 | Long position | 15.00 | 1.50 |
| | Interest of controlled corporation | H shares | 250,849,000 | Short position | 21.81 | 2.18 |
| CCB International Group Holdings Limited ⁽¹⁰⁾ | Interest of controlled corporation | H shares | 172,522,500 | Long position | 15.00 | 1.50 |
| | Interest of controlled corporation | H shares | 250,849,000 | Short position | 21.81 | 2.18 |
| China Construction Bank Corporation ⁽¹⁰⁾ | Interest of controlled corporation | H shares | 172,522,500 | Long position | 15.00 | 1.50 |
| | Interest of controlled corporation | H shares | 250,849,000 | Short position | 21.81 | 2.18 |
| Central Huijin Investment Ltd. ⁽¹⁰⁾ | Interest of controlled corporation | H shares | 172,522,500 | Long position | 15.00 | 1.50 |
| | Interest of controlled corporation | H shares | 250,849,000 | Short position | 21.81 | 2.18 |

| Equity Holder Name | Nature of Interest | Class of Shares | Number of Shares | Nature of Interest | Approximate Percentage of Class of Shares (%) | Approximate Percentage of Issued Share Capital (%) |
|---|--------------------|-----------------|------------------|--------------------|---|--|
| CHINA GUANGFA BANK-LION FUND-QDII NO 35 | Beneficial owner | H shares | 271,985,500 | Long position | 23.65 | 2.36 |
| HAITONG ASSET MANAGEMENT ANYING HAI WAI NO.20 DIRECTIONAL INVESTMENT SCHEME | Beneficial owner | H shares | 78,326,500 | Long position | 6.81 | 0.68 |
| SOCIETE GENERALE | Beneficial owner | H shares | 92,480,000 | Long position | 8.04 | 0.84 |
| Orient Fund Management Co., Ltd. | Trustee | H shares | 71,186,000 | Long position | 6.19 | 0.62 |
| CITIC Trust Co., Ltd. – Shanghai Haisheng QDII Trust Financial Investment Project Phase 202201 | Trustee | H shares | 81,616,000 | Long position | 7.10 | 0.71 |
| CITIC Trust Co., Ltd. – Fangda Special Steel QDII Trust Financial Investment Project Phase 202201 | Trustee | H shares | 78,722,000 | Long position | 6.84 | 0.68 |
| Qianhai International Holdings Limited (前海國際控股有限公司) ⁽¹¹⁾ | Beneficial owner | H shares | 67,091,500 | Long position | 5.83 | 0.58 |
| Nanshan SEI Investment QDII Trust Financial Investment Project Phase 202201 ⁽¹²⁾ | Others | H shares | 67,091,500 | Long position | 5.83 | 0.58 |

Notes:

(1) Ruiteng Yihong holds 700,000,000 domestic shares of the Company. Beijing Ruiyu Jinhe, a limited partnership incorporated under the laws of the PRC as an investment vehicle, which holds 99.99% interest in Ruiteng Yihong. Tibet Ruiyu and Duilongdeqing Yizhuo Investment Management Co., Ltd. are general partners of Beijing Ruiyu Jinhe. Tibet Ruiyu is held as to 99.00% by Yuantao. Duilongdeqing Yizhuo Investment Management Co., Ltd. is held as to 99.98% by Septwolves (Xiamen) Wealth Management Co., Ltd. Septwolves (Xiamen) Wealth Management Co., Ltd. is held as to 96.67% by Septwolves Holding. Septwolves Holding also directly and indirectly holds a total of 77.1% partnership interest in Beijing Ruiyu Jinhe as its limited partner. 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 December 23, 2022, 100,000,000 shares were pledged by Septwolves Holding.

(2) Lhasa Fengming holds 600,000,000 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. 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 Essence 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). Essence 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).

REPORT OF THE BOARD OF DIRECTORS

- (3) Jiangsu Tiancheng directly holds 600,000,000 Domestic Shares in the Company. Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) is a limited partnership incorporated under the laws of 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% by Chen Zhijie. 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.

- (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.

According to the Disclosure of Interests Form filed by Jiangsu Yonggang on December 22, 2022, 256,850,000 shares were pledged by Jiangsu Yonggang.

- (5) 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. 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 December 22, 2022, 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.

- (6) 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 99.99% interest in Shanghai Xuchang. Tibet Hengyi and Shanghai Loyal Valley are the general partners of Shanghai Xule. Shanghai Shengle holds a partnership interest of 99.92% in Shanghai Xule as its sole limited partner.

According to the Disclosure of Interests Form filed by Mr. ZHANG Weigong on December 22, 2022, 144,620,000 shares were pledged by Shanghai Xuchang.

- (7) 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.

- (8) GONG Ruilin is the spouse of LIN Lijun, and therefore is deemed to be interested in the equity interest of LIN Lijun.

- (9) Beijing Chengtong directly holds 700,000,000 domestic shares in the Company, and China Chengtong directly holds 350,000,000 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.

- (10) CCB International Capital Limited directly holds 172,522,500 H shares (long positions) subject to Over-allotment Option (Over-allotment Option lapsed on January 4, 2023.) and 250,849,000 H share (short positions) CCB International Capital Limited is wholly owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is wholly owned by CCB Financial Holdings Limited. CCB Financial Holdings Limited is wholly owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is wholly owned by China Construction Bank Corporation. Central Huijin Investment Ltd. directly holds a 57.11% interest in China Construction Bank Corporation.
- (11) According to the Disclosure of Interests Form filed by Qianhai International Holdings Co., Limited on December 14, 2022, Qianhai International Holdings Co., Limited is directly held by Qianhai Financial Holdings Co., Ltd.
- (12) According to the Disclosure of Interests Form filed by Nanshan SEI Investment QDII Trust Financial Investment Project Phase 202201 on December 12, 2022, Nanshan SEI Investment QDII Trust Financial Investment Project Phase 202201 is managed by CITIC Trust Co., Ltd. as the trustee which is the holder of shares, and the trust beneficiary is Shenzhen Nanshan SEI Investment Co., Ltd.
- (13) The information disclosed above were based on the information provided on the website of the Hong Kong Stock Exchange at www.hkexnews.hk.
- (14) 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.

Save as disclosed above, as at the end of the Reporting Period, 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, 2022.

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, 2022 have been audited by Ernst & Young Hua Ming LLP and Ernst & Young.

By order of the Board

Sunshine Insurance Group Company Limited

ZHANG Weigong

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

As at the Latest Practicable Date, 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, the relevant regulations of the Chinese insurance regulatory authority and the Articles of Association.

As the term of office of the fifth session of the Board of Supervisors of the Company will expire soon, the Board of Supervisors held the meeting on March 16, 2023, and considered and approved the Proposal on the Nomination of Candidates for the Sixth Session of the Board of Supervisors. The Board of Supervisors nominated Ms. ZHANG Di as a candidate for shareholder supervisor of the Sixth session of the Board of Supervisors of the Company, and Ms. Wang Zhe as a candidate for external supervisor of the Sixth Session of the Board of Supervisors of the Company, which will be further submitted to the general meeting for election. The

Company held the employee representatives' meeting on the same day, to elect MR. ZHUANG Liang as the employee supervisor of the Company, who will form the Sixth session of the Board of Supervisors of the Company, together with the supervisors to be elected at the general meeting of the Company.

For details of the new session of the Board of Supervisors, please refer to the announcement of the Company dated March 16, 2023.

MEETINGS OF THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors held a total of six meetings, of which four meetings were held in the form of on-site meetings and two meetings were held in the form of circulation of written proposals. A total of 47 proposals were considered and three reports were heard; and none of the Supervisors was absent from the above meetings.

On January 25, 2022, the 13th 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 2021 of Sunshine Insurance Group Company Limited.

On April 2, 2022, the 14th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved 29 proposals, including the Proposal on the Consideration of the Report on the Work of the Board of Supervisors for 2021.

On April 18, 2022, the 15th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved the Proposal on the Formulation of the Code of Professional Ethics for Directors, Supervisors and Senior Management of Sunshine Insurance Group Company Limited.

On May 17, 2022, the 16th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved the Proposal on By-election of Supervisors of the Company.

On August 29, 2022, the 17th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved five proposals, including the Proposal on the Consideration of the Interim Work Report of the Company for 2022.

On November 21, 2022, the 18th meeting of the Fifth Session of the Board of Supervisors considered and unanimously approved four proposals, including the Proposal on the Consideration of Audit Report of XIA Fangchen, Vice President of the Company during his term of office, and heard three reports, including the Report on the Protection of Consumer Rights and Interests of Sunshine Insurance Group.

SUPERVISION OF PERFORMANCE OF DUTIES

During the reporting period, members of the Board of Supervisors attended the shareholders' general meetings for two times and the on-site meetings of the Board of Directors for five 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 2022.

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 2022 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 new compliance risks that may arise from the new

REPORT OF THE BOARD OF SUPERVISORS

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 shareholders' 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 of the CBIRC, 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

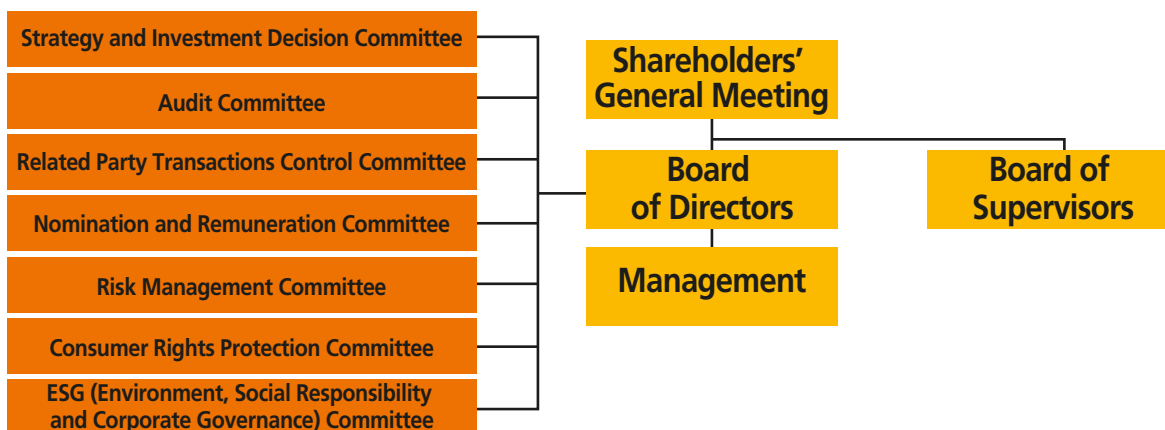
CORPORATE GOVERNANCE REPORT

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, strived for continuously enhancing the corporate governance standard to ensure the stable development of the Company and to enhance shareholders' value.

The H shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since December 9, 2022. The Corporate Governance Code has been applicable to the Company since the Listing Date and the Company has adopted the Corporate Governance Code as the basis of corporate governance practices since the Listing Date. From the Listing Date to the Latest Practicable Date, 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.

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;

CORPORATE GOVERNANCE REPORT

- (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;
 - (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.
- No shareholders' general meeting of the Company was held from the Listing Date to the end of the Reporting Period.

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 or class meeting, a notice of convening such extraordinary general meeting or class 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 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 shall consisted of 12 Directors, among which 5 were executive Directors, 2 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 and General Manager |
| PENG Jihai | Executive Director, Deputy General Manager, Chief Financial Officer, Head of Investment and Chief Investment Officer |
| WANG Yongwen | Executive Director, Deputy General Manager and Chief Auditor |
| WANG Jingwei | Non-executive Director |
| YUAN Mouzhen | Non-executive Director |
| MA Guangyuan | Independent Non-executive Director |
| LIU Zhanqing | Independent Non-executive Director |
| WANG Jianxin | Independent Non-executive Director |
| GAO Bin | Independent Non-executive Director |
| JIA Ning | Independent Non-executive Director |

Note:

- (1) As the term of office of the Fifth Session of the Board of Directors of the Company will expire soon, the Board of Directors held the meeting on March 16, 2023, and considered and approved the Proposal on the Nomination of Candidates for the Sixth Session of the Board of Directors. The board of Directors nominated the candidates for the Sixth Session of the Board of Directors of the Company, which will be further submitted to the general meeting for election. The Company held the meeting of employee representatives on the same day, to elect Mr. HOU Huisheng as the employee director of the Company, who will form the Sixth Session of the Board of Directors of the Company, together with the directors to be elected at the general meeting. Mr. YUAN Mouzhen will cease to be the non-executive Director of the Company from the date of election of the Sixth Session of the Board of Directors at the general meeting upon expiry of his term of office. Mr. MA Guangyuan and Mr. WANG Jianxin will continue to perform the relevant duties as the chairman and member of various special committees of the Board until the qualification of a newly appointed independent non-executive director of the Company is approved by the Chinese insurance regulatory authority. For details of the new session of the Board of Directors, please refer to the announcement of the Company dated March 16, 2023.

From the Listing Date to the end of 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 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 | 9/9 | 100 | 0/9 | 0 |
| ZHAO Zongren | 9/9 | 100 | 0/9 | 0 |
| LI Ke | 9/9 | 100 | 0/9 | 0 |
| PENG Jihai | 9/9 | 100 | 0/9 | 0 |
| WANG Yongwen | 9/9 | 100 | 0/9 | 0 |
| WANG Jingwei | 9/9 | 100 | 0/9 | 0 |
| YUAN Mouzhen | 9/9 | 100 | 0/9 | 0 |
| MA Guangyuan | 9/9 | 100 | 0/9 | 0 |
| LIU Zhanqing | 9/9 | 100 | 0/9 | 0 |
| WANG Jianxin | 9/9 | 100 | 0/9 | 0 |
| GAO Bin | 9/9 | 100 | 0/9 | 0 |
| JIA Ning | 9/9 | 100 | 0/9 | 0 |

During the Reporting Period, the Board held a total of 9 meetings, at which 70 resolutions were considered and approved and 3 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.

CORPORATE GOVERNANCE REPORT

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, 2022. 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

From the Listing Date to the end of the Reporting Period, in respect of dealings in securities by Directors and Supervisors, the Company had adopted the Model Code set out in Appendix 10 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 from the Listing Date to the end of 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. WANG Jingwei, Mr. YUAN Mouzhen, Mr. MA Guangyuan, Mr. LIU Zhanqing, Mr. WANG Jianxin, Mr. GAO Bin and Ms. JIA Ning) 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 organised by regulatory authorities, industrial organisations 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 14 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), two non-executive Directors and

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 The Stock Exchange of Hong Kong Limited 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 Supervisory Committee 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. MA Guangyuan (chairman), Mr. LIU Zhanqing and Mr. GAO Bin.

The Articles of Association provide 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 provide 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 2022, 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.

CORPORATE GOVERNANCE REPORT

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.

COMPOSITION OF THE STRATEGY AND INVESTMENT DECISION COMMITTEE

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), MA Guanyuan (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.

Summary of work undertaken

During the Reporting Period, the Strategy and Investment Decision Committee held a total of 5 meetings, and considered and approved 13 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 | 5/5 | 100 | 0/5 | 0 |

During the Reporting Period, the Strategy and Investment Decision Committee thoroughly studied and discussed 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.

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: ZHAO Zongren (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;

CORPORATE GOVERNANCE REPORT

- (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 3 meetings, and considered and approved 13 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 | 3/3 | 100 | 0/3 | 0 |
| PENG Jihai | 3/3 | 100 | 0/3 | 0 |
| JIA Ning | 3/3 | 100 | 0/3 | 0 |

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.

AUDIT COMMITTEE

Composition

As at the end of the Reporting Period, the Audit Committee comprised three Directors including two independent non-executive Directors and one non-executive Director, with an independent non-executive Director serving as the chairman.

Chairman: WANG Jianxin (Independent Non-executive Director)

Members: GAO Bin (Independent Non-executive Director), WANG Jingwei (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;

CORPORATE GOVERNANCE REPORT

- (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 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

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;
- (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 6 meetings, at which 16 resolutions were considered and approved.

The attendance records of the meetings are as follows:

| Name | Attended in person/required attendance | Percentage of attendance in person (%) | Attended by proxy/required attendance | Percentage of attendance by proxy (%) |
|--------------|---|---|--|--|
| MA Guangyuan | 6/6 | 100 | 0/6 | 0 |
| LIU Zhanqing | 6/6 | 100 | 0/6 | 0 |
| GAO Bin | 6/6 | 100 | 0/6 | 0 |

During the Reporting Period, the Nomination and Remuneration Committee earnestly performed its duties, discussed and considered matters such as the remuneration management measures, the results of the performance evaluation of senior management, the assessment and incentive scheme, the Director Nomination Policy 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

CORPORATE GOVERNANCE REPORT

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.

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 from 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, the Board has one female member, and will ensure that at least one member of the Board is female. In the coming three years after the Listing, our Company will take the opportunity to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder

expectations and recommended best practices. The Company ensures that there are at least one or more female Directors on the Board of the Company by December 31, 2024. 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.

The Company is committed to ensuring a gender diversity in our workforce. As at the end of the Reporting Period, 43.5% of the Company's employees were male and 56.5% 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.

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: LIU Zhanqing (Independent Non-executive Director)

Members: WANG Jianxin (Independent Non-executive Director), GAO Bin (Independent Non-executive Director)

Duties and responsibilities

The Related Party Transactions Control Committee is mainly responsible for the identification and maintenance of connected persons, and the management, review, approval and risk control of connected 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 Transaction Control Committee held 2 meetings to consider and approve 6 resolutions.

CORPORATE GOVERNANCE REPORT

The attendance records of the meetings are as follows:

| Name | Attended in person/required attendance | Percentage of attendance in person (%) | Attended by proxy/required attendance | Percentage of attendance by proxy (%) |
|--------------|--|--|---------------------------------------|---------------------------------------|
| LIU Zhanqing | 2/2 | 100 | 0/2 | 0 |
| WANG Jianxin | 1/1 | 100 | 0/1 | 0 |
| GAO Bin | 1/1 | 100 | 0/1 | 0 |
| PENG Jihai | 1/1 | 100 | 0/1 | 0 |
| WANG Yongwen | 1/1 | 100 | 0/1 | 0 |

Notes:

- (1) Mr. PENG Jihai and Mr. WANG Yongwen ceased to be members of the Related Party Transaction Control Committee from April 2, 2022.
- (2) Mr. GAO Bin and Mr. Wang Jianxin served as members of the Related Party Transaction Control Committee from April 2, 2022.

During the Reporting Period, the Related Party Transaction Control Committee discussed and considered matters such as the special report on related party transactions, the unified transaction agreement and the management rules for related party transactions.

CONSUMER RIGHTS PROTECTION COMMITTEE

Composition

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

Chairman: LI Ke (Executive Director)

Members: WANG Yongwen (Executive Director),
WANG Jingwei (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:

- (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 3 meetings, at which 3 resolutions were considered and approved.

The attendance records of the meetings are as follows:

| Name | Attended in person/required attendance | Percentage of attendance in person (%) | Attended by proxy/required attendance | Percentage of attendance by proxy (%) |
|--------------|---|---|--|--|
| LI Ke | 3/3 | 100 | 0/3 | 0 |
| WANG Yongwen | 3/3 | 100 | 0/3 | 0 |
| WANG Jingwei | 3/3 | 100 | 0/3 | 0 |

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 and the interim work report.

CORPORATE GOVERNANCE REPORT

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 and two independent non-executive Directors.

Chairman: PENG Jihai (Executive Director)

Members: LIU Zhanqing (Independent Non-executive Director), GAO Bin (Independent 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 supervisory committee 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 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;
- (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 of 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 annual Corporate Social Responsibility 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 its work rules 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 4 meetings and considered and adopted 5 resolutions.

CORPORATE GOVERNANCE REPORT

The attendance records of the meetings are as follows:

| Name | Attended in person/required attendance | Percentage of attendance in person (%) | Attended by proxy/required attendance | Percentage of attendance by proxy (%) |
|--------------|--|--|---------------------------------------|---------------------------------------|
| PENG Jihai | 4/4 | 100 | 0/4 | 0 |
| LIU Zhanqing | 4/4 | 100 | 0/4 | 0 |
| GAO Bin | 4/4 | 100 | 0/4 | 0 |

During the Reporting Period, the ESG (Environmental, Social Responsibility and Corporate Governance) Committee discussed and considered the sustainability report, green finance guidance, and member corporate governance guidelines 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 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) assuming ultimate responsibility for managing and responding to major emergencies and risk events; and (vii) 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: (i) reviewing the overall objectives of solvency aligned risk management, risk appetite, risk tolerance and risk management policies; (ii) reviewing the organizational structure and duties of solvency aligned risk management; (iii) reviewing the solvency and financial condition report and submitting it to the Board for approval; (iv) 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; (v) assessing the effectiveness of our solvency aligned risk management system; (vi) assessing the risks in relation to significant operational and management matters and reviewing solutions for significant solvency-related matters; and (vii) 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 organization 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 internal audit department is responsible for the independent assessment of and reporting on the effectiveness of the internal control management system. 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: (i) 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; (ii) 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 (iii) 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.

CORPORATE GOVERNANCE REPORT

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 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) Formulated programmatic documents, namely, the Risk Control Guidelines and the Guidelines on Evaluation of Risk Control, and encouraged each member company to further perfect the risk and internal control management mechanism of the Company and create a closed loop of internal control management; (2) In accordance with the Risk Control Guidelines and other policies, urged each member company to comprehensively sort out major risks, regulatory requirements and control focuses on a regular basis to form a list of key risks, and work out specific policies and measures for risk and control to dynamically identify and respond to the major control focuses; (3) Encouraged each member company to develop inspection tools and regularly conduct self-inspection on risks in the line of defense as well as the soundness and compliance effectiveness of policies and measures related to internal control

management under its jurisdiction, and promptly promoted the rectification of control weaknesses identified; (4) Regularly evaluated risks in the first line of defense and internal control management standards with qualitative and quantitative evaluation methods by using on-site and off-site means and internal as well as the data about internal and external risks and internal control management; (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) Conducted internal control and compliance assessment of each member company of the Group, to promote work through assessment and strengthen the awareness of internal control and compliance; (7) 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:

* increase the space between the two paragraphs

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.

CORPORATE GOVERNANCE REPORT

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 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 2022. 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 is 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 2022, 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, walk-through 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.

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.

CORPORATE GOVERNANCE REPORT

Summary of work undertaken

During the Reporting Period, the Board of Supervisors convened a total of 6 meetings, considered and studied 47 resolutions, and heard 3 reports. The attendance records of the meetings of the Board of Supervisors are as follows:

| Name | Attended in person/required attendance | Percentage of attendance in person (%) | Attended by proxy/required attendance | Percentage of attendance by proxy (%) |
|--------------|--|--|---------------------------------------|---------------------------------------|
| ZHUANG Liang | 6/6 | 100 | 0/6 | 0 |
| ZHANG Di | 2/2 | 100 | 0/2 | 0 |
| WANG Zhe | 6/6 | 100 | 0/6 | 0 |

Notes:

- (1) Upon the approval of the CBIRC, Ms. ZHANG Di was appointed as a supervisor of the Company in June 2022.

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

out various operation and management work, and earnestly implemented 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 carried out business management activities in accordance with the Articles of Association and the authorization of the Board, actively implemented the resolutions of the shareholders' general meetings and the resolutions of the Board of Directors, and implemented the Company's development strategy and business plan; and performed 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

As the joint company secretary of the Company, Mr. DONG Yingqiu is 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, an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, as the joint company secretary of the

Company, to assist Mr. DONG Yingqiu 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. The principal contact person of Mr. Lau Kwok Yin in the Company is Mr. Dong Yingqiu.

During the Reporting period, both Mr. Dong Yingqiu 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.

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 2022, the Company paid the following compensation to E&Y:

Unit: RMB million

| Name of service | Fee |
|----------------------------------|-----|
| Annual statutory audit services | 15 |
| Non-audit service ⁽¹⁾ | 28 |
| Total | 43 |

Note 1: Non-audit services mainly include listing service fees as the reporting accountants and other advisory services.

ARTICLES OF ASSOCIATION

The Articles of Association became effective from the date of the issue and listing of the H Shares of the Company, details of which are set out in the Company's announcement dated December 8, 2022 on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.sinosig.com).

In order to reflect the changes in the total issued share capital of the Company and the review opinions of the relevant regulatory authorities on the Articles of Association after the Global Offering and the lapse of the Over-allotment Option of the Company, 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. 2 March 2023).

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

CORPORATE GOVERNANCE REPORT

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.

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 hotlines 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 recognize 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 145 to 260, which comprise the consolidated statement of financial position as at 31 December 2022, 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 significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p><i>Valuation of long-term life insurance contract liabilities</i></p> <p>As at 31 December 2022, the Group's long-term life insurance contract liabilities amounted to RMB229,990 million, representing 54% of the Group's total liabilities.</p> <p>Valuation of long-term life insurance contract liabilities involved complex actuarial models, and significant management estimates and judgements over uncertain future cash flows and actuarial assumptions including discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions, etc. We identified valuation of long-term life insurance contract liabilities as a key audit matter, as it involved significant estimates and judgements and could be significantly impacted by the changes in actuarial assumptions.</p> <p>Relevant disclosures are included in note 3 (18), note 4, note 34 and note 46 to the consolidated financial statements.</p> | <p>With the support of our internal experts, the audit procedures we performed included:</p> <ul style="list-style-type: none"> • Evaluated and tested the design and operating effectiveness of key controls over the valuation of long-term life insurance contract liabilities. • Assessed the appropriateness of the actuarial valuation methodologies adopted by the Group, and independently built models to perform recalculation on long-term life insurance contract liabilities of selected typical life insurance products. • Assessed key actuarial assumptions by comparing them to historical experience of the Group and industry data. • Tested the completeness and accuracy of the underlying data used in the valuation of long-term life insurance contract liabilities. • Evaluated the overall reasonableness of the long-term life insurance contract liabilities by performing analytical procedures over the movement and assessing the impact of changes in assumptions. |

Key audit matters *(continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p data-bbox="164 470 756 500"><i>Valuation of non-life insurance contract liabilities</i></p> <p data-bbox="164 556 818 720">As at 31 December 2022, the Group's non-life insurance contract liabilities (unearned premium reserves and claim reserves) amounted to RMB38,396 million, representing 9% of the Group's total liabilities.</p> <p data-bbox="164 776 818 1116">We identified valuation of non-life insurance contract liabilities as a key audit matter, as it involved significant judgments by management in selecting the models and setting the assumptions in the liability adequacy test for unearned premium reserves and the valuation of claim reserves, including the claim development factor and estimated loss ratio, and could be significantly impacted by the changes in the assumptions.</p> <p data-bbox="164 1172 818 1289">Relevant disclosures are included in note 3 (18), note 4, note 34 and note 46 to the consolidated financial statements.</p> | <p data-bbox="852 556 1471 633">With the support of our internal experts, the audit procedures we performed included:</p> <ul data-bbox="852 689 1471 1604" style="list-style-type: none"> <li data-bbox="852 689 1471 806">• Evaluated and tested the design and operating effectiveness of key controls over the valuation of non-life insurance contract liabilities. <li data-bbox="852 862 1471 1073">• Assessed the appropriateness of the actuarial valuation methodologies adopted by the Group, performed independent recalculation on non-life insurance contract liabilities, and compared our results to the management record. <li data-bbox="852 1129 1471 1246">• Assessed key actuarial assumptions by comparing them to historical experience of the Group and industry data. <li data-bbox="852 1302 1471 1418">• Tested the completeness and accuracy of the underlying data used in the valuation of non-life insurance contract liabilities. <li data-bbox="852 1474 1471 1604">• Evaluated the overall reasonableness of the non-life insurance contract liabilities by performing analytical procedures over the movement. |

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p data-bbox="113 470 558 502"><i>Valuation of Level 3 financial assets</i></p> <p data-bbox="113 556 794 722">As at 31 December 2022, the Group's financial assets measured at fair value that were classified in Level 3 amounted to RMB18,957 million, representing 4% of the Group's total assets.</p> <p data-bbox="113 776 794 1073">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.</p> <p data-bbox="113 1127 794 1207">Relevant disclosures are included in note 3 (8), note 4 and note 45 to the consolidated financial statements.</p> | <p data-bbox="798 556 1442 636">With the support of our internal experts, the audit procedures we performed included:</p> <ul data-bbox="798 689 1442 1427" style="list-style-type: none"> <li data-bbox="798 689 1442 808">• Evaluated and tested the design and operating effectiveness of key controls over the valuation of Level 3 financial assets. <li data-bbox="798 862 1442 1024">• Assessed the appropriateness of the valuation methodologies adopted by the Group, including comparing them to industry practice and acceptable valuation methods. <li data-bbox="798 1078 1442 1239">• Assessed key assumptions used in the valuations, including comparing the significant unobservable inputs to information available from third-party sources and market data. <li data-bbox="798 1293 1442 1427">• Performed independent valuation for Level 3 financial assets on a sample basis and compared our results to the management record. |

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.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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 business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT

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 *Choi Kam Cheong, Geoffrey*.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

| <i>(in RMB million)</i> | Notes | 2022 | 2021 |
|--|-------|------------------|------------------|
| Gross written premiums | 7 (a) | 108,740 | 101,759 |
| Less: Premiums ceded to reinsurers | 7 (b) | (3,844) | (3,404) |
| Net written premiums | 7 (c) | 104,896 | 98,355 |
| Net change in unearned premium reserves | | 310 | (1,073) |
| Net premiums earned | | 105,206 | 97,282 |
| Investment income | 8 | 19,188 | 17,096 |
| Share of profits and losses of associates and joint ventures | | 864 | 2,319 |
| Other income | 9 | 3,320 | 3,272 |
| Total revenues | | 128,578 | 119,969 |
| Net policyholders' benefits and claims: | | | |
| Life insurance death and other benefits paid | 10 | (32,121) | (12,447) |
| Claims incurred | 10 | (26,143) | (26,630) |
| Changes in long-term life insurance contract liabilities | 10 | (29,167) | (38,604) |
| Policyholder dividends | 10 | (2,440) | (2,144) |
| Interest credited to investment contracts | | (3,832) | (3,470) |
| Commission and brokerage expenses | | (11,198) | (11,752) |
| Finance costs | 11 | (1,148) | (1,341) |
| Other operating and administrative expenses | | (17,317) | (17,856) |
| Total benefits, claims and expenses | | (123,366) | (114,244) |
| Profit before tax | 12 | 5,212 | 5,725 |
| Income tax | 15 | (197) | 295 |
| Net profit | | 5,015 | 6,020 |
| Attributable to: | | | |
| Equity owners of the parent | | 4,881 | 5,883 |
| Non-controlling interests | | 134 | 137 |
| Earnings per share attributable to ordinary equity holders of the parent: | | | |
| – Basic | 16 | RMB0.47 | RMB0.57 |
| – Diluted | 16 | RMB0.47 | RMB0.57 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|-----------------|---------|
| Net profit | 5,015 | 6,020 |
| Other comprehensive income | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Net fair value change on available-for-sale financial assets | (12,276) | 335 |
| Amount transferred to net profit from other comprehensive income | 3,980 | (2,790) |
| Share of other comprehensive income of associates and joint ventures | 33 | (77) |
| Exchange differences on translating foreign operations | 458 | (319) |
| Income tax effect | 1,594 | 843 |
| Other comprehensive income for the year, net of tax | (6,211) | (2,008) |
| Total comprehensive income for the year, net of tax | (1,196) | 4,012 |
| Attributable to: | | |
| Equity owners of the parent | (1,331) | 3,875 |
| Non-controlling interests | 135 | 137 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| <i>(in RMB million)</i> | Notes | 31 December 2022 | 31 December 2021 |
|--|-------|---------------------|---------------------|
| ASSETS | | | |
| Property and equipment | 18 | 18,938 | 18,306 |
| Right-of-use assets | 19 | 3,051 | 3,298 |
| Investment properties | 20 | 9,085 | 9,372 |
| Investments in associates and joint ventures | 21 | 16,136 | 28,795 |
| Held-to-maturity financial assets | 22 | 114,704 | 84,093 |
| Investments classified as loans and receivables | 23 | 35,288 | 31,191 |
| Term deposits | 24 | 22,383 | 22,401 |
| Statutory deposits | 25 | 5,418 | 5,418 |
| Available-for-sale financial assets | 26 | 169,469 | 159,501 |
| Financial assets at fair value through profit or loss | 27 | 20,455 | 12,161 |
| Securities purchased under agreements to resell | 28 | 7,375 | 18,618 |
| Policy loans | | 11,077 | 10,464 |
| Interest receivables | | 3,786 | 3,128 |
| Premium receivables | 29 | 14,825 | 15,489 |
| Reinsurance assets | 30 | 3,918 | 3,391 |
| Policyholder account assets in respect of investment contracts | 31 | 297 | 322 |
| Deferred tax assets | 38 | 2,501 | 864 |
| Other assets | 32 | 9,197 | 8,147 |
| Cash and short-term time deposits | 33 | 17,454 | 6,664 |
| Total assets | | 485,357 | 441,623 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| <i>(in RMB million)</i> | Notes | 31 December 2022 | 31 December 2021 |
|--|-------|---------------------|---------------------|
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Insurance contract liabilities | 34 | 268,386 | 238,976 |
| Investment contract liabilities | 35 | 93,892 | 86,239 |
| Policyholder dividend payable | | 5,834 | 4,150 |
| Lease liabilities | | 782 | 922 |
| Bonds payable | 36 | 12,125 | 12,923 |
| Financial liabilities at fair value through profit or loss | | 4,546 | 2,432 |
| Securities sold under agreements to repurchase | 37 | 17,419 | 12,106 |
| Insurance payables | | 2,722 | 2,601 |
| Income tax payables | | 209 | 181 |
| Premiums received in advance | | 3,854 | 4,515 |
| Deferred tax liabilities | 38 | 61 | 192 |
| Other liabilities | 39 | 13,508 | 17,170 |
| Total liabilities | | 423,338 | 382,407 |
| Equity | | | |
| Share capital | 40 | 11,502 | 10,351 |
| Reserves | 41 | 29,306 | 29,646 |
| Retained profits | | 19,933 | 18,011 |
| Attributable to equity owners of the parent | | 60,741 | 58,008 |
| Non-controlling interests | | 1,278 | 1,208 |
| Total equity | | 62,019 | 59,216 |
| Total liabilities and equity | | 485,357 | 441,623 |

The consolidated financial statements on pages 145 to 260 were approved and authorised for issue by the Board of Directors on 29 March 2023 and were signed on its behalf.

ZHANG Weigong
 Director

PENG Jihai
 Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| (in RMB million) | Attributable to equity owners of the parent | | | | | | | | | | | | |
|---|---|------------------|------------------|-----------------------|--|------------------------------------|--|---------------------------------------|----------------|------------------|---------|---------------------------|--------------|
| | Reserves | | | | | | | | | | | Non-controlling interests | Total equity |
| | Share capital | Capital reserves | Surplus reserves | General risk reserves | Agriculture catastrophic loss reserves | Nuclear catastrophic loss reserves | Available-for-sale financial assets revaluation reserves | Foreign currency translation reserves | Other reserves | Retained profits | Total | | |
| As at 1 January 2022 | 10,351 | 21,278 | 1,068 | 4,417 | 57 | 8 | 3,149 | (346) | 15 | 18,011 | 58,008 | 1,208 | 59,216 |
| Net profit | - | - | - | - | - | - | - | - | - | 4,881 | 4,881 | 134 | 5,015 |
| Other comprehensive income | - | - | - | - | - | - | (6,702) | 457 | 33 | - | (6,212) | 1 | (6,211) |
| Total comprehensive income | - | - | - | - | - | - | (6,702) | 457 | 33 | 4,881 | (1,331) | 135 | (1,196) |
| 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 | - | - | - | 1,146 | - | - | - | - | - | (1,146) | - | - | - |
| Appropriation to nuclear catastrophic loss reserves | - | - | - | - | - | 4 | - | - | - | (4) | - | - | - |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (72) | (72) |
| Others | - | (89) | - | - | - | - | - | - | - | - | (89) | 5 | (84) |
| 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 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| (in RMB million) | Attributable to equity owners of the parent | | | | | | | | | | | | | |
|---|---|------------------|------------------|-----------------------|--|------------------------------------|--|---------------------------------------|----------------|------------------|---------|-------|---------------------------|--------------|
| | Reserves | | | | | | | | | | | Total | Non-controlling interests | Total equity |
| | Share capital | Capital reserves | Surplus reserves | General risk reserves | Agriculture catastrophic loss reserves | Nuclear catastrophic loss reserves | Available-for-sale financial assets revaluation reserves | Foreign currency translation reserves | Other reserves | Retained profits | | | | |
| As at 1 January 2021 | 10,351 | 21,710 | 763 | 3,439 | 57 | 4 | 4,761 | (27) | 92 | 14,646 | 55,796 | 1,151 | 56,947 | |
| Net profit | - | - | - | - | - | - | - | - | - | 5,883 | 5,883 | 137 | 6,020 | |
| Other comprehensive income | - | - | - | - | - | - | (1,612) | (319) | (77) | - | (2,008) | - | (2,008) | |
| Total comprehensive income | - | - | - | - | - | - | (1,612) | (319) | (77) | 5,883 | 3,875 | 137 | 4,012 | |
| Dividend declared | - | - | - | - | - | - | - | - | - | (1,242) | (1,242) | - | (1,242) | |
| Appropriation to surplus reserves | - | - | 305 | - | - | - | - | - | - | (305) | - | - | - | |
| Appropriation to general risk reserves | - | - | - | 978 | - | - | - | - | - | (978) | - | - | - | |
| Appropriation to nuclear catastrophic loss reserves | - | - | - | - | - | 4 | - | - | - | (4) | - | - | - | |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (80) | (80) | |
| Others | - | (432) | - | - | - | - | - | - | - | 11 | (421) | - | (421) | |
| 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 | |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

| <i>(in RMB million)</i> | Note | 2022 | 2021 |
|--|------|------------------|-----------|
| Net cash inflows from operating activities | 43 | 26,229 | 44,573 |
| Cash flows from investing activities | | | |
| Purchases of property and equipment, intangible assets and other assets | | (1,435) | (1,698) |
| Disposals of property and equipment, intangible assets and other assets | | 66 | 56 |
| Purchases of investments | | (278,384) | (201,074) |
| Disposals of investments | | 237,944 | 185,934 |
| Interest received | | 12,819 | 12,269 |
| Dividends received | | 882 | 950 |
| Increase in policy loans, net | | (613) | (1,175) |
| Others | | (34) | 52 |
| Net cash outflows from investing activities | | (28,755) | (4,686) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 5,772 | – |
| Increase/(decrease) in securities sold under agreements to repurchase, net | | 5,313 | (19,919) |
| Proceeds from issuance of asset-backed securities | | – | 2,750 |
| Repayment of asset-backed securities | | (4,950) | (2,750) |
| Proceeds from bonds issued | | – | 10,000 |
| Repayment of bonds | | (1,000) | (13,570) |
| Interest paid | | (980) | (839) |
| Dividends paid | | (1,708) | (1,513) |
| Payment of principal portion of lease liabilities | | (448) | (471) |
| Others | | (96) | (51) |
| Net cash inflows/(outflows) from financing activities | | 1,903 | (26,363) |
| Effects of foreign exchange rate changes | | 170 | (64) |
| Net (decrease)/increase in cash and cash equivalents | | (453) | 13,460 |
| Cash and cash equivalents at the beginning of the year | | 25,282 | 11,822 |
| Cash and cash equivalents at the end of the year | | 24,829 | 25,282 |
| Analysis of balances of cash and cash equivalents | | | |
| Cash at banks and on hand | | 17,454 | 6,664 |
| Securities purchased under agreements to resell | | 7,375 | 18,618 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 China Banking and Insurance Regulatory Commission (the “CBIRC”).

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.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), 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 assets and liabilities, which have been measured at fair value, and insurance contract liabilities, 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 2022. 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not adopted the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

| Standards/Amendments | Content |
|-----------------------|---|
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current²</i> |
| Amendments to IAS 1 | <i>Disclosure of Accounting Policies¹</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates¹</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i> |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback²</i> |
| IFRS 9 | <i>Financial Instruments¹</i> |
| IFRS 17 | <i>Insurance Contracts¹</i> |

1 Effective for annual periods beginning on or after 1 January 2023

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

Except for IFRS 17 and IFRS 9, the adoption of the above standards and amendments will have no material impact on the Group's result of operations and financial position.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group adopts the temporary exemption permitted in Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ("IFRS 4 Amendment")* to apply IAS 39 rather than IFRS 9, until the effective date of IFRS 17. Refer to Note 42 for more details.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 9 – Financial Instruments (continued)

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business models (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss, based on their respective business models. Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealised gains and losses on equity instruments currently classified as available-for-sale financial assets being recorded in profit or loss going forward.

Impairment

IFRS 9 replaces the “incurred loss” model with the “expected credit loss” model which is designed to include forward-looking information.

Hedge accounting

The Group does not apply the hedge accounting currently, so the Group expects that the new hedge accounting model under IFRS 9 will have no impact on the Group’s consolidated financial statements.

IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 17 – Insurance Contracts (continued)

The main features of the new accounting model for insurance contracts are as follows:

- The fulfilment cash flows including the expected present value of future cash flows and explicit risk adjustment, remeasured every reporting period;
- A contractual service margin (“CSM”) represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the coverage period;
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income (“OCI”), determined by accounting policy choices for portfolios of insurance contracts (“OCI Choice”);
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components), are not presented in the statement of comprehensive income, but are recognised directly in the statement of financial position;
- Insurance service results are presented separately from the insurance finance income or expense;
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

In June 2020, the IASB issued the amendments to IFRS 17 which include a deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. Insurers qualifying for the deferral of IFRS 9 can apply both IFRS 17 and IFRS 9 for the first time to annual reporting periods beginning on or after 1 January 2023.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

In December 2021, the IASB further amended IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

The Group will apply IFRS 9 and IFRS 17 from annual reporting periods beginning on 1 January 2023. Application of IFRS 9 and IFRS 17 may impact the Group’s financial performance and financial position in the following aspects:

- Revenue from long-term life insurance contracts will decrease significantly, because insurance revenue will be recognised over the coverage periods based on provision of services and non-distinct investment components (i. e. the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs) in insurance contracts will be excluded from profit or loss under IFRS 17, i. e. the collection of an investment component is not revenue and its repayment is not an expense; The impact of application of IFRS 17 on the revenue from property and casualty and short-term life insurance contracts is much less, due to the absence of investment components in most of those contracts and the coverage periods are short.
- While the implementation of IFRS 17 will not change the ultimate profitability of insurance contracts, it will have major impacts on how and when profit (or losses) of insurance contracts are recognised, as well as the Group’s total equity. Such changes are mainly due to various changes introduced by IFRS 17:
 - (a) the effect of changes in fulfilment cash flows that relate to future services will be added to or deducted from the remaining CSM, while under the Group’s current accounting policies in note 3 (18), the residual margin will be locked at inception and amortised over the insurance coverage period using amortisation factors;
 - (b) under the general model of IFRS 17, the effect of changes in financial assumptions (i. e., discount rates) will be reported in either profit or loss or OCI, determined by OCI Choice made by the Group, while under the Group’s current accounting policies in note 3 (18), changes in assumptions are recognised immediately in profit or loss;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

- (c) under IFRS 17, the discount rate will be based on observable current market prices (if any) reflecting the characteristics of the insurance contracts, while under the Group's current accounting policies in note 4, the discount rate for non-participating life insurance contracts is determined based on a base rate curve at the end of each reporting period;
- (d) IFRS 17 requires a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application is impracticable for a group of insurance contracts, the Group shall apply one of the two alternative approaches (modified retrospective approach or fair value approach) instead;
- On the initial application date of IFRS 9 and IFRS 17, the Group redetermined the classifications for most of its financial assets under IFRS 9. Applying IFRS 9 and IFRS 17 at the same time provides an opportunity for the Group to optimise the accounting match between insurance contract liabilities and related financial assets;
 - Under IFRS 9, a large portion of the Group's equity investments currently classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss, unless the Group elects to designate as FVOCI (i. e., any gain/loss other than dividend would not be recognised in profit or loss). Unquoted equity investments which are currently measured at cost shall also be measured at fair value under IFRS 9. Certain debt investments will be reclassified to financial assets at fair value through profit or loss because their contractual cash flows are not solely payments of principal and interest. The more assets are classified at fair value through profit or loss, the more the profit or loss will be impacted by the volatility of the capital market. However, if such investments are held as underlying items for insurance contracts with direct participation features under IFRS 17, the volatility of profit or loss resulting from the volatile investment income will be wholly or partially mitigated by the offsetting effect of insurance finance income or expenses recognised for such insurance contracts.
 - The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit loss rather than only incurred credit losses as is the case under the Group's current accounting policies, which applies to the debt investments measured as amortised cost and FVOCI. The adoption of "expected credit loss" model would increase impairment provision for the debt investments measured as amortised cost and FVOCI.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. 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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Cash and cash equivalents (continued)

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 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:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) *Financial assets* (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) *Financial assets* (continued)

Subsequent measurement (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) *Financial assets* (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) *Financial assets* (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) *Financial assets* (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) *Financial assets* (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets 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.

(6) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) *Financial liabilities* (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

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.

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 statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(8) Fair value measurement

The Group measures financial instruments, such as securities at fair value through profit or loss 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(8) Fair value measurement (continued)

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.

(9) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Investment properties (continued)

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%.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(12) Property and equipment (continued)

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(14) Impairment of non-financial assets *(continued)*

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 in those expense categories consistent with the function of the impaired asset.

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.

(15) Insurance guarantee fund

The Group calculates the insurance guarantee fund as follows:

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and
- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Insurance guarantee fund (continued)

No additional provision is required when the accumulated insurance guarantee fund balances of a life insurance company reach 1% of its respective total assets. For a non-life insurance company, no additional provision is required when the accumulated balance reaches 6% of its total assets.

(16) Insurance contracts

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would be as follows:

- (a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.
- (b) If the insurance risk portion and other risk portion are not distinct, or if they are distinct but cannot be separately measurable, the Group would test the significance of insurance risk at the initial recognition of such contracts. The whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

Universal life contracts and unit-linked contracts are unbundled into the following components:

- insurance components
- non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts, which are stated in the investment contract liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(17) Significant insurance risk testing

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

(18) Insurance contract liabilities

The insurance contract liabilities of the Group include long-term life insurance contract reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i. e., the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
 - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
 - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc.;
 - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Insurance contract liabilities (continued)

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows.
- At inception of an insurance contract, any 'day-one' gain is not recognised in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At the inception of an insurance contract, the amortisation ratio can be computed using residual margin over the expected future value of the amortisation factor. The amortisation ratio is not adjusted subsequently for future changes in assumptions. The present value of the amortisation factor needs to be determined is based on assumptions currently made at the end of the reporting period. Residual margins can be computed as the adjusted amortisation factor multiplied by the amortisation ratio. For non-life insurance contracts, the Group amortises the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortises the residual margin on the basis of the number of policies in force during the whole insurance coverage period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short contracts with durations less than one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information currently available as at the end of the reporting period and are not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short-term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are released over the term of the contract using the 365ths method or risk distribution method.

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short-term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ('IBNR') claim reserves and claim expense reserves.

Incurred and reported claim reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method and the loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

Long-term life insurance contract reserves

Long-term life insurance contract reserves are insurance contract liabilities provided for long-term life and health insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Insurance contract liabilities (continued)

Long-term life insurance contract reserves (continued)

The Group determines risk margins of the long-term life insurance contract reserves using value at risk ('VaR') and the scenario comparison method. The unfavourable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long-term life insurance contract reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period. Changes in assumptions are recognised immediately in profit or loss.

Liability adequacy test

At the end of the reporting period, liability adequacy tests are performed on the insurance contract liabilities. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities.

(19) Investment contract liabilities

Investment contract liabilities of the Group include liabilities arising from investment contracts that carry no significant insurance risk and also investment components of universal life contracts and unit-linked contracts that carry no significant insurance risk.

The liability of the investment component of an unbundled universal life contract is measured at amortised cost using effective interest rate while the liability arising from unit-linked contract is measured at fair value.

Assets related to unit-linked contracts are presented as "policyholder account assets in respect of investment contracts" and are presented separately from the rest of the Group's assets. The liability for such contracts is adjusted for all changes in the fair values of the underlying assets.

(20) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(20) Provisions *(continued)*

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.

(21) Revenue recognition

Gross premiums

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

Premiums from long-term life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from property and casualty and short-term life insurance contracts are recognised as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognised as revenue in the period in which they are collected unless they relate to services to be provided in future periods which would be deferred and recognised as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortised cost and are mainly recognised through an adjustment to the effective yield.

Income from investment contracts is included in other operating income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(21) Revenue recognition (continued)

Investment income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

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. Dividends are recognised when the shareholders' right to receive payment is established.

(22) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Policyholder dividends

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

(24) 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.

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 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Leases (continued)

Group as a lessee (continued)

Right-of-use assets (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) 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.

(25) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(25) 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.

(26) 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.

(27) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(27) Income tax *(continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are 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
- 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 carryforward 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 carryforward 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
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) 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.

(28) 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);

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(28) Related parties *(continued)*

A party is considered to be related to the Group if *(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.

(29) 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.

(30) 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.

4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

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 directors. 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) Unbundling, classification and significant risk testing of contracts

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgement affects the unbundling of insurance contracts.

In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk testing. The result of such judgement affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(3) Measurement unites of insurance contract liabilities

The Group shall make judgements on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement unites would affect the measurement results of insurance contract liabilities.

(4) Impairment of available-for-sale financial assets

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(5) 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.

(6) Determination of control over the structured entities

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgement based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities

At the end of each of the reporting period, when measuring the insurance contract liabilities, 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.

At the end of the reporting period, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions 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.

(a) 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 2022 was from 2.52% to 4.80% (31 December 2021: 2.78% to 4.70%).

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 2022 was from 5.00% to 5.70% (31 December 2021: 5.00% 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.

(b) Mortality and morbidity

Mortality assumption is determined based on the Group's historical mortality experiences as well as current and expected future development trends, etc. The Group presents its mortality assumptions using appropriate percentages of China Life Insurance Mortality Table.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

(b) Mortality and morbidity (continued)

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.

(c) 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 surrender rate assumption based on the information available as at the end of the reporting period and risk margin is considered.

(d) Expenses

The Group develops its expense assumption based on its expense analysis and future expectation, including assumptions of acquisition costs, maintenance expenses.

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.

(e) 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.

When carrying out the liability adequacy test on the non-life insurance unearned premium reserves, the Group uses the discounted cash flow method to judge whether there is inadequacy. The main assumptions for measuring discounted cash flow include expected loss ratio, policy maintenance expenses, risk margin, etc. The Group determines the risk margin assumptions for unearned premium reserves based on currently available information at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

The major assumptions used in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claims. The claim development factors and expected claim ratio are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation.

(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) 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.

Change in accounting estimates

When measuring the insurance contract liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the end of the reporting period.

As at 31 December 2022, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such changes in accounting estimates resulted in an increase in insurance contract liabilities as at 31 December 2022 by approximately RMB4,584 million, and a decrease in profit before tax for the years ended 31 December 2022 by approximately RMB4,584 million.

5 SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out below:

| Name | Place and date of incorporation/ registration and business | Registered capital/ authorised capital | Percentage of equity attributable to the Company | | Principal activities |
|---|--|--|--|----------|---------------------------------|
| | | | Direct | Indirect | |
| Sunshine Life Insurance Corporation Limited ⁽ⁱ⁾ ("Sunshine Life") 陽光人壽保險股份有限公司 ⁽ⁱⁱ⁾ | 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 ⁽ⁱⁱ⁾ | PRC/Mainland China (28 July 2005) | RMB5,746,000,000 | 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 ⁽ⁱⁱ⁾ | 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 ⁽ⁱⁱ⁾ | PRC/Mainland China (4 December 2012) | RMB125,000,000 | 20 | 60 | Asset management |

(i) The English names of these entities registered in the PRC represent the best efforts made by management of the Company to directly translate their Chinese names as they did not register any official English name.

(ii) The above subsidiaries are registered as limited companies in accordance of the Company Law of the People's Republic of China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5 SCOPE OF CONSOLIDATION *(continued)*

(2) As at 31 December 2022, 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 Allocation No.2 Asset Management Product | 99% | 2,034 | Asset management |
| Sunshine Asset – Value Optimization Asset Management Product | 76% | 1,714 | Asset management |
| Sunshine Asset – Yingshi No.4 (Phase1) Asset Management Product | 100% | 1,352 | Asset management |
| Sunshine Asset – Growth Optimization Asset Management Product | 100% | 1,246 | Asset management |
| Sunshine Asset – Active Quantification No.1 Asset Management Product | 100% | 1,027 | Asset management |
| Sunshine Asset – Proactive No.8 Asset Management Product | 100% | 1,021 | Asset management |

6 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 corporation 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.

6 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 2022 and for the year then ended is as follows:

| <i>(in RMB million)</i> | Property and casualty insurance | | | | | Total |
|--|---------------------------------|---------------|-----------------|---------------|--------------------------------|----------------|
| | Life insurance | Sunshine P&C | Sunshine Surety | Subtotal | Other business and elimination | |
| Gross written premiums | 68,295 | 40,409 | 36 | 40,445 | – | 108,740 |
| Less: Premiums ceded to reinsurers | (1,787) | (2,057) | – | (2,057) | – | (3,844) |
| Net written premiums | 66,508 | 38,352 | 36 | 38,388 | – | 104,896 |
| Net change in unearned premium reserves | 211 | 89 | 10 | 99 | – | 310 |
| Net premiums earned | 66,719 | 38,441 | 46 | 38,487 | – | 105,206 |
| Investment income | 18,056 | 1,940 | 27 | 1,967 | (835) | 19,188 |
| Share of profits and losses of associates and joint ventures | 1,065 | 187 | – | 187 | (388) | 864 |
| Other income | 901 | 159 | 11 | 170 | 2,249 | 3,320 |
| Total revenues | 86,741 | 40,727 | 84 | 40,811 | 1,026 | 128,578 |
| Net policyholders' benefits and claims: | | | | | | |
| Life insurance death and other benefits paid | (32,121) | – | – | – | – | (32,121) |
| Claims incurred | (1,101) | (24,987) | (25) | (25,012) | (30) | (26,143) |
| Changes in long-term life insurance contract liabilities | (29,167) | – | – | – | – | (29,167) |
| Policyholder dividends | (2,440) | – | – | – | – | (2,440) |
| Interest credited to investment contracts | (3,832) | – | – | – | – | (3,832) |
| Commission and brokerage expenses | (7,040) | (4,334) | (23) | (4,357) | 199 | (11,198) |
| Finance costs | (814) | (316) | (1) | (317) | (17) | (1,148) |
| Other operating and administrative expenses | (5,395) | (9,293) | (104) | (9,397) | (2,525) | (17,317) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

6 SEGMENT INFORMATION *(continued)*

The segment analysis as at 31 December 2022 and for the year then ended is as follows: *(continued)*

| <i>(in RMB million)</i> | Property and casualty insurance | | | | | Total |
|--|---------------------------------|-----------------|-----------------|-----------------|--------------------------------|------------------|
| | Life insurance | Sunshine P&C | Sunshine Surety | Subtotal | Other business and elimination | |
| Total benefits, claims and expenses | (81,910) | (38,930) | (153) | (39,083) | (2,373) | (123,366) |
| Profit before tax | 4,831 | 1,797 | (69) | 1,728 | (1,347) | 5,212 |
| Income tax | 105 | (195) | – | (195) | (107) | (197) |
| Net profit | 4,936 | 1,602 | (69) | 1,533 | (1,454) | 5,015 |
| Segment assets | 397,190 | 64,621 | 1,894 | 66,515 | 21,652 | 485,357 |
| Segment liabilities | 361,749 | 53,660 | 358 | 54,018 | 7,571 | 423,338 |

Other segment information for the year ended 31 December 2022:

| <i>(in RMB million)</i> | Property and casualty insurance | | | | | Total |
|-------------------------------|---------------------------------|--------------|-----------------|----------|--------------------------------|--------|
| | Life insurance | Sunshine P&C | Sunshine Surety | Subtotal | Other business and elimination | |
| Depreciation and amortisation | 500 | 392 | 8 | 400 | 761 | 1,661 |
| Capital expenditure | 169 | 160 | – | 160 | 1,072 | 1,401 |
| Impairment loss charges | 3,918 | 302 | – | 302 | (452) | 3,768 |
| Interest income | 9,844 | 852 | 27 | 879 | 189 | 10,912 |

6 SEGMENT INFORMATION (continued)

The segment analysis as at 31 December 2021 and for the year then ended is as follows:

| <i>(in RMB million)</i> | Property and casualty insurance | | | | Other business and elimination | Total |
|--|---------------------------------|---------------|-----------------|---------------|--------------------------------|----------------|
| | Life insurance | Sunshine P&C | Sunshine Surety | Subtotal | | |
| Gross written premiums | 60,826 | 40,919 | 14 | 40,933 | – | 101,759 |
| Less: Premiums ceded to reinsurers | (1,295) | (2,109) | – | (2,109) | – | (3,404) |
| Net written premiums | 59,531 | 38,810 | 14 | 38,824 | – | 98,355 |
| Net change in unearned premium reserves | 44 | (1,053) | 39 | (1,014) | (103) | (1,073) |
| Net premiums earned | 59,575 | 37,757 | 53 | 37,810 | (103) | 97,282 |
| Investment income | 12,670 | 2,312 | 38 | 2,350 | 2,076 | 17,096 |
| Share of profits and losses of associates and joint ventures | 2,322 | 171 | – | 171 | (174) | 2,319 |
| Other income | 1,027 | 177 | 21 | 198 | 2,047 | 3,272 |
| Total revenues | 75,594 | 40,417 | 112 | 40,529 | 3,846 | 119,969 |
| Net policyholders' benefits and claims: | | | | | | |
| Life insurance death and other benefits paid | (12,447) | – | – | – | – | (12,447) |
| Claims incurred | (1,111) | (25,148) | (168) | (25,316) | (203) | (26,630) |
| Changes in long-term life insurance contract liabilities | (38,604) | – | – | – | – | (38,604) |
| Policyholder dividends | (2,144) | – | – | – | – | (2,144) |
| Interest credited to investment contracts | (3,470) | – | – | – | – | (3,470) |
| Commission and brokerage expenses | (6,739) | (5,242) | (1) | (5,243) | 230 | (11,752) |
| Finance costs | (1,074) | (196) | (1) | (197) | (70) | (1,341) |
| Other operating and administrative expenses | (6,028) | (9,514) | (114) | (9,628) | (2,200) | (17,856) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

6 SEGMENT INFORMATION (continued)

The segment analysis as at 31 December 2021 and for the year then ended is as follows: (continued)

| <i>(in RMB million)</i> | Property and casualty insurance | | | | Other business and elimination | Total |
|--|---------------------------------|---------------|--------------------|---------------|--------------------------------------|----------------|
| | Life insurance | Sunshine P&C | Sunshine Surety | Subtotal | | |
| Total benefits, claims and expenses | (71,617) | (40,100) | (284) | (40,384) | (2,243) | (114,244) |
| Profit before tax | 3,977 | 317 | (172) | 145 | 1,603 | 5,725 |
| Income tax | 553 | 135 | – | 135 | (393) | 295 |
| Net profit | 4,530 | 452 | (172) | 280 | 1,210 | 6,020 |
| Segment assets | 361,263 | 64,578 | 2,282 | 66,860 | 13,500 | 441,623 |
| Segment liabilities | 324,330 | 53,052 | 676 | 53,728 | 4,349 | 382,407 |

Other segment information for the year ended 31 December 2021:

| <i>(in RMB million)</i> | Property and casualty insurance | | | | Other business and elimination | Total |
|-------------------------------|---------------------------------|--------------|--------------------|----------|--------------------------------------|-------|
| | Life insurance | Sunshine P&C | Sunshine Surety | Subtotal | | |
| Depreciation and amortisation | 515 | 402 | 12 | 414 | 786 | 1,715 |
| Capital expenditure | 270 | 119 | 1 | 120 | 1,886 | 2,276 |
| Impairment loss charges | 1,495 | 393 | – | 393 | (632) | 1,256 |
| Interest income | 8,514 | 739 | 35 | 774 | 433 | 9,721 |

7 GROSS AND NET WRITTEN PREMIUMS

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|----------------|----------------|
| (a) Gross written premiums | | |
| Property and casualty insurance premiums | 40,445 | 40,933 |
| Short-term life insurance premiums | 2,758 | 1,810 |
| Long-term life insurance premiums | 65,537 | 59,016 |
| Total | 108,740 | 101,759 |
| (b) Premiums ceded to reinsurers | | |
| Property and casualty insurance premiums ceded to reinsurers | (2,057) | (2,109) |
| Short-term life insurance premiums ceded to reinsurers | (1,001) | (270) |
| Long-term life insurance premiums ceded to reinsurers | (786) | (1,025) |
| Total | (3,844) | (3,404) |
| (c) Net written premiums | 104,896 | 98,355 |

8 INVESTMENT INCOME

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|---------------|---------------|
| Interest and dividend income (a) | 15,067 | 13,665 |
| Realised gains (b) | 6,734 | 5,826 |
| Unrealised gains/(losses) (c) | 618 | (2,172) |
| Operating lease income from investment properties | 305 | 421 |
| Charge of impairment losses on financial assets, net | (3,536) | (644) |
| Total | 19,188 | 17,096 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8 INVESTMENT INCOME (continued)**(a) Interest and dividend income**

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|---------------|--------|
| Debt investments | 9,161 | 8,610 |
| Equity investments | 4,054 | 3,174 |
| Bank deposits | 1,226 | 1,334 |
| Policy loans | 494 | 460 |
| Securities purchased under agreements to resell | 132 | 87 |
| Total | 15,067 | 13,665 |

(b) Realised gains

| <i>(in RMB million)</i> | 2022 | 2021 |
|-------------------------|--------------|-------|
| Debt investments | 2,503 | 186 |
| Equity investments | 4,231 | 5,640 |
| Total | 6,734 | 5,826 |

(c) Unrealised gains/(losses)

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|-------------|---------|
| Debt investments | 167 | 139 |
| Equity investments | 461 | (2,269) |
| Financial liabilities at fair value through profit or loss | (10) | (42) |
| Total | 618 | (2,172) |

9 OTHER INCOME

| <i>(in RMB million)</i> | 2022 | 2021 |
|----------------------------------|--------------|--------------|
| Income from hotel operation | 947 | 648 |
| Income from hospital operation | 847 | 954 |
| Income from investment contracts | 467 | 668 |
| Asset management fee | 350 | 346 |
| Others | 709 | 656 |
| Total | 3,320 | 3,272 |

10 NET POLICYHOLDERS' BENEFITS AND CLAIMS

| <i>(in RMB million)</i> | 2022 | | |
|--|---------------|----------------|---------------|
| | Gross | Ceded | Net |
| Life insurance death and other benefits paid | 32,767 | (646) | 32,121 |
| Claims incurred | 28,158 | (2,015) | 26,143 |
| Short-term life insurance | 1,822 | (721) | 1,101 |
| Property and casualty insurance | 26,336 | (1,294) | 25,042 |
| Changes in long-term life insurance contract liabilities | 29,091 | 76 | 29,167 |
| Policyholder dividends | 2,440 | – | 2,440 |
| Total | 92,456 | (2,585) | 89,871 |

| <i>(in RMB million)</i> | 2021 | | |
|--|---------------|----------------|---------------|
| | Gross | Ceded | Net |
| Life insurance death and other benefits paid | 13,059 | (612) | 12,447 |
| Claims incurred | 28,164 | (1,534) | 26,630 |
| Short-term life insurance | 1,380 | (270) | 1,110 |
| Property and casualty insurance | 26,784 | (1,264) | 25,520 |
| Changes in long-term life insurance contract liabilities | 38,674 | (70) | 38,604 |
| Policyholder dividends | 2,144 | – | 2,144 |
| Total | 82,041 | (2,216) | 79,825 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11 FINANCE COSTS

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|--------------|--------------|
| Interest on bonds payable | 600 | 636 |
| Interest on securities sold under agreements to repurchase | 274 | 346 |
| Interest on asset-backed securities | 96 | 169 |
| Interest on lease liabilities | 28 | 38 |
| Others | 150 | 152 |
| Total | 1,148 | 1,341 |

12 PROFIT BEFORE TAX

Profit before tax is arrived after charging/(crediting) the following:

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|-------|-------|
| Employee benefit expenses | 9,349 | 9,364 |
| Auditors' remuneration | 15 | 10 |
| Depreciation of investment properties | 287 | 295 |
| Depreciation of property and equipment | 774 | 774 |
| Amortisation of intangible assets | 33 | 15 |
| Depreciation of right-of-use assets | 567 | 631 |
| Impairment losses on financial assets (note 8) | 3,536 | 644 |
| Impairment losses on other assets | 232 | 612 |
| Gain on disposal of items of property and equipment, intangible assets and other long-term assets | (1) | (3) |
| Foreign exchange (gain)/loss, net | (134) | 87 |

13 EMPLOYEE BENEFIT EXPENSES

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|--------------|--------------|
| Salaries, allowances and other benefits | 8,632 | 8,683 |
| Contributions to defined contribution plans | 717 | 681 |
| Total | 9,349 | 9,364 |

14 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' emoluments

The aggregate amounts of emoluments paid to 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 |
|---|--------------|---|---|-----------------|-----------------------|
| <i>(in RMB thousand)</i> | | | | | |
| Executive directors | | | | | |
| ZHANG Weigong | - | 3,801 | 60 | 3,861 | 2,525 |
| ZHAO Zongren | - | 2,947 | - | 2,947 | 1,844 |
| LI Ke | - | 3,839 | 41 | 3,880 | 2,548 |
| PENG Jihai | - | 4,098 | 60 | 4,158 | 2,768 |
| WANG Yongwen | - | 2,699 | 60 | 2,759 | 1,623 |
| Non-executive directors ⁽ⁱ⁾ | | | | | |
| WANG Jingwei | - | - | - | - | - |
| YUAN Mouzhen | - | - | - | - | - |
| WU Yi ⁽ⁱⁱ⁾ | - | - | - | - | - |
| CAI Qiwu ⁽ⁱⁱⁱ⁾ | - | - | - | - | - |
| Independent non-executive directors | | | | | |
| MA Guangyuan ^(iv) | 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 | 17,384 | 221 | 18,865 | 11,548 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Directors' emoluments (continued)

The aggregate amounts of emoluments paid to directors of the Company for the year ended 31 December 2021 are as follows:

| Name | Fees | Salaries, allowances and other benefits | Contributions to defined contribution plans | Total after tax | Individual income tax |
|---|------------|---|---|-----------------|-----------------------|
| <i>(in RMB thousand)</i> | | | | | |
| Executive directors | | | | | |
| ZHANG Weigong | – | 4,464 | 55 | 4,519 | 3,125 |
| ZHAO Zongren | – | 4,059 | – | 4,059 | 2,765 |
| LI Ke | – | 5,145 | 42 | 5,187 | 3,703 |
| PENG Jihai | – | 4,886 | 55 | 4,941 | 3,682 |
| WANG Yongwen | – | 2,743 | 55 | 2,798 | 1,961 |
| Non-executive directors ⁽ⁱ⁾ | | | | | |
| WANG Jingwei | – | – | – | – | – |
| YUAN Mouzhen | – | – | – | – | – |
| WU Yi | – | – | – | – | – |
| CAI Qiwu | – | – | – | – | – |
| JIANG Xiong | – | – | – | – | – |
| Independent non-executive directors | | | | | |
| MA Guangyuan | 151 | – | – | 151 | 29 |
| LIU Zhanqing | 151 | – | – | 151 | 29 |
| WANG Jianxin | 151 | – | – | 151 | 29 |
| GAO Bin | 151 | – | – | 151 | 29 |
| JIA Ning | 13 | – | – | 13 | 2 |
| FAN Gang | 139 | – | – | 139 | 26 |
| Total | 756 | 21,297 | 207 | 22,260 | 15,380 |

(i) Non-executive directors did not receive remuneration from the Company.

(ii) WU Yi resigned as a non-executive director in March 2022.

(iii) CAI Qiwu resigned as a non-executive director in April 2022.

(iv) MA Guangyuan resigned as an independent non-executive director in January 2023. MA Guangyuan will continue to perform his duties as an independent non-executive director of the Company and relevant duties as the chairman and member of various special committees of the Board until the qualification of a newly appointed independent non-executive director of the Company is approved by the CBIRC.

14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Supervisors' emoluments

The aggregate amounts of emoluments paid to 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 |
|----------------------------|------------|---|---|-----------------|-----------------------|
| <i>(in RMB thousand)</i> | | | | | |
| ZHUANG Liang | – | 845 | 45 | 890 | 182 |
| CHEN Zhijie ⁽ⁱ⁾ | – | – | – | – | – |
| WANG Zhe | 252 | – | – | 252 | 48 |
| ZHANG Di ⁽ⁱⁱ⁾ | – | – | – | – | – |
| Total | 252 | 845 | 45 | 1,142 | 230 |

The aggregate amounts of emoluments paid to supervisors of the Company for the year ended 31 December 2021 are as follows:

| Name | Fees | Salaries, allowances and other benefits | Contributions to defined contribution plans | Total after tax | Individual income tax |
|--------------------------|----------|---|---|-----------------|-----------------------|
| <i>(in RMB thousand)</i> | | | | | |
| ZHUANG Liang | – | 646 | 40 | 686 | 307 |
| CHEN Zhijie | – | – | – | – | – |
| WANG Zhe | – | – | – | – | – |
| Ji Guangjun | – | 686 | 54 | 740 | 244 |
| Total | – | 1,332 | 94 | 1,426 | 551 |

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14 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 2022 include three directors disclosed above (2021: five directors), details of whose remuneration are set out as above in note 14. Details of the remuneration of the highest paid employees who are not directors are as follows:

| <i>(in RMB thousand)</i> | 2022 | 2021 |
|--|---------------|------|
| Salaries, allowances and other short-term benefits | 14,242 | – |
| Contributions to defined contribution plans | 119 | – |
| Total | 14,361 | – |

The emoluments of the five highest paid individuals, except for the directors, fell within the following bands:

| | Number of individuals | |
|------------------------------|-----------------------|------|
| | 2022 | 2021 |
| 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 | 1 | – |
| RMB8,000,001 – RMB9,000,000 | – | – |
| RMB9,000,001 – RMB10,000,000 | – | – |
| Total | 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.

15 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:

| <i>(in RMB million)</i> | 2022 | 2021 |
|-------------------------------|------------|--------------|
| Current income tax | 371 | 146 |
| Deferred income tax (note 38) | (174) | (441) |
| Total | 197 | (295) |

(b) The reconciliation between the Group's effective tax rate and the statutory tax rate of 25% in the PRC is as follows:

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|------------|--------------|
| Profit before income tax | 5,212 | 5,725 |
| Tax computed at the statutory tax rate | 1,303 | 1,431 |
| Non-taxable income | (1,625) | (1,906) |
| Expenses not deductible for tax purposes | 42 | 52 |
| Tax losses utilised from previous periods | (1) | (308) |
| Effect of unrecognised deferred tax assets | 593 | 571 |
| Adjustments in respect of current tax of previous periods | (13) | (19) |
| Others | (102) | (116) |
| Income tax at the effective tax rate | 197 | (295) |

16 EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

| | 2022 | 2021 |
|---|---------|---------|
| Consolidated net profit attributable to equity owners of the parent <i>(in RMB million)</i> | 4,881 | 5,883 |
| Weighted average number of ordinary shares in issue <i>(in million shares)</i> | 10,421 | 10,351 |
| Basic earnings per share | RMB0.47 | RMB0.57 |
| Diluted earnings per share | RMB0.47 | RMB0.57 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

17 DIVIDENDS

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|-------|-------|
| Dividends recognised as distributions during the year: | | |
| 2021 final dividend – RMB0.15 per ordinary share | 1,553 | – |
| 2020 final dividend – RMB0.12 per ordinary share | – | 1,242 |

18 PROPERTY AND EQUIPMENT

| <i>(in RMB million)</i> | 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 |

18 PROPERTY AND EQUIPMENT (continued)

| <i>(in RMB million)</i> | Land and buildings | Office equipment | Motor vehicles | Construction in progress | Others | Total |
|-----------------------------------|--------------------|------------------|----------------|--------------------------|----------------|----------------|
| Cost | | | | | | |
| As at 1 January 2021 | 12,241 | 1,499 | 600 | 7,262 | 1,280 | 22,882 |
| Transfers upon completion | 2,788 | 5 | – | (2,861) | 68 | – |
| Additions | 17 | 130 | 27 | 1,799 | 222 | 2,195 |
| Transfer to investment properties | – | – | – | (2,123) | – | (2,123) |
| Disposals | (27) | (90) | (32) | – | (14) | (163) |
| Exchange realignment | (125) | (28) | – | – | (78) | (231) |
| As at 31 December 2021 | 14,894 | 1,516 | 595 | 4,077 | 1,478 | 22,560 |
| Accumulated depreciation | | | | | | |
| As at 1 January 2021 | (1,479) | (895) | (325) | – | (938) | (3,637) |
| Charge for the year | (401) | (100) | (49) | – | (224) | (774) |
| Disposals | 5 | 72 | 28 | – | 8 | 113 |
| Exchange realignment | 24 | 5 | – | – | 15 | 44 |
| As at 31 December 2021 | (1,851) | (918) | (346) | – | (1,139) | (4,254) |
| Impairment | | | | | | |
| As at 1 January 2021 | – | – | – | – | – | – |
| As at 31 December 2021 | – | – | – | – | – | – |
| Net book value | | | | | | |
| As at 1 January 2021 | 10,762 | 604 | 275 | 7,262 | 342 | 19,245 |
| As at 31 December 2021 | 13,043 | 598 | 249 | 4,077 | 339 | 18,306 |

As at 31 December 2022, the net book value of buildings which was in the process of obtaining title certificates was RMB4,589 million (31 December 2021: RMB6,262 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

19 LEASES

(a) Right-of-use assets

| <i>(in RMB million)</i> | 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 |

19 LEASES (continued)**(a) Right-of-use assets** (continued)

| <i>(in RMB million)</i> | Buildings | Prepaid land lease payments | Others | Total |
|---------------------------------|----------------|--------------------------------|------------|----------------|
| Cost | | | | |
| As at 1 January 2021 | 2,045 | 2,659 | 2 | 4,706 |
| Additions | 505 | – | 10 | 515 |
| Deductions | (126) | – | (4) | (130) |
| As at 31 December 2021 | 2,424 | 2,659 | 8 | 5,091 |
| Accumulated depreciation | | | | |
| As at 1 January 2021 | (871) | (388) | (2) | (1,261) |
| Charge for the year | (560) | (70) | (1) | (631) |
| Deductions | 99 | – | – | 99 |
| As at 31 December 2021 | (1,332) | (458) | (3) | (1,793) |
| Impairment | | | | |
| As at 1 January 2021 | – | – | – | – |
| As at 31 December 2021 | – | – | – | – |
| Net book value | | | | |
| As at 1 January 2021 | 1,174 | 2,271 | – | 3,445 |
| As at 31 December 2021 | 1,092 | 2,201 | 5 | 3,298 |

The Group had no significant profit or loss from subleasing right-of-use assets or sale and leaseback transactions for the year ended 31 December 2022 and 2021.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|------------|------------|
| Interest on lease liabilities | 28 | 38 |
| Depreciation charge of right-of-use assets | 567 | 631 |
| Expense relating to short-term leases and leases of low-value assets | 72 | 84 |
| Total | 667 | 753 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

20 INVESTMENT PROPERTIES

| <i>(in RMB million)</i> | 2022 | 2021 |
|--------------------------------------|----------------|---------|
| Cost | | |
| Beginning of year | 11,123 | 8,967 |
| Additions | – | 33 |
| Transfer from property and equipment | – | 2,123 |
| End of year | 11,123 | 11,123 |
| Accumulated depreciation | | |
| Beginning of year | (1,502) | (1,207) |
| Additions | (287) | (295) |
| End of year | (1,789) | (1,502) |
| Impairment losses | | |
| Beginning of year | (249) | (249) |
| End of year | (249) | (249) |
| Net book value | | |
| Beginning of year | 9,372 | 7,511 |
| End of year | 9,085 | 9,372 |
| Fair value | | |
| End of year | 13,292 | 13,630 |

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 2022, the net book value of investment properties which was in the process of obtaining title certificates was RMB87 million (31 December 2021: RMB2,232 million).

The fair values of investment properties of the Group as at 31 December 2022 and 2021 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.

21 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| <i>(in RMB million)</i> | 31 December 2022 | | |
|---|------------------|------------|---|
| | Carrying amount | Fair value | Proportion of ordinary shares held by the Group (%) |
| Associates | | | |
| Huishang Bank Co., Ltd. ("Huishang Bank") | 3,750 | 1,325 | 4.31* |
| Others | 11,250 | | |
| Subtotal | 15,000 | | |
| Joint ventures | 1,136 | | |
| Total | 16,136 | | |

| <i>(in RMB million)</i> | 31 December 2021 | | |
|-------------------------------|------------------|------------|---|
| | Carrying amount | Fair value | Proportion of ordinary shares held by the Group (%) |
| Associates | | | |
| China Yangtze Power Co., Ltd. | 12,037 | 18,772 | 3.64* |
| Huishang Bank | 3,178 | 1,276 | 4.31* |
| Others | 12,427 | | |
| Subtotal | 27,642 | | |
| Joint ventures | 1,153 | | |
| Total | 28,795 | | |

* Management has assessed the level of influence on such entities and determined that the Group has significant influence even though the respective shareholding is below 20% because of the board representation or other arrangements made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

21 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

As at 31 December 2022, the fair values of the Group's investments in certain listed associates were below their carrying amounts. As a result, the Group performed an impairment test on investments in such associates. Impairment test was performed by comparing the recoverable amount of such associates, determined by value-in-use approach, with their carrying amount. Management judgement is required in estimating the future cash flows. Based on management's assessment results, no impairment loss were provided for the year ended 31 December 2022.

The Group had no contingent liabilities with the associates and joint ventures as at 31 December 2022.

22 HELD-TO-MATURITY FINANCIAL ASSETS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------|-----------------------------|---------------------|
| Listed | | |
| Debt investments | | |
| Government bonds | 24,142 | 26,392 |
| Corporate bonds | 368 | 370 |
| Subtotal | 24,510 | 26,762 |
| Unlisted | | |
| Debt investments | | |
| Government bonds | 68,288 | 34,555 |
| Finance bonds | 18,800 | 17,751 |
| Corporate bonds | 3,106 | 5,025 |
| Subtotal | 90,194 | 57,331 |
| Total | 114,704 | 84,093 |

23 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------|---------------------|---------------------|
| Debt investments | | |
| Debt investment scheme | 13,799 | 13,153 |
| Trust scheme | 21,489 | 17,758 |
| Others | – | 280 |
| Total | 35,288 | 31,191 |

24 TERM DEPOSITS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---------------------------------------|---------------------|---------------------|
| Maturing period | | |
| Within 3 months (including 3 months) | 11,525 | 15 |
| 3 months to 1 year (including 1 year) | 6,658 | 186 |
| 1 to 2 years (including 2 years) | 2,700 | 18,000 |
| 2 to 3 years (including 3 years) | – | 2,700 |
| 3 to 4 years (including 4 years) | 1,500 | – |
| 4 to 5 years (including 5 years) | – | 1,500 |
| Total | 22,383 | 22,401 |

25 STATUTORY DEPOSITS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|--------------------------------------|---------------------|---------------------|
| Contractual maturity schedule: | | |
| Within one year | 1,498 | 2,230 |
| After one year but within five years | 3,920 | 3,188 |
| Total | 5,418 | 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 CBIRC. These funds may not be used for any purpose other than for paying off debts during liquidation proceedings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|--|---------------------|---------------------|
| Available-for-sale financial assets, at fair value | | |
| Listed | | |
| Debt investments | | |
| Government bonds | 13 | 66 |
| Finance bonds | 291 | 142 |
| Corporate bonds | 4,412 | 2,892 |
| Mortgage-backed securities | 793 | 466 |
| Equity investments | | |
| Equity securities | 45,179 | 32,085 |
| Funds | 926 | 1,535 |
| Other equity investments | 203 | 922 |
| Subtotal | 51,817 | 38,108 |
| Unlisted | | |
| Debt investments | | |
| Government bonds | 15,511 | 39,500 |
| Finance bonds | 17,933 | 17,693 |
| Corporate bonds | 5,322 | 4,516 |
| Interbank deposit | 17,645 | 5,680 |
| Debt investment scheme | 7,635 | 6,650 |
| Trust schemes | 7,285 | 6,850 |
| Equity investments | | |
| Funds | 19,072 | 14,621 |
| Other equity investments | 6,843 | 6,911 |
| Subtotal | 97,246 | 102,421 |
| Available-for-sale financial assets, at cost | | |
| Equity investments | 20,406 | 18,972 |
| Total | 169,469 | 159,501 |

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|----------------------------|---------------------|---------------------|
| Listed | | |
| Debt investments | | |
| Government bonds | 12 | 11 |
| Finance bonds | 20 | – |
| Corporate bonds | 827 | 758 |
| Mortgage-backed securities | 339 | – |
| Equity investments | | |
| Equity securities | 7,793 | 1,771 |
| Funds | 70 | 16 |
| Subtotal | 9,061 | 2,556 |
| Unlisted | | |
| Debt investments | | |
| Government bonds | 128 | 122 |
| Finance bonds | 1,071 | 1,481 |
| Corporate bonds | 1,410 | 1,079 |
| Interbank deposits | 2,737 | 4,857 |
| Equity investments | | |
| Funds | 2,979 | 1,440 |
| Other equity investments | 3,069 | 626 |
| Subtotal | 11,394 | 9,605 |
| Total | 20,455 | 12,161 |

28 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------|---------------------|---------------------|
| Securities – bonds | | |
| Inter-bank market | 2,885 | 17,667 |
| Stock exchange | 4,490 | 951 |
| Total | 7,375 | 18,618 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

29 PREMIUMS RECEIVABLE

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Premium receivables | 16,285 | 16,946 |
| Less: Provision for impairment of premium receivables | (1,460) | (1,457) |
| Premium receivables, net | 14,825 | 15,489 |
| Property and casualty insurance | 13,146 | 14,288 |
| Life insurance | 1,679 | 1,201 |
| Premium receivables, net | 14,825 | 15,489 |

An aging analysis of premium receivables is as follows:

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Within 3 months | 14,550 | 15,427 |
| Over 3 months but within 1 year | 505 | 274 |
| Over 1 year | 1,230 | 1,245 |
| | 16,285 | 16,946 |
| Less: Provision for impairment of premium receivables | (1,460) | (1,457) |
| Premium receivables, net | 14,825 | 15,489 |

30 REINSURANCE ASSETS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Reinsurers' share of insurance contract liabilities (note 34) | 3,918 | 3,391 |

31 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Cash and bank balances | 1 | – |
| Financial assets at fair value through profit or loss | 271 | 296 |
| Available-for-sale financial assets | 20 | 20 |
| Interest receivables | 5 | 6 |
| Total | 297 | 322 |

32 OTHER ASSETS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Reinsurance accounts receivable | 2,924 | 2,172 |
| Credit insurance subrogation receivable | 884 | 929 |
| Refundable deposits | 395 | 382 |
| Co-insurance receivable | 337 | 350 |
| Other receivables | 2,883 | 2,728 |
| Intangible assets | 107 | 52 |
| Prepaid expenses | 73 | 84 |
| Others | 1,594 | 1,450 |
| Total | 9,197 | 8,147 |

33 CASH AND SHORT-TERM TIME DEPOSITS

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|--------------------------|---------------------|---------------------|
| Cash at bank and on hand | 17,454 | 6,664 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

34 INSURANCE CONTRACT LIABILITIES

| <i>(in RMB million)</i> | 31 December 2022 | | Net |
|---|--------------------------------|---|----------------|
| | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities (note 30) | |
| Long-term life insurance contracts | 229,990 | (879) | 229,111 |
| Short-term life insurance contracts | | | |
| Unearned premiums | 215 | (245) | (30) |
| Claim reserves | 612 | (176) | 436 |
| Subtotal | 230,817 | (1,300) | 229,517 |
| Property and casualty insurance contracts | | | |
| Unearned premiums | 23,922 | (845) | 23,077 |
| Claim reserves | 13,647 | (1,773) | 11,874 |
| Subtotal | 37,569 | (2,618) | 34,951 |
| Total | 268,386 | (3,918) | 264,468 |

| <i>(in RMB million)</i> | 31 December 2021 | | Net |
|---|--------------------------------|---|----------------|
| | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities (note 30) | |
| Long-term life insurance contracts | 200,899 | (955) | 199,944 |
| Short-term life insurance contracts | | | |
| Unearned premiums | 254 | (73) | 181 |
| Claim reserves | 804 | (119) | 685 |
| Subtotal | 201,957 | (1,147) | 200,810 |
| Property and casualty insurance contracts | | | |
| Unearned premiums | 24,014 | (838) | 23,176 |
| Claim reserves | 13,005 | (1,406) | 11,599 |
| Subtotal | 37,019 | (2,244) | 34,775 |
| Total | 238,976 | (3,391) | 235,585 |

34 INSURANCE CONTRACT LIABILITIES (continued)**(a) Long-term life insurance contract liabilities**

| <i>(in RMB million)</i> | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities | Net |
|-------------------------|---|--|------------|
| As at 1 January 2021 | 162,225 | (885) | 161,340 |
| Increase | 51,733 | (682) | 51,051 |
| Decrease | | | |
| Claims paid | (7,170) | 612 | (6,558) |
| Surrenders | (5,889) | – | (5,889) |
| As at 31 December 2021 | 200,899 | (955) | 199,944 |
| Increase | 61,858 | (570) | 61,288 |
| Decrease | | | |
| Claims paid | (7,810) | 646 | (7,164) |
| Surrenders | (24,957) | – | (24,957) |
| As at 31 December 2022 | 229,990 | (879) | 229,111 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

34 INSURANCE CONTRACT LIABILITIES (continued)

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

| <i>(in RMB million)</i> | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities | Net |
|-------------------------|---|--|------------|
| As at 1 January 2021 | 305 | (80) | 225 |
| Premiums written | 1,810 | (270) | 1,540 |
| Premiums earned | (1,861) | 277 | (1,584) |
| As at 31 December 2021 | 254 | (73) | 181 |
| Premiums written | 2,758 | (1,001) | 1,757 |
| Premiums earned | (2,797) | 829 | (1,968) |
| As at 31 December 2022 | 215 | (245) | (30) |

Movements of claim reserves

| <i>(in RMB million)</i> | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities | Net |
|-------------------------|---|--|------------|
| As at 1 January 2021 | 657 | (145) | 512 |
| Claims incurred | 1,380 | (270) | 1,110 |
| Claims paid | (1,233) | 296 | (937) |
| As at 31 December 2021 | 804 | (119) | 685 |
| Claims incurred | 1,822 | (721) | 1,101 |
| Claims paid | (2,014) | 664 | (1,350) |
| As at 31 December 2022 | 612 | (176) | 436 |

34 INSURANCE CONTRACT LIABILITIES (continued)**(c) Property and casualty insurance contract liabilities****Movements of unearned premiums**

| <i>(in RMB million)</i> | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities | Net |
|-------------------------|---|--|------------|
| As at 1 January 2021 | 22,730 | (671) | 22,059 |
| Premiums written | 40,933 | (2,109) | 38,824 |
| Premiums earned | (39,649) | 1,942 | (37,707) |
| As at 31 December 2021 | 24,014 | (838) | 23,176 |
| Premiums written | 40,445 | (2,057) | 38,388 |
| Premiums earned | (40,537) | 2,050 | (38,487) |
| As at 31 December 2022 | 23,922 | (845) | 23,077 |

Movements of claim reserves

| <i>(in RMB million)</i> | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities | Net |
|-------------------------|---|--|------------|
| As at 1 January 2021 | 10,465 | (904) | 9,561 |
| Claims incurred | 26,784 | (1,264) | 25,520 |
| Claims paid | (24,244) | 762 | (23,482) |
| As at 31 December 2021 | 13,005 | (1,406) | 11,599 |
| Claims incurred | 26,336 | (1,294) | 25,042 |
| Claims paid | (25,694) | 927 | (24,767) |
| As at 31 December 2022 | 13,647 | (1,773) | 11,874 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

35 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|------------|------|
| Beginning of year | 205 | 203 |
| Premiums received | 2 | 6 |
| Investment gain allocated to investment contracts | 5 | 11 |
| Surrenders | (91) | (13) |
| Others | (27) | (2) |
| End of year | 94 | 205 |

(b) Universal life and other products

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|---------------|---------|
| Beginning of year | 86,034 | 75,519 |
| Premiums received net of policy fees | 9,210 | 12,779 |
| Policyholder principal increased | 3,904 | 3,543 |
| Liabilities released for benefits paid | (5,350) | (5,807) |
| End of year | 93,798 | 86,034 |

36 BONDS PAYABLE

The information of the Group's major bonds payable is as follows:

| Issuer <i>(in RMB million)</i> | Issue date | Maturity | Early Redemption option | Interest rate | 31 December 2022 | 31 December 2021 |
|--|------------|----------|-------------------------|---------------|-----------------------------------|---------------------|
| Sunshine P&C | 2012/7/13 | 15 years | End of the tenth year | 5.22%-7.22% | – | 1,000 |
| Sunshine P&C | 2021/12/7 | 10 years | End of the fifth year | 4.5%-5.5% | 4,998 | 4,999 |
| Sunshine Life | 2016/4/20 | 10 years | None | 4.5% | 2,088 | 1,909 |
| Sunshine Life | 2021/3/30 | 10 years | End of the fifth year | 4.4%-5.4% | 5,039 | 5,015 |
| Total | | | | | 12,125 | 12,923 |

37 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------|---------------------|---------------------|
| Bonds | | |
| Inter-bank market | 16,596 | 11,669 |
| Stock exchange | 823 | 437 |
| Total | 17,419 | 12,106 |

As at 31 December 2022, bonds with par value of RMB20,173 million (31 December 2021: RMB13,984 million) was pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the interbank market.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balance of the related repurchase transaction. As at 31 December 2022, the par value of securities deposited in the collateral pool was RMB1,558 million (31 December 2021: RMB19,915 million). The collateral is restricted from trading during the period of the repurchase transaction.

38 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.

| <i>(in RMB million)</i> | 2022 | 2021 |
|---|--------------|-------|
| Net deferred income tax assets/(liabilities), at beginning of year | 672 | (612) |
| Recognised in profit or loss (note 15) | 174 | 441 |
| Recognised in other comprehensive income | 1,594 | 843 |
| Net deferred income tax assets/(liabilities), at end of year | 2,440 | 672 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

38 DEFERRED TAX ASSETS AND LIABILITIES (continued)

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|--|-----------------------------|---------------------|
| Insurance contract liabilities | 218 | 230 |
| Impairment of assets | 1,538 | 724 |
| Salaries and welfare payable | 264 | 286 |
| Net fair value adjustment on available-for-sale financial assets and financial assets at fair value through profit or loss | 727 | (876) |
| Others | (307) | 308 |
| Net deferred income tax assets/(liabilities) | 2,440 | 672 |
| Represented by: | | |
| Deferred tax assets | 2,501 | 864 |
| Deferred tax liabilities | (61) | (192) |

39 OTHER LIABILITIES

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|--------------------------------------|-----------------------------|---------------------|
| Payables to reinsurers | 3,314 | 2,084 |
| Salaries and welfare payable | 1,829 | 2,037 |
| Brokerage and commission payable | 1,625 | 1,729 |
| Tax payable other than income tax | 826 | 698 |
| Accrued expenses | 625 | 406 |
| Deferred income | 594 | 609 |
| Dividends payable | 578 | 661 |
| Interest payables | 217 | 249 |
| Insurance guarantee fund | 119 | 134 |
| Payables for asset-backed securities | – | 4,950 |
| Others | 3,781 | 3,613 |
| Total | 13,508 | 17,170 |

40 SHARE CAPITAL

| | 31 December 2022 | 31 December 2021 |
|---|-----------------------------|---------------------|
| Numbers of shares issued and fully paid at RMB1 each <i>(million)</i> | 11,502 | 10,351 |

40 SHARE CAPITAL *(continued)*

In December 2022, the Company conducted a global offering of overseas listed foreign shares (“H shares”). The Company’s H shares have been listed on the Hong Kong Stock Exchange since 9 December 2022. Upon the issuance of H shares, the share capital was increased to RMB11,502 million (before the exercise of H share over-allotment option).

41 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.

(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

42 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to IFRS 4 Amendments, the Company made the assessment and concluded that the carrying amount of the Group's liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, was significant compared to the total carrying amount of all its liabilities; and the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent. There had been no significant change in the activities of the Group since then that requires reassessment. Therefore, the Group's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from IFRS 9.

(a) The tables below present the fair values of the following groups of financial assets (i) and the fair value changes:

| <i>(in RMB million)</i> | Fair value | |
|---|---------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Held for trading financial assets | 20,455 | 12,161 |
| Financial assets that are managed and whose performance are evaluated on a fair value basis | – | – |
| Other financial assets | 325,953 | 281,448 |
| – Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") | 214,597 | 189,599 |
| – Financial assets with contractual terms that do not give rise on SPPI | 111,356 | 91,849 |
| Total | 346,408 | 293,609 |

| <i>(in RMB million)</i> | Fair value changes | |
|---|--------------------|--------------|
| | 2022 | 2021 |
| Held for trading financial assets | 627 | (2,130) |
| Financial assets that are managed and whose performance are evaluated on a fair value basis | – | – |
| Other financial assets | (12,404) | 6,047 |
| – Financial assets with contractual terms that give rise on SPPI | 353 | 6,063 |
| – Financial assets with contractual terms that do not give rise on SPPI | (12,757) | (16) |
| Total | (11,777) | 3,917 |

(i) Only including securities at fair value through profit or loss, investments classified as loans and receivables, available-for-sale financial assets and held-to-maturity financial assets.

42 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

(continued)

(b) The table below presents the credit risk exposure (ii) for aforementioned financial assets with contractual terms that give rise on SPPI:

| (in RMB million) | Carrying amount ⁽ⁱⁱⁱ⁾ | |
|-------------------------------------|----------------------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Domestic | | |
| Rating not required ^(iv) | 126,758 | 121,481 |
| AAA | 72,708 | 51,717 |
| AA+ | 1,557 | 1,492 |
| AA | 588 | 539 |
| AA- | 177 | 181 |
| A | 2,500 | 2,500 |
| A- | – | 60 |
| Subtotal | 204,288 | 177,970 |
| Overseas | | |
| AAA | 765 | – |
| AA | – | 82 |
| A+ | 1,180 | 2,612 |
| A | 288 | 578 |
| A- | 77 | 371 |
| BBB+ | 30 | 211 |
| BBB | 42 | 228 |
| BBB- | – | 130 |
| Not rated ^(iv) | 1,863 | 1,315 |
| Subtotal | 4,245 | 5,527 |
| Total | 208,533 | 183,497 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

42 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

(continued)

(c) *The table below presents financial assets without low credit risk for aforementioned financial assets with contractual terms that give rise on SPPI:*

| (in RMB million) | 31 December 2022 | |
|------------------|----------------------------------|--------------|
| | Carrying amount ⁽ⁱⁱⁱ⁾ | Fair value |
| Domestic | 4,822 | 4,822 |
| Total | 4,822 | 4,822 |

| (in RMB million) | 31 December 2021 | |
|------------------|----------------------------------|--------------|
| | Carrying amount ⁽ⁱⁱⁱ⁾ | Fair value |
| Domestic | 4,772 | 4,772 |
| Total | 4,772 | 4,772 |

(ii) Credit risk ratings for domestic assets are provided by domestic qualified external rating agencies and credit risk ratings for overseas assets are provided by overseas qualified external rating agencies.

(iii) For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

(iv) Mainly including government bonds and financial bonds.

43 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash flows from operating activities:

| <i>(in RMB million)</i> | 2022 | 2021 |
|--|-----------------|----------|
| Profit before income tax | 5,212 | 5,725 |
| Investment income | (19,188) | (17,096) |
| Foreign exchange (gains)/loss | (134) | 87 |
| Finance costs | 1,148 | 1,341 |
| Charge of impairment losses on insurance receivables and other assets, net | 232 | 612 |
| Depreciation of right-of-use assets | 567 | 631 |
| Depreciation of property and equipment | 774 | 774 |
| Depreciation of investment properties | 287 | 295 |
| Amortisation of intangible assets | 33 | 15 |
| Amortisation of other assets | 7 | 25 |
| Share of profits and losses of associates and joint ventures | (864) | (2,319) |
| Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net | (1) | (3) |
| | (11,927) | (9,913) |
| Increase in reinsurance assets | (527) | (706) |
| Decrease/(increase) in insurance receivables | 664 | (1,297) |
| Increase in other operating assets | (1,524) | (48) |
| Increase in insurance contract liabilities | 29,410 | 42,594 |
| Increase in other operating liabilities | 10,476 | 14,248 |
| Income tax paid | (343) | (305) |
| Net cash inflows from operating activities | 26,229 | 44,573 |

44 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, 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.

| <i>(in RMB million)</i> | 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 |

| <i>(in RMB million)</i> | 31 December 2021 | |
|---|------------------|------------|
| | Carrying amount | Fair value |
| Financial assets: | | |
| Held-to-maturity financial assets | 84,093 | 90,102 |
| Investments classified as loans and receivables | 31,191 | 31,845 |
| Financial liabilities: | | |
| Bonds payable | 12,923 | 13,922 |

The Group has not disclosed fair values for certain investment contract liabilities with discretionary participation features ("DPF") because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

45 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 significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

45 FAIR VALUE MEASUREMENT *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. 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.

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:

| <i>(in RMB million)</i> | 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 | 10,842 | 3,069 | – | 13,911 |
| Debt securities | 201 | 6,343 | – | 6,544 |
| | 11,043 | 9,412 | – | 20,455 |
| Available-for-sale financial assets | | | | |
| Equity securities | 63,285 | 4,901 | 4,037 | 72,223 |
| Debt securities | 78 | 61,842 | 14,920 | 76,840 |
| | 63,363 | 66,743 | 18,957 | 149,063 |
| 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 |

45 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)

| (in RMB million) | 31 December 2021 | | | Total |
|--|------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | 3,250 | 603 | – | 3,853 |
| Debt securities | 213 | 8,095 | – | 8,308 |
| | 3,463 | 8,698 | – | 12,161 |
| Available-for-sale financial assets | | | | |
| Equity securities | 46,188 | 6,086 | 3,800 | 56,074 |
| Debt securities | – | 70,955 | 13,500 | 84,455 |
| | 46,188 | 77,041 | 17,300 | 140,529 |
| Assets for which fair values are disclosed | | | | |
| Held-to-maturity financial assets | – | 90,102 | – | 90,102 |
| Investments classified as loans and receivables | – | – | 31,845 | 31,845 |
| Liabilities measured at fair value | | | | |
| Financial liabilities at fair value through profit or loss | – | 2,432 | – | 2,432 |
| Liabilities for which fair values are disclosed | | | | |
| Bonds payable | 1,944 | 11,978 | – | 13,922 |

For the year ended 31 December 2022 and 2021, 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 2022

45 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:

| <i>(in RMB million)</i> | Available-for-sale financial assets | |
|--|-------------------------------------|-------------------|
| | Debt securities | Equity securities |
| As at 1 January 2022 | 13,500 | 3,800 |
| Purchases | 1,320 | 91 |
| Total gains recorded in other comprehensive income | 350 | 146 |
| Maturity | (250) | – |
| As at 31 December 2022 | 14,920 | 4,037 |

| <i>(in RMB million)</i> | Available-for-sale financial assets | |
|-------------------------------|-------------------------------------|-------------------|
| | Debt securities | Equity securities |
| As at 1 January 2021 | 9,270 | 4,013 |
| Purchases | 4,230 | – |
| Transferred out of Level 3 | – | (213) |
| As at 31 December 2021 | 13,500 | 3,800 |

Below is a summary of significant unobservable inputs to the valuation of available-for-sale financial assets at fair value classified as Level 3 together as at 31 December 2022 and 2021.

| | Valuation technique | Significant unobservable input | Range | Relationships between fair value and unobservable inputs |
|-------------------|-----------------------------|--------------------------------|--|--|
| Debt securities | Discounted cash flow method | Discount rate | 31 December 2022: 3.18%-5.58% (31 December 2021: 2.75%-4.55%) | The fair value is inversely related to the discount rate |
| Equity securities | Discounted cash flow method | Discount rate | 31 December 2022: 3.45%-5.03% (31 December 2021: 3.79%-5.44%) | The fair value is inversely related to the discount rate |

45 FAIR VALUE MEASUREMENT *(continued)*

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, using option pricing models for lack of liquidity.

46 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 RISK MANAGEMENT (continued)

Insurance risk (continued)

(1) Types of insurance risks (continued)

The insurance business of the Group mainly comprises long-term life insurance contracts, property and casualty and short-term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyles and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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 as analysed by insurance contract liabilities in note 34.

46 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.

| <i>(in RMB million)</i> | 31 December 2022 | | | |
|---------------------------------|-----------------------|--|--|--|
| | Change in assumptions | Impact on gross long-term life insurance contract liabilities Increase/ (decrease) | Impact on profit before tax Increase/ (decrease) | Impact on equity before tax Increase/ (decrease) |
| Discount rate/investment return | +25bps | (7,193) | 7,193 | 7,193 |
| Discount rate/investment return | -25bps | 7,770 | (7,770) | (7,770) |
| Mortality/morbidity | +10% | 3,965 | (3,965) | (3,965) |
| Mortality/morbidity | -10% | (4,066) | 4,066 | 4,066 |
| Lapse and surrender rate | +10% | (379) | 379 | 379 |
| Lapse and surrender rate | -10% | 408 | (408) | (408) |
| Expenses | +10% | 587 | (587) | (587) |
| Expenses | -10% | (586) | 586 | 586 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 RISK MANAGEMENT (continued)**Insurance risk** (continued)**(3) Assumptions and sensitivities** (continued)**Long-term life insurance contracts** (continued)*Sensitivities* (continued)

| <i>(in RMB million)</i> | Change in assumptions | 31 December 2021 | | |
|---------------------------------|-----------------------|---|---|---|
| | | Impact on gross long-term life insurance contract liabilities Increase/(decrease) | Impact on profit before tax Increase/(decrease) | Impact on equity before tax Increase/(decrease) |
| Discount rate/investment return | +25bps | (5,245) | 5,245 | 5,245 |
| Discount rate/investment return | -25bps | 5,665 | (5,665) | (5,665) |
| Mortality/morbidity | +10% | 3,486 | (3,486) | (3,486) |
| Mortality/morbidity | -10% | (3,561) | 3,561 | 3,561 |
| Lapse and surrender rate | +10% | (569) | 569 | 569 |
| Lapse and surrender rate | -10% | 581 | (581) | (581) |
| Expenses | +10% | 523 | (523) | (523) |
| Expenses | -10% | (527) | 527 | 527 |

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 delays in settlement, etc.

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 claim reserve was not quantifiable with certainty at the end of the reporting period.

46 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:

| (in RMB million) | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|--------|--------|--------|--------|---------------|---------|
| Estimated cumulative claims paid: | | | | | | |
| Year end | 18,168 | 21,506 | 23,112 | 26,134 | 25,976 | |
| 1 year later | 18,399 | 21,196 | 23,139 | 26,129 | | |
| 2 years later | 18,784 | 21,319 | 22,911 | | | |
| 3 years later | 18,869 | 21,717 | | | | |
| 4 years later | 19,048 | | | | | |
| Current estimate of cumulative claims | 19,048 | 21,717 | 22,911 | 26,129 | 25,976 | 115,781 |
| Cumulative payments to date | 18,952 | 21,095 | 22,324 | 23,744 | 16,659 | 102,774 |
| Subtotal | | | | | | 13,007 |
| Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount risk margin and eliminations | | | | | | 640 |
| Total gross claim reserves of property and casualty insurance contracts | | | | | | 13,647 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 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:

| <i>(in RMB million)</i> | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|--------|--------|--------|--------|---------------|---------|
| Estimated cumulative claims paid: | | | | | | |
| Year end | 17,478 | 20,794 | 22,278 | 25,019 | 25,042 | |
| 1 year later | 17,664 | 20,493 | 22,351 | 24,836 | | |
| 2 years later | 18,025 | 20,620 | 22,045 | | | |
| 3 years later | 18,084 | 20,803 | | | | |
| 4 years later | 18,248 | | | | | |
| Current estimate of cumulative claims | 18,248 | 20,803 | 22,045 | 24,836 | 25,042 | 110,974 |
| Cumulative payments to date | 18,178 | 20,490 | 21,624 | 22,982 | 16,368 | 99,642 |
| Subtotal | | | | | | 11,332 |
| Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount risk margin and eliminations | | | | | | 542 |
| Total net claim reserves of property and casualty insurance contracts | | | | | | 11,874 |

When the other assumptions remain unchanged, if the expected net loss ratio decreased or increased by 1%, the profit before tax of the Group would have increased or decreased by approximately RMB400 million for the year ended 31 December 2022 (31 December 2021: RMB389 million).

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 reinsurers' share of insurance liabilities and amounts due from reinsurers.

46 RISK MANAGEMENT (continued)

Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

Reinsurance (continued)

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.

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 categorizing financial assets and financial liabilities by major currency.

| (in RMB million) | 31 December 2022 | | | | |
|---|------------------|--------------|------------|------------|---------------|
| | USD | HKD | AUD | EUR | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | 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 |
| Others | 522 | – | – | – | 522 |
| Total | 2,610 | – | – | – | 2,610 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 RISK MANAGEMENT (continued)**Financial risk** (continued)**(1) Market risk** (continued)**(i) Foreign currency risk** (continued)

| <i>(in RMB million)</i> | 31 December 2021 | | | | Total |
|-------------------------------------|------------------|--------------|------------|------------|--------------|
| | USD | HKD | AUD | EUR | |
| Financial assets | | | | | |
| Cash and cash equivalents | 532 | 404 | 263 | 38 | 1,237 |
| Term deposits | 23 | – | – | – | 23 |
| Held-to-maturity financial assets | 1,257 | – | – | – | 1,257 |
| Available-for-sale financial assets | 5,266 | 1,061 | – | 74 | 6,401 |
| Total | 7,078 | 1,465 | 263 | 112 | 8,918 |
| Financial liabilities | | | | | |
| Bonds payable | 1,913 | – | – | – | 1,913 |
| Others | 478 | – | – | – | 478 |
| Total | 2,391 | – | – | – | 2,391 |

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.

| <i>(in RMB million)</i> | 31 December 2022 | |
|-------------------------|--|--|
| | Impact on profit before tax Increase/ (decrease) | Impact on equity before tax Increase/ (decrease) |
| +10% | 808 | 1,863 |
| –10% | (808) | (1,863) |

| <i>(in RMB million)</i> | 31 December 2021 | |
|-------------------------|--|--|
| | Impact on profit before tax Increase/ (decrease) | Impact on equity before tax Increase/ (decrease) |
| +10% | 13 | 653 |
| –10% | (13) | (653) |

46 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 available-for-sale financial assets 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.

| (in RMB million) | 31 December 2022 | |
|-----------------------|---|---|
| | Impact on profit Increase/ (decrease) | Impact on equity Increase/ (decrease) |
| Change in assumptions | | |
| +10% | 1,237 | 7,853 |
| -10% | (1,237) | (7,853) |

| (in RMB million) | 31 December 2021 | |
|-----------------------|---|---|
| | Impact on profit Increase/(decrease) | Impact on equity Increase/(decrease) |
| Change in assumptions | | |
| +10% | 344 | 5,863 |
| -10% | (344) | (5,863) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 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 financial assets are principally composed of term deposits, debt securities and loans 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.

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.

| <i>(in RMB million)</i> | 31 December 2022 | |
|-------------------------|---|---|
| | Impact on profit Increase/ (decrease) | Impact on equity Increase/ (decrease) |
| Change in assumptions | | |
| +50bps | 16 | (1,284) |
| -50bps | (16) | 1,284 |

| <i>(in RMB million)</i> | 31 December 2021 | |
|-------------------------|---|---|
| | Impact on profit Increase/(decrease) | Impact on equity Increase/(decrease) |
| Change in assumptions | | |
| +50bps | (60) | (3,536) |
| -50bps | 60 | 3,536 |

46 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 CBIRC 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.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. 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. One of the major performance indicators of the Group is the ability to collect premiums receivable on a timely basis.

Credit risk exposure

The carrying amount of financial 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 2022 and 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 RISK MANAGEMENT (continued)

Financial risk (continued)

(2) Credit risk (continued)

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 and policy loans 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 2022 and 2021.

(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. 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 past experience.

46 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:

| (in RMB million) | 31 December 2022 | | | | | Total |
|--|------------------|---------------|--------------|--------------|---------|---------|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | |
| Assets | | | | | | |
| 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 |
| Restricted statutory deposits | - | 1,676 | 4,506 | - | - | 6,182 |
| Term deposits | - | 18,972 | 4,486 | - | - | 23,458 |
| Available-for-sale financial assets | - | 29,586 | 43,684 | 24,078 | 88,038 | 185,386 |
| Financial assets at fair value through profit or loss | - | 4,126 | 2,435 | 499 | 13,911 | 20,971 |
| Securities purchased under agreements to resell | - | 7,375 | - | - | - | 7,375 |
| Policy loans | - | 11,208 | - | - | - | 11,208 |
| Premium receivables | - | 4,010 | 10,815 | - | - | 14,825 |
| Reinsurance assets | - | 5,593 | 856 | (73) | - | 6,376 |
| Cash and short-term time deposits | 17,454 | - | - | - | - | 17,454 |
| Liabilities | | | | | | |
| Insurance contract liabilities | - | 14,345 | 57,900 | 582,036 | - | 654,281 |
| Investment contract liabilities | - | 19,004 | 27,940 | 165,135 | - | 212,079 |
| Lease liabilities | - | 505 | 325 | 31 | - | 861 |
| Bonds payable | - | 539 | 8,929 | 6,080 | - | 15,548 |
| Securities sold under agreements to repurchase | - | 17,419 | - | - | - | 17,419 |
| Financial liabilities at fair value through profit or loss | - | 4,546 | - | - | - | 4,546 |
| Insurance payables | - | 2,722 | - | - | - | 2,722 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 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)

| (in RMB million) | 31 December 2021 | | | | | Undated | Total |
|--|------------------|---------------|--------------|--------------|--------|---------|---------|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | | | |
| Assets | | | | | | | |
| Held-to-maturity financial assets | – | 8,804 | 18,484 | 133,061 | – | – | 160,349 |
| Investments classified as loans and receivables | – | 6,256 | 26,539 | 3,663 | – | – | 36,458 |
| Restricted statutory deposits | – | 2,413 | 3,704 | – | – | – | 6,117 |
| Term deposits | – | 1,102 | 23,670 | – | – | – | 24,772 |
| Available-for-sale financial assets | – | 16,988 | 46,107 | 66,250 | 72,827 | – | 202,172 |
| Financial assets at fair value through profit or loss | – | 6,105 | 2,693 | 1,095 | 2,993 | – | 12,886 |
| Securities purchased under agreements to resell | – | 18,618 | – | – | – | – | 18,618 |
| Policy loans | – | 10,589 | – | – | – | – | 10,589 |
| Premium receivables | – | 7,301 | 8,188 | – | – | – | 15,489 |
| Reinsurance assets | – | 4,333 | 825 | 56 | – | – | 5,214 |
| Cash and short-term time deposits | 6,664 | – | – | – | – | – | 6,664 |
| Liabilities | | | | | | | |
| Insurance contract liabilities | – | 27,611 | 50,747 | 456,958 | – | – | 535,316 |
| Investment contract liabilities | – | (60) | 41,402 | 166,430 | – | – | 207,772 |
| Lease liabilities | – | 556 | 670 | 18 | – | – | 1,244 |
| Bonds payable | – | 1,583 | 8,994 | 6,350 | – | – | 16,927 |
| Securities sold under agreements to repurchase | – | 12,106 | – | – | – | – | 12,106 |
| Financial liabilities at fair value through profit or loss | – | 2,432 | – | – | – | – | 2,432 |
| Insurance payables | – | 2,601 | – | – | – | – | 2,601 |

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.

46 RISK MANAGEMENT *(continued)*

Capital management *(continued)*

The solvency ratios of the Group and its major insurance subsidiaries as at 31 December 2021 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies issued by the CIRC, effective from 1 January 2016. In December 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II), effective from the first quarter of 2022. The solvency ratios of the Group and its major insurance subsidiaries as at 31 December 2022 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (II).

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

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------------------|---------------------|---------------------|
| Core capital | 69,751 | 81,669 |
| Actual capital | 95,311 | 92,683 |
| Minimum capital | 48,081 | 41,557 |
| Core solvency ratio | 145% | 197% |
| Comprehensive solvency ratio | 198% | 223% |

Sunshine Life

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------------------|---------------------|---------------------|
| Core capital | 43,133 | 60,040 |
| Actual capital | 62,540 | 65,056 |
| Minimum capital | 40,038 | 34,335 |
| Core solvency ratio | 108% | 175% |
| Comprehensive solvency ratio | 156% | 189% |

Sunshine P&C

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|-------------------------------------|---------------------|---------------------|
| Core capital | 10,837 | 12,769 |
| Actual capital | 16,990 | 18,767 |
| Minimum capital | 7,590 | 7,036 |
| Core solvency ratio | 143% | 181% |
| Comprehensive solvency ratio | 224% | 267% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

46 RISK MANAGEMENT *(continued)*

Disclosures about interest in unconsolidated structured entities

The Group's interests in unconsolidated structured entities are included in investments classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. 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 4 (6) 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 2022, the Group's interests in unconsolidated structured entities and maximum exposure are shown below:

| <i>(in RMB million)</i> | Carrying amount | The Group's maximum exposure | Interest held by the Group |
|--|------------------------|-------------------------------------|--------------------------------------|
| Products managed by the Group (note 1) | 2,856 | 2,856 | Investment income and management fee |
| Products managed by third parties (note 2) | 60,006 | 60,006 | Investment income |
| Total | 62,862 | 62,862 | |

Note 1: As at 31 December 2022, the size of unconsolidated structured entities that the Group sponsored was RMB36,673 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.

47 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.

(b) Other related parties

| Name | Relationship with the Company |
|---|---|
| Jiangsu Yonggang Group Co., Ltd. ("Jiangsu Yonggang") | A shareholder of the Company |
| Huishang Bank | An associate of the Group |
| Sunshine Inclusive Financial Information Service Co., Ltd. ("Inclusive Financial") | A subsidiary of the Group's associate |
| Sunshine Family Insurance Sales & Services Co., Ltd. ("Sunshine Family") | A subsidiary of the Group's associate |
| 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 |
| Beijing Yicai Human Resources Consulting Co., Ltd. ("Beijing Yicai") | A subsidiary of the Group's joint venture |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**(c) Transactions with significant related parties**

The following table summarises significant transactions carried out by the Group with its significant related parties:

| <i>(in RMB million)</i> | 2022 | 2021 |
|---------------------------------------|-------------|------|
| Gross written premiums from: | | |
| Huishang Bank | 47 | 45 |
| Beijing Yicai | 18 | 48 |
| Investment income from: | | |
| Jiangsu Yonggang | 26 | 31 |
| Administrative and other expenses to: | | |
| Inclusive Financial | 141 | 112 |
| Commission and brokerage expenses to: | | |
| Sunshine Family | 763 | 951 |

(d) Amounts due from/to significant related parties

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|--|-----------------------------|---------------------|
| Other receivables from: ⁽ⁱ⁾ | | |
| Sunshine Family | – | 27 |
| Brokerage and commission payable to: | | |
| Sunshine Family | 39 | – |
| Entrusted assets managed by: ⁽ⁱⁱ⁾ | | |
| Riverhead Capital | 9,570 | 8,969 |
| Hongde Fund | 4,725 | 5,850 |
| Zhongguancun Ronghui | 638 | 612 |

(i) Other receivables from Sunshine Family represent commissions prepaid by the Group for sales of insurance contracts.

(ii) Entrusted assets managed by related parties represent the Group's investments in funds and wealth management products issued and managed by related parties.

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(e) Key management personnel compensation

| <i>(in RMB million)</i> | 2022 | 2021 |
|---------------------------|------|------|
| Employee benefit expenses | 63 | 64 |

48 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|----------------------------------|---------------------|---------------------|
| Contracted, but not provided for | 19,500 | 16,796 |

49 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 2022, 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 2022

50 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(1) Statement of financial position of the company:

| <i>(in RMB million)</i> | 31 December 2022 | 31 December 2021 |
|---|-----------------------------|---------------------|
| ASSETS | | |
| Property and equipment | 731 | 451 |
| Right-of-use assets | 1,160 | 1,222 |
| Investments in subsidiaries | 30,292 | 30,292 |
| Held-to-maturity financial assets | – | 100 |
| Investments classified as loans and receivables | – | 201 |
| Available-for-sale financial assets | 6,246 | 3,701 |
| Financial assets at fair value through profit or loss | – | 19 |
| Interest receivables | 41 | 33 |
| Other assets | 2,753 | 3,266 |
| Cash and short-term time deposits | 6,490 | 385 |
| Total assets | 47,713 | 39,670 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Lease liabilities | 37 | 83 |
| Securities sold under agreements to repurchase | 1,417 | 357 |
| Other liabilities | 1,429 | 1,004 |
| Total liabilities | 2,883 | 1,444 |
| Equity | | |
| Share capital | 11,502 | 10,351 |
| Reserves | 29,808 | 24,854 |
| Retained profits | 3,520 | 3,021 |
| Total equity | 44,830 | 38,226 |
| Total liabilities and equity | 47,713 | 39,670 |

ZHANG Weigong
Director

PENG Jihai
Director

50 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(2) Reserve movement of the company:

| <i>(in RMB million)</i> | 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 |

| <i>(in RMB million)</i> | Capital reserves | Surplus reserves | General risk reserves | Available -for-sale financial assets revaluation reserve | Total | Retained profits |
|--|------------------|------------------|-----------------------|--|--------|------------------|
| As at 1 January 2021 | 22,539 | 763 | 763 | 198 | 24,263 | 1,836 |
| Net profit | - | - | - | - | - | 3,037 |
| Other comprehensive income | - | - | - | (19) | (19) | - |
| Total comprehensive income | - | - | - | (19) | (19) | 3,037 |
| Dividend declared | - | - | - | - | - | (1,242) |
| Appropriation to surplus reserves | - | 305 | - | - | 305 | (305) |
| Appropriation to general risk reserves | - | - | 305 | - | 305 | (305) |
| As at 31 December 2021 | 22,539 | 1,068 | 1,068 | 179 | 24,854 | 3,021 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

51 SUBSEQUENT EVENTS

(1) Over-allotment option

Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and CCB International Capital Limited for themselves and on behalf of the International Purchasers did not exercise the over-allotment option and the over-allotment option lapsed on 4 January 2023. Accordingly, no H Shares were or will be issued under the over-allotment option.

(2) Profit distribution

On 29 March 2023, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2022, and declared a final cash dividend of 2022 with a total distribution of RMB2,070 million in the amount of RMB0.18 (tax inclusive) per share. The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.



阳光保险集团

Sunshine Insurance Group