Sunshine Insurance Group Company Limited
陽光保險集團股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6963)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The Board of Directors of Sunshine Insurance Group Company Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2023, together with the comparative figures for the corresponding period in 2022, which should be read in conjunction with the following Management Discussion and Analysis. Unless otherwise stated, the currencies listed in this announcement are RMB.

CHAIRMAN'S STATEMENT

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

Operating results achieved steady growth. The Company adhered to the value development philosophy of "seeking progress amidst quality", adhered to the principle of "quality" as the first priority, "progress" as the driving force, and value as the key. The Group's gross written premiums were RMB118.91 billion, representing a year-on-year increase of 9.3%; insurance revenue of RMB59.90 billion, representing a year-on-year increase of 7.5%; net profit attributable to equity owners of the parent was RMB3.74 billion. Embedded value amounted to RMB104.06 billion, representing an increase of 6.4% from the end of the previous year on a comparable basis. Sunshine Life's first-year regular premiums (FYRPs) were RMB18.1 billion, with an increase of 22.7% year on year, while the value of new business amounted to RMB3.6 billion, with an increase of 44.2% year on year on a comparable basis. The original premium income of Sunshine P&C was RMB44.24 billion, with an underwriting combined ratio of 98.7%.

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(All amounts expressed in RMB million unless otherwise specified)

	Notes	**2023**	2022 Restated
Insurance revenue	*4*	**59,900**	55,738
Interest income		**9,894**	N/A
Investment income	*5*	**5,348**	18,681
Share of profits and losses of associates and joint ventures		**(216)**	313
Other income		**3,298**	2,837
Total revenues		**78,224**	77,569
Insurance service expenses		**(56,892)**	(53,887)
Allocation of reinsurance premiums paid		**(2,174)**	(2,247)
Less: Amount recovered from reinsurers		**2,604**	2,118
Net insurance finance expenses for insurance contracts issued		**(8,900)**	(13,176)
Less: Net reinsurance finance income for reinsurance contracts held		**117**	91
Expected credit losses		**(364)**	N/A
Finance costs		**(1,127)**	(990)
Other operating and administrative expenses		**(5,714)**	(4,673)
Total expenses		**(72,450)**	(72,764)
Profit before tax		**5,774**	4,805
Income tax	*6*	**(1,908)**	(177)
Net profit		**3,866**	4,628
Attributable to:			
Owners of the parent		**3,738**	4,494
Non-controlling interests		**128**	134
Earnings per share attributable to ordinary equity holders of the parent:	*7*		
– Basic		**RMB0.32**	RMB0.43
– Diluted		**RMB0.32**	RMB0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(All amounts expressed in RMB million unless otherwise specified)

	2023	2022 Restated
Net profit	**3,866**	4,628
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Changes in the fair value of debt instruments at fair value through other comprehensive income	**5,565**	N/A
Credit risks provision of debt instruments at fair value through other comprehensive income	**132**	N/A
Insurance finance expenses for insurance contracts issued	**(11,239)**	5,202
Reinsurance finance income for reinsurance contracts held	**7**	5
Exchange differences on translating foreign operations	**32**	452
Share of other comprehensive income of associates and joint ventures	**(98)**	8
Net fair value change on available-for-sale financial assets	**N/A**	(6,703)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	**(619)**	N/A
Insurance finance expenses for insurance contracts issued	**451**	–
Other comprehensive income for the year, net of tax	**(5,769)**	(1,036)
Total comprehensive income for the year, net of tax	**(1,903)**	3,592
Attributable to:		
Equity owners of the parent	**(2,037)**	3,457
Non-controlling interests	**134**	135

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(All amounts expressed in RMB million unless otherwise specified)

	Notes	**31 December 2023**	31 December 2022 Restated	1 January 2022 Restated
ASSETS				
Property and equipment		**19,768**	18,938	18,306
Right-of-use assets		**2,522**	3,051	3,298
Investment properties		**9,308**	9,085	9,372
Investments in associates and joint ventures		**10,476**	10,230	23,397
Financial Investments:				
Financial assets at fair value through profit or loss		**125,367**	23,809	15,511
Debt financial assets at fair value through other comprehensive income		**260,618**	N/A	N/A
Equity financial assets at fair value through other comprehensive income		**31,831**	N/A	N/A
Held-to-maturity financial assets		**N/A**	114,704	84,093
Investments classified as loans and receivables		**N/A**	35,288	31,223
Available-for-sale financial assets		**N/A**	169,489	159,521
Term deposits		**9,588**	22,383	22,401
Statutory deposits		**5,882**	5,418	5,418
Securities purchased under agreements to resell		**13,129**	7,375	18,618
Interest receivables		**N/A**	3,660	3,010
Insurance contract assets		**1,111**	813	1,287
Reinsurance contract assets		**4,794**	3,939	3,566
Deferred tax assets		**1,260**	2,548	2,128
Other assets		**4,479**	5,384	4,667
Cash at bank and on hand		**13,553**	17,455	6,664
Total assets		**513,686**	453,569	412,480

	Notes	**31 December 2023**	31 December 2022 Restated	1 January 2022 Restated
LIABILITIES AND EQUITY				
Liabilities				
Insurance contract liabilities		**385,377**	347,093	314,127
Reinsurance contract liabilities		**24**	37	54
Lease liabilities		**650**	782	922
Bonds payable	*9*	**19,414**	12,125	12,923
Financial liabilities at fair value through profit or loss		**3,780**	4,546	2,432
Securities sold under agreements to repurchase	*10*	**29,662**	17,480	12,193
Tax payables		**637**	1,036	880
Premiums received in advance		**569**	2,375	3,261
Deferred tax liabilities		**101**	61	192
Other liabilities		**11,683**	8,681	13,738
Total liabilities		**451,897**	394,216	360,722
Equity				
Share capital		**11,502**	11,502	10,351
Reserves		**25,068**	28,732	24,001
Retained profits		**23,876**	17,841	16,198
Attributable to equity owners of the parent		**60,446**	58,075	50,550
Non-controlling interests		**1,343**	1,278	1,208
Total equity		**61,789**	59,353	51,758
Total liabilities and equity		**513,686**	453,569	412,480

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(All amounts expressed in RMB million unless otherwise specified)

	Attributable to equity owners of the parent														
		Reserves													
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Financial assets at FVOCI reserves	Available-for-sale financial assets revaluation reserves	Insurance finance reserve	Foreign currency translation reserves	Other reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2022	11,502	25,744	1,324	5,563	57	12	–	(3,553)	–	111	48	19,933	60,741	1,278	62,019
Changes in accounting policies *(note 2.2)*	–	149	8	193	–	–	244	3,553	(4,243)	–	(114)	4,018	3,808	1	3,809
As at 1 January 2023	11,502	25,893	1,332	5,756	57	12	244	–	(4,243)	111	(66)	23,951	64,549	1,279	65,828
Net profit	–	–	–	–	–	–	–	–	–	–	–	3,738	3,738	128	3,866
Other comprehensive income	–	–	–	–	–	–	5,072	–	(10,781)	32	(98)	–	(5,775)	6	(5,769)
Total comprehensive income	–	–	–	–	–	–	5,072	–	(10,781)	32	(98)	3,738	(2,037)	134	(1,903)
Dividend declared	–	–	–	–	–	–	–	–	–	–	–	(2,070)	(2,070)	–	(2,070)
Appropriation to surplus reserves	–	–	225	–	–	–	–	–	–	–	–	(225)	–	–	–
Appropriation to general risk reserves	–	–	–	648	–	–	–	–	–	–	–	(648)	–	–	–
Appropriation to nuclear catastrophic loss reserves	–	–	–	–	–	8	–	–	–	–	–	(8)	–	–	–
Transfer of gains/(losses) on disposal of equity investments at fair value through other comprehensive income to retained profits	–	–	–	–	–	–	862	–	–	–	–	(862)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(70)	(70)
Others	–	4	–	–	–	–	–	–	–	–	–	–	4	–	4
As at 31 December 2023	11,502	25,897	1,557	6,404	57	20	6,178	–	(15,024)	143	(164)	23,876	60,446	1,343	61,789

Restated	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Available-for-sale financial assets revaluation reserves	Insurance finance reserve	Foreign currency translation reserves	Other reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
	Attributable to equity owners of the parent													
		Reserves												
As at 31 December 2021	10,351	21,278	1,068	4,417	57	8	3,149	–	(346)	15	18,011	58,008	1,208	59,216
Changes in accounting policies *(note 2.2)*	–	149	–	(202)	–	–	–	(5,500)	–	(92)	(1,813)	(7,458)	–	(7,458)
As at 1 January 2022	10,351	21,427	1,068	4,215	57	8	3,149	(5,500)	(346)	(77)	16,198	50,550	1,208	51,758
Net profit	–	–	–	–	–	–	–	–	–	–	4,494	4,494	134	4,628
Other comprehensive income	–	–	–	–	–	–	(6,703)	5,207	451	8	–	(1,037)	1	(1,036)
Total comprehensive income	–	–	–	–	–	–	(6,703)	5,207	451	8	4,494	3,457	135	3,592
Dividend declared	–	–	–	–	–	–	–	–	–	–	(1,553)	(1,553)	–	(1,553)
Issue of shares	1,151	4,555	–	–	–	–	–	–	–	–	–	5,706	–	5,706
Capital injection to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	2	2
Appropriation to surplus reserves	–	–	256	–	–	–	–	–	–	–	(256)	–	–	–
Appropriation to general risk reserves	–	–	–	1,038	–	–	–	–	–	–	(1,038)	–	–	–
Appropriation to nuclear catastrophe reserves	–	–	–	–	–	4	–	–	–	–	(4)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(72)	(72)
Others	–	(85)	–	–	–	–	–	–	–	–	–	(85)	5	(80)
As at 31 December 2022	11,502	25,897	1,324	5,253	57	12	(3,554)	(293)	105	(69)	17,841	58,075	1,278	59,353

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(All amounts expressed in RMB million unless otherwise specified)

	2023	2022 Restated
Net cash inflows from operating activities	**20,334**	25,917
Cash flows from investing activities		
Purchases of property and equipment, intangible assets and other assets	**(2,051)**	(1,435)
Proceeds from disposals of property and equipment, intangible assets and other assets	**106**	66
Purchases of investments	**(274,479)**	(278,453)
Proceeds from disposals of investments	**228,186**	238,037
Interest received	**11,895**	12,828
Dividends received	**311**	882
Others	**(379)**	(340)
Net cash outflows from investing activities	**(36,411)**	(28,415)
Cash flows from financing activities		
Proceeds from issue of shares	**–**	5,772
Increase in securities sold under agreements to repurchase, net	**12,169**	5,287
Proceeds from issuance of asset-backed securities	**2,750**	–
Repayment of asset-backed securities	**(320)**	(4,950)
Proceeds from bonds issued	**7,000**	–
Repayment of borrowings	**–**	(1,000)
Interest paid	**(710)**	(980)
Dividends paid	**(2,025)**	(1,708)
Payment of principal portion of lease liabilities	**(475)**	(448)
Others	**(263)**	(98)
Net cash inflows from financing activities	**18,126**	1,875
Effects of foreign exchange rate changes	**(184)**	171
Net (decrease)/increase in cash and cash equivalents	**1,865**	(452)
Cash and cash equivalents at the beginning of the year	**24,830**	25,282
Cash and cash equivalents at the end of the year	**26,695**	24,830
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	**13,551**	17,455
Investments with an initial term within 3 months	**13,144**	7,375

1 CORPORATE INFORMATION

Sunshine Insurance Group Company Limited (the "Company") was established on 27 June 2007 in Shenzhen, the People's Republic of China (the "PRC") under the name of Sunshine Insurance Holdings Co., Ltd., according to the approval by the former China Insurance Regulatory Commission (the "CIRC"). On 23 January 2008, the Company officially changed its name to Sunshine Insurance Group Company Limited.

The business scope of the Company includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, investment business permitted by national laws and regulations, as well as insurance business and other businesses approved by regulators.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property and casualty insurance business, life insurance business, as well as asset management.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which have been measured at fair value, and insurance contract liabilities and assets, which have been measured based on actuarial methods. They are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies

A number of new or amended International Financial Reporting Standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

– IFRS 17 Insurance Contracts and

– IFRS 9 Financial Instruments

(1) IFRS 17 Insurance Contracts

IFRS 17 was published on 18 May 2017. The Group adopted IFRS 17 on 1 January 2023 and restated the financial statements for comparative period according to IFRS 17. The adoption of IFRS 17 has led to major changes in the recognition for insurance revenue and insurance service expenses, the measurement of insurance contract liabilities and the presentation of financial statements. The accounting policies the Group adopted about insurance contracts are set out in Note 2.4(2).

In accordance with IFRS 17, the Group is not required to provide the amounts of the retrospective adjustment for each financial statement item affected in the current period and each prior period presented. Therefore, the Group has only summarized the impact of the adoption of IFRS 17 on key financial indicators for the comparative period, as disclosed below:

	Before the change in accounting policy 31 December 2022	Impact of the implementation of IFRS 17	After the change in accounting policy 31 December 2022
Total assets	485,357	(31,788)	453,569
Total liabilities	423,338	(29,122)	394,216
Equity attributable to equity owners of the parent	60,741	(2,666)	58,075

In accordance with IFRS 17, considering that retrospective approach is impracticable, the Group has applied the modified retrospective approach or the fair value approach for the group of insurance contracts on the transition date.

(2) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2023 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.4(1).

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. With the adoption of IFRS 9, the carrying values of financial assets and financial liabilities as at 1 January 2023 are adjusted which has an impact on the opening balances of retained profits and reserves for this year. The Group discloses the related information for this year in relation to the adjustments while the comparative period has not been restated.

The main impact on the Group's financial statements as at 1 January 2023 is as follows:

	Notes	**1 January 2023**	31 December 2022
Assets			
Financial assets at fair value through profit or loss	*(a)*	**109,718**	23,809
Debt financial assets at fair value through other comprehensive income	*(b)*	**215,910**	N/A
Equity financial assets at fair value through other comprehensive income	*(c)*	**28,069**	N/A
Held-to-maturity financial assets	*(d)*	**N/A**	114,704
Investments classified as loans and receivables	*(e)*	**N/A**	35,288
Available-for-sale financial assets	*(f)*	**N/A**	169,489
Term deposits	*(g)*	**22,643**	22,383
Statutory deposits	*(h)*	**5,857**	5,418
Securities purchased under agreements to resell	*(i)*	**7,377**	7,375
Interest receivables	*(j)*	**N/A**	3,660
Cash at bank and on hand	*(k)*	**17,456**	17,455
Equity attributable to equity owners of the parent			
Reserves		**29,096**	28,732
Retained profits		**23,951**	17,841

Following the adoption of IFRS 9, the adjustments to the carrying value of each financial statement item are illustrated as follows:

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

	31 December 2022	**Reclassification effects** *(note)*	**Remeasurement effects**	**1 January 2023**
Financial assets at fair value through profit or loss	23,809	83,905	2,004	109,718
From held-to-maturity financial assets		1,767	75	
From investments classified as loans and receivables		5,401	352	
From available-for-sale financial assets		77,508	1,577	
From interest receivables		236	–	
To debt financial assets at fair value through other comprehensive income		(972)	–	
To equity financial assets at fair value through other comprehensive income		(35)	–	

(b) Debt financial assets at fair value through other comprehensive income

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Debt financial assets at fair value through other comprehensive income	–	209,845	6,065	215,910
From held-to-maturity financial assets		112,937	7,032	
From investments classified as loans and receivables		29,887	(967)	
From available-for-sale financial assets		63,356	–	
From financial assets at fair value through profit or loss		972	–	
From interest receivables		2,693	–	

(c) Equity financial assets at fair value through other comprehensive income

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Equity financial assets at fair value through other comprehensive income	–	28,660	(591)	28,069
From available-for-sale financial assets		28,625	(591)	
From financial assets at fair value through profit or loss		35	–	

(d) Held-to-maturity financial assets

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Held-to-maturity financial assets	114,704	(114,704)	–	–
To financial assets at fair value through profit or loss		(1,767)	–	
To debt financial assets at fair value through other comprehensive income		(112,937)	–	

(e) Investments classified as loans and receivables

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Investments classified as loans and receivables	35,288	(35,288)	–	–
To financial assets at fair value through profit or loss		(5,401)	–	
To debt financial assets at fair value through other comprehensive income		(29,887)	–	

(f) Available-for-sale financial assets

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Available-for-sale financial assets	169,489	(169,489)	–	–
To financial assets at fair value through profit or loss		(77,508)	–	
To debt financial assets at fair value through other comprehensive income		(63,356)	–	
To equity financial assets at fair value through other comprehensive income		(28,625)	–	

(g) Term deposits

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Term deposits	22,383	289	(29)	22,643
From interest receivables		289	–	

(h) Statutory deposits

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Statutory deposits	5,418	439	–	5,857
From interest receivables		439	–	

(i) Securities purchased under agreements to resell

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Securities purchased under agreements to resell	7,375	2	–	7,377
From interest receivables		2	–	

(j) Interest receivables

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Interest receivables	3,660	(3,660)	–	–
To financial assets at fair value through profit or loss		(236)	–	
To debt financial assets at fair value through other comprehensive income		(2,693)	–	
To term deposits		(289)	–	
To statutory deposits		(439)	–	
To securities purchased under agreements to resell		(2)	–	
To cash at bank and on hand		(1)	–	

(k) Cash at bank and on hand

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Cash at bank and on hand	17,455	1	–	17,456
From interest receivables		1	–	

Note: The reclassification effects are not taken into account of remeasurement effects.

Impairment of financial instruments

Following the adoption of IFRS 9, the adjustments to the carrying value of impairment provisions of financial assets on 1 January 2023 as follows:

	Notes	**1 January 2023**	31 December 2022
Debt financial assets at fair value through other comprehensive income	*(a)*	**1,708**	N/A
Investments classified as loans and receivables	*(b)*	**N/A**	18
Debt investments of available-for-sale financial assets	*(c)*	**N/A**	377
Total		**1,708**	395

Following the adoption of IFRS 9, the adjustments to the impairment provisions of each financial statement item are illustrated as follows:

(a) Impairment provisions of debt financial assets at fair value through other comprehensive Income

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Debt financial assets at fair value through other comprehensive income	–	395	1,313	1,708
From investments classified as loans and receivables		18	304	
From held-to-maturity financial assets		–	20	
From financial assets at fair value through profit or loss		–	1	
From available-for-sale financial assets		377	988	

(b) Impairment provisions of investments classified as loans and receivables

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Investments classified as loans and receivables	18	(18)	–	–
Measured at fair value through other comprehensive income		(18)	–	

(c) Impairment provisions of debt investments of available-for-sale financial assets

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	1 January 2023
Debt investments of available-for-sale financial assets	377	(377)	–	–
Measured at fair value through other comprehensive income		(377)	–	

Note: The reclassification effects are not taken into account of remeasurement effects.

2.3 Issued but not yet effective IFRSs

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

Amendments	Content
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[(i)]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[(i)]

(i) Effective for annual periods beginning on or after 1 January 2024

The adoption of the above amendments will have no material impact on the Group's result of operations and financial position.

2.4 Material accounting policy information

(1) Financial instruments (effective for annual periods beginning on or after 1 January 2023)

The Group shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial assets

Recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Classification and measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

(a) those to be measured at amortised cost ("AC");

(b) those to be measured at fair value through other comprehensive income ("FVOCI"); or

(c) those to be measured at fair value through profit or loss ("FVPL").

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The debt investments shall be classified as FVPL if the cash flows characteristics cannot pass the test on solely payments of principal and interest on the principal amount. Otherwise, the classification of debt investments will depend on the business model provided the fair value option is not elected. Investments in equity instruments are classified as FVPL in general, except those designated as at FVOCI.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortised cost. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognised directly in profit or loss. Such assets held by the Group mainly include cash at bank and on hand, statutory deposits, securities purchased under agreements to resell and financial assets at AC.

(b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income using the effective interest rate method and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Such assets held by the Group mainly include debt financial assets at FVOCI.

(c) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. The gains or losses from fair value changes on the debt investments measured at FVPL are recognised in profit or loss. The Group also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

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

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows that are due to the entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, etc. A number of significant judgements are required in measuring the expected credit loss ("ECL"), such as:

(a) Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc;

(b) Determining criteria for significant changes in credit risk; and

(c) Forward-looking information.

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a "three-stage" model and sets staging definitions for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognised into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The impairment provisions are measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition,

Stage 2: If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The impairment provisions are measured based on expected credit losses on a lifetime basis,

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The impairment provisions are measured based on expected credit losses on lifetime basis.

For the financial instruments at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e., amortised cost) before adjusting for impairment provision using the effective interest method. For the financial instruments at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

The Group recognises or reverses the impairment provision through profit or loss. For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial instruments and correspondingly reduce the accumulated changes in fair value included in the other comprehensive income reserves of equity.

Derecognition

Financial assets are derecognised when:

(a) the contractual rights to receive the cash flows from the financial assets have expired;

(b) they have been transferred and the Group transfers substantially all the risks and rewards of ownership; or

(c) they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

When the equity financial assets measured at FVOCI are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained profits. When the other financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Financial liabilities

At initial recognition, the Group classifies a financial liability at fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When a financial liability (or part of it) is extinguished, the Group derecognises the financial liability (or part of it). The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

(a) are incurred principally for the purpose of repurchasing in the near term;

(b) on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) are derivatives (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

The above financial liabilities are subsequently measured at fair value. All the realised and unrealised gains and losses are recognised in profit or loss.

The Group may, at initial recognition, designate a financial liability as at fair value through profit or loss when one of the following criteria is met:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;

(b) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; or

(c) a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows.

Once designated as financial liabilities at fair value through profit or loss at initial recognition, the financial liabilities shall not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value. Any changes in fair value are recognised in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognised in other comprehensive income. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

Other financial liabilities

The Group measures other financial liabilities subsequently at amortised cost, using the effective interest method. Other financial liabilities of the Group mainly include securities purchased under agreements to resell, long-term borrowings and bonds payable.

(2) Insurance Contracts

Definition of insurance contract

Insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insured event is an uncertain future event covered by an insurance contract that creates insurance risk. Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer.

The Group applies IFRS 17 to:

(a) insurance contracts, including reinsurance contracts, the Group issues;

(b) reinsurance contracts the Group holds;

(c) insurance contracts the Group acquired in a transfer of insurance contracts or a business combination; and

(d) investment contracts with discretionary participation features the Group issues.

Reinsurance contract is an insurance contract issued by the reinsurer to compensate the cedent for claims arising from one or more insurance contracts issued by the cedent.

Investment contract with discretionary participation features is a financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts:

(a) that are expected to be a significant portion of the total contractual benefits;

(b) the timing or amount of which are contractually at the discretion of the issuer; and

(c) that are contractually based on the returns on specified items.

Insurance contract with direct participation features is an insurance contract that meets the following conditions at inception:

(a) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

(b) the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

(c) the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Identification of insurance contract

The Group assesses the significance of insurance risk contract by contract. A contract is an insurance contract only if it transfers significant insurance risk. A contract that meets the definition of an insurance contract remains an insurance contract until all rights and obligations are extinguished (i.e., discharged, cancelled or expired), unless the contract is derecognised because of a contract modification.

Below assessments are performed to determine whether the insurance risk is significant:

(a) Insurance risk is significant if, and only if, an insured event could cause the Group to pay additional amounts that are significant in any single scenario that has commercial substance, even if the insured event is extremely unlikely, or even if the expected probability-weighted present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts that exceed those that would be payable if no insured event had occurred. Those additional amounts include claims handling and assessment costs. Of these, the one without an economically identifiable effect on the transaction indicates a lack of commercial substance; and

(b) In addition, a contract transfers significant insurance risk only if there is a scenario that has commercial substance in which the Group has a possibility of a loss on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

Combination of insurance contracts

A set or series of insurance contracts with the same or a related counterparty may achieve, or be designed to achieve, an overall commercial effect. In order to report the substance of such contracts, the Group treats the set or series of contracts as a whole.

Separating components from an insurance contract

An insurance contract may contain more components. The Group separates the following non-insurance components from such contracts, including:

(a) embedded derivatives that should be separated in accordance with IFRS 9;

(b) distinct investment components, except for those that can meet the definition of investment contract with discretionary participation features; and

(c) promises to transfer distinct goods or services other than insurance contract services.

Investment component is the amount that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. An investment component is distinct if, and only if, both the following conditions are met:

(a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if, and only if:

 (i) the entity is unable to measure one component without considering the other. Thus, if the value of one component varies according to the value of the other, the two components are highly interrelated; or

 (ii) the policyholder is unable to benefit from one component unless the other is also present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated;

(b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

Insurance contract services are the services that the Group provides to a policyholder of an insurance contract, including: coverage for an insured event (insurance coverage); for insurance contracts without direct participation features, the generation of an investment return for the policyholder (investment-return service); and for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service). The Group separates from an insurance contract a promise to transfer distinct goods or services other than insurance contract services to a policyholder. For the purpose of separation, the Group does not consider activities that the Group must undertake to fulfil a contract unless the Group transfers a good or service other than insurance contract services to the policyholder as those activities occur. A good or service other than an insurance contract service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. A good or service other than an insurance contract service that is promised to the policyholder is not distinct if: the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract; and the Group provides a significant service in integrating the good or service with the insurance components.

After the separation of any cash flows related to embedded derivatives and distinct investment component, the Group attributes the remaining cash flows to insurance component (including unseparated embedded derivatives, non-distinct investment component and promises to transfer goods or services other than insurance contract services which are not distinct) and promises to transfer distinct goods or services other than insurance contract services.

Level of aggregation of insurance contracts

The Group identifies portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. The Group divides portfolios of insurance contracts into groups of insurance contracts and applies the recognition and measurement requirements to the groups of insurance contracts. Insurance contracts issued more than one year apart are not included in the same group. The Group determines the group to which contracts belong by considering individual contracts. If the Group has reasonable and supportable information to conclude that a set of contracts will all be in the same group, the Group may measure the set of contracts to determine the group.

The Group divides a portfolio of insurance contracts issued into a minimum of:

(a) a group of contracts that are onerous at initial recognition, if any;

(b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and

(c) a group of the remaining contracts in the portfolio, if any.

Recognition

The Group recognises a group of insurance contracts it issues from the earliest of the following:

(a) the beginning of the coverage period of the group of contracts;

(b) the date when the first payment from a policyholder in the group becomes due; and

(c) for a group of onerous contracts, when the group becomes onerous.

For individual contract that meet one of the criteria set out above, the Group determines the group to which it belongs at initial recognition and does not reassess the composition of the groups subsequently. Coverage period is the period during which the Group provides insurance contract services.

The Group recognises an asset for insurance acquisition cash flows paid or payable before the related group of insurance contracts is recognised. The Group allocates insurance acquisition cash flows to groups of insurance contracts using a systematic and rational method. Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Group derecognises an asset for insurance acquisition cash flows when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts. At the end of each reporting period, the Group assesses the recoverability of an asset for insurance acquisition cash flows if facts and circumstances indicate the asset may be impaired. If the Group identifies an impairment loss, the Group adjusts the carrying amount of the asset and recognises the impairment loss in profit or loss. The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Measurement

General model

Measurement on initial recognition

On initial recognition, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The contractual service margin represents the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group. The fulfilment cash flows comprise:

(a) estimates of future cash flows;

(b) an adjustment to reflect the time value of money and the financial risks related to the future cash flows; and

(c) a risk adjustment for non-financial risk.

Risk adjustment for non-financial risk is the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts. The fulfilment cash flows do not reflect the non-performance risk of the Group.

The Group may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts. The estimates of future cash flows shall:

(a) be unbiased probability-weighted mean;

(b) be consistent with observable market prices for market variables;

(c) be current – the estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future; and

(d) be explicit – the entity shall estimate the cash flows separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

(a) the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

(b) the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The Group uses appropriate discount rate to adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows shall:

(a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts; and

(b) be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Group adjusts the estimate of the present value of the future cash flows to reflect the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The Group calculates the total amount of below items on initial recognition of a group of insurance contracts:

(a) the fulfilment cash flows;

(b) the derecognition at the date of initial recognition of any asset for insurance acquisition cash flows and any other asset or liability previously recognised for cash flows related to the group of contracts;

(c) any cash flows arising from the contracts in the group at that date.

If the total amount represents net cash inflows, the Group recognises it as contract service margin. If the total amount represents net cash outflows, the Group recognises a loss in profit or loss.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future service allocated to the group at that date and the contractual service margin of the group at that date. The liability for incurred claims comprises the fulfilment cash flows related to past service allocated to the group at that date.

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

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

(b) interest accreted on the carrying amount of the contractual service margin during the reporting period, measured at the discount rates determined at the date of initial recognition of a group of contracts, applied to nominal cash flows that do not vary based on the returns on any underlying items;

(c) the changes in fulfilment cash flows relating to future service, except that such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or except that such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;

(d) the effect of any currency exchange differences on the contractual service margin; and

(e) the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The Group recognises the reduction in the liability for remaining coverage because of services provided in the period as insurance revenue. The Group recognises the increase in the liability for incurred claims because of claims and expenses incurred in the period and any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses as insurance service expenses. Insurance revenue and insurance service expenses presented in profit or loss have excluded any investment components.

The Group determines insurance service expenses related to insurance acquisition cash flows in a systematic way on the basis of the passage of time. The Group recognises the same amount as insurance revenue to reflect the portion of the premiums that relate to recovering those cash flows.

The Group recognises the change in the liability for remaining coverage and the liability for incurred claims because of the effect of the time value of money and the effect of financial risk as insurance finance income or expenses.

The Group makes accounting policy choices to portfolios of insurance contracts between:

(a) including insurance finance income or expenses for the period in profit or loss; and

(b) disaggregating insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The difference between the insurance finance income or expenses and the total insurance finance income or expenses for the period is included in other comprehensive income.

When applying IAS 21 *The Effects of Changes in Foreign Exchange Rates* to a group of insurance contracts that generate cash flows in a foreign currency, the Group treats the group of contracts, including the contractual service margin, as a monetary item. The Group includes exchange differences on changes in the carrying amount of groups of insurance contracts in the statement of profit or loss, unless they relate to changes in the carrying amount of groups of insurance contracts included in other comprehensive income for insurance finance income or expenses, in which case they are included in other comprehensive income.

Measurements for insurance contract with direct participation features (Variable Fee Approach)

The Group assesses whether an insurance contract can meet the definition of insurance contracts with direct participation features by using its expectations at inception of the contract and does not perform reassessment afterwards.

Insurance contracts with direct participation features are contracts under which the Group's obligation to the policyholder is the net of:

(a) the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and

(b) a variable fee that the Group will deduct from (a) in exchange for the future service provided by the insurance contract, comprising:

    (i) the amount of the Group's share of the fair value of the underlying items; less

    (ii) fulfilment cash flows that do not vary based on the returns on underlying items.

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

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

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

  (i) if the Group mitigates the effect of financial risk using derivatives or reinsurance contracts held, when meets certain conditions, the Group may choose to recognise insurance finance income or expenses for the period in profit or loss to reflect some or all of the changes in the effect of the time value of money and financial risk on the amount of the Group's share of the underlying items. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;

  (ii) the decrease in the amount of the Group's share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss; or

  (iii) the increase in the amount of the Group's share of the fair value of the underlying items is allocated to the loss component of the liability for remaining coverage;

(c) the changes in fulfilment cash flows relating to future service that do not vary based on the returns on underlying items, except to the extent that:

  (i) if the Group mitigates the effect of financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss, when meets certain conditions, the Group may choose to recognise insurance finance income or expenses for the period in profit or loss to reflect some or all of the changes in the effect of the time value of money and financial risk on the fulfilment cash flows. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;

  (ii) such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or

  (iii) such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;

(d) the effect of any currency exchange differences arising on the contractual service margin; and

(e) the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage periods.

For insurance contracts with direct participation features that the Group holds the underlying items, the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income, include in profit or loss an amount that exactly match the income or expenses included in profit or loss for the underlying items, resulting in the net of the separately presented items being nil.

Measurements for onerous insurance contracts

If a group of insurance contracts is onerous at the date of initial recognition, or if additional loss caused by contracts added to the group of onerous contracts, the Group recognises a loss as insurance service expenses in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for remaining coverage for the group being equal to the fulfilment cash flows.

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if meets one of the following conditions, the Group recognises a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage, including:

(a) the amount of unfavourable changes relating to future service in the fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk exceeds the carrying amount of the contractual service margin; and

(b) for a group of insurance contracts with direct participation features, the decrease in the amount of the entity's share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin.

After the Group has recognised a loss on an onerous group of insurance contracts, the Group allocates the following changes of the liability for remaining coverage on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component:

(a) estimates of the present value of future cash flows for claims and expenses released from the liability for remaining coverage because of incurred insurance service expenses;

(b) changes in the risk adjustment for non-financial risk recognised in profit or loss because of the release from risk; and

(c) insurance finance income or expenses.

Any amounts allocated to the loss component of the liability for remaining coverage shall not be recognised as insurance revenue.

After the Group has recognised a loss on an onerous group of insurance contracts, the subsequent measurements are:

(a) for any subsequent increases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk, and any subsequent decreases in the amount of the Group's share of the fair value of the underlying items, the Group recognises a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage; and

(b) for any subsequent decreases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk, and any subsequent increases in the amount of the Group's share of the fair value of the underlying items, the Group reverses the insurance service expenses in profit or loss and decreases the loss component of the liability for remaining coverage until that amount of component is reduced to zero, and the Group adjusts the contractual service margin only for the excess of the decrease over the amount allocated to the loss component.

Premium allocation approach

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

(a) the Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying general model, unless the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred; or

(b) the coverage period of each contract in the group is one year or less.

For contracts issued to which the Group applies the premium allocation approach, the Group assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

Using the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received at initial recognition, minus any insurance acquisition cash flows at that date, and plus or minus any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other asset or liability previously recognised for cash flows related to the group of contracts.

At the end of each subsequent reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as insurance service expenses in the reporting period, plus any adjustment to a financing component, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

The Group adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates determined on initial recognition. The Group is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, to the extent that the fulfilment cash flows exceed the carrying amount of the liability for remaining coverage, the Group recognises a loss as insurance service expenses in profit or loss and increase the liability for remaining coverage.

The Group measures the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims and other related expenses. The Group is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Group would also not include in the fulfilment cash flows mentioned above any such adjustment.

When the Group applies the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

Reinsurance contracts held

In addition to the requirements for insurance contracts set out above, the recognition and measurement for reinsurance contracts held are modified as follows. The requirements of measurements for onerous insurance contracts are not applicable for reinsurance contracts held.

Recognition

The Group divides portfolios of reinsurance contracts held into a minimum of:

(a) a group of contracts that there is a net gain at initial recognition, if any;

(b) a group of contracts that at initial recognition have no significant possibility of becoming to have net gain subsequently, if any; and

(c) a group of the remaining contracts in the portfolio, if any.

The Group recognises a group of reinsurance contracts held from the earlier of the following:

(a) the beginning of the coverage period of the group of reinsurance contracts held; and

(b) the date the Group recognises an onerous group of underlying insurance contracts.

If a group of reinsurance contracts held provide proportionate coverage, the Group recognises such group of reinsurance contracts held from the earlier of the following:

(a) the later date of the beginning of the coverage period of the group of reinsurance contracts held and the date that any underlying insurance contract is initially recognised; and

(b) the date the Group recognises an onerous group of underlying insurance contracts.

Measurement for reinsurance contracts held

On initial recognition, the Group measures a group of reinsurance contracts held at the total of the fulfilment cash flows and the contractual service margin. The contractual service margin represents the net cost or net gain the Group will recognise as it receives insurance contract services from the reinsurers.

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

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

On initial recognition for a group of reinsurance contracts held, the Group calculates the sum of:

(a) the fulfilment cash flows;

(b) the amount derecognised at that date of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held;

(c) any cash flows arising at that date; and

(d) loss-recovery component of assets for remaining coverage of reinsurance contracts held.

The Group recognises any net cost or net gain of the above total amounts as a contractual service margin. If the net cost relates to events that occurred before the purchase of the group of reinsurance contracts held, the Group recognises such a cost immediately in profit or loss as an expense.

If the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised, when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, the Group recognises a loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held by multiplying:

(a) the loss recognised on the underlying insurance contracts; and

(b) the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

The Group adjusts the same amount calculated above to contractual service margin and recognises as an amount recovered from reinsurers in profit or loss.

The Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component should not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

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

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

(b) interest accreted on the carrying amount of the contractual service margin, measured at the discount rates determined at the date of initial recognition of a group of contracts, and applied to nominal cash flows that do not vary based on the returns on any underlying items;

(c) the loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held, and reversals of a loss-recovery component recognised to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;

(d) the changes in the fulfilment cash flows relating to future service, except that such change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin for the group of underlying insurance contracts; or except that such change results from onerous contracts, if the Group measures a group of underlying insurance contracts applying the premium allocation approach;

(e) the effect of any currency exchange differences arising on the contractual service margin; and

(f) the amount recognised in profit or loss because of services received in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held.

Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not relate to future service and the Group does not adjust the contractual service margin.

The Group recognises the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Group recognises the increase in the asset for incurred claims because of claims and expenses that are expected to be reimbursed in the period and any subsequent related changes in fulfilment cash flows as amount recovered from the reinsurer. The Group treats amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts as the reduction to the allocation of reinsurance premiums paid. Allocation of reinsurance premiums paid and amount recovered from the reinsurer presented in profit or loss has excluded any investment components.

The Group uses the premium allocation approach to simplify the measurement of a group of reinsurance contracts held, if at the inception of the group:

(a) the Group reasonably expects the resulting measurement would not differ materially from the result of not applying the premium allocation approach set out above, unless the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the asset for remaining coverage during the period before a claim is incurred; or

(b) the coverage period of each contract in the group of reinsurance contracts held is one year or less.

Investment contracts with discretionary participation features

In addition to the requirements for insurance contracts set out above, the recognition and measurement for investment contract with discretionary participation features are modified as follows:

(a) the date of initial recognition is the date the Group becomes party to the contract;

(b) the contract boundary is modified so that cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date. The Group has no substantive obligation to deliver cash if the Group has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks; and

(c) the allocation of the contractual service margin is modified so that the Group recognises the contractual service margin over the duration of the group of contracts in a systematic way that reflects the transfer of investment services under the contract.

Modification and derecognition

If the terms of an insurance contract are modified, the Group derecognises the original contract and recognises the modified contract as a new contract, if, and only if, any of the conditions below are satisfied:

(a) if the modified terms had been included at contract inception:

  (i) the modified contract would have been excluded from the scope of IFRS 17;

  (ii) the Group would have separated different components from the host insurance contract, resulting in a different insurance contract to which IFRS 17 would have applied;

  (iii) the modified contract would have had a substantially different contract boundary; or

  (iv) the modified contract would have been included in a different group of contracts;

(b) the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

(c) the Group applied the premium allocation approach to the original contract, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

If a contract modification meets none of the conditions above, the Group treats changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

The Group derecognises an insurance contract when it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled. The Group derecognises an insurance contract from within a group of contracts by applying the following requirements:

(a) the fulfilment cash flows allocated to the group are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised from the group;

(b) the contractual service margin of the group is adjusted; and

(c) the number of coverage units for expected remaining insurance contract services is adjusted.

When the Group derecognises an insurance contract because it transfers the contract to a third party or derecognises an insurance contract and recognises a new contract, the Group applies the following requirements:

(a) adjusts the contractual service margin of the group from which the contract has been derecognised, for the difference between (i) and either (ii) for contracts transferred to a third party or (iii) for contracts derecognised due to modification:

(i) the change in the carrying amount of the group of insurance contracts resulting from the derecognition of the contract.

(ii) the premium charged by the third party.

(iii) the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(b) measures the new contract recognised assuming that the Group received the premium described in (a)(iii) at the date of the modification.

If the Group derecognises an insurance contract because it transfers the contract to a third party or derecognises an insurance contract due to modification, the Group reclassifies to profit or loss as a reclassification adjustment any remaining amounts for the group that were previously recognised in other comprehensive income, unless for insurance contracts with direct participation features that the Group holds the underlying items.

Presentation

The Group presents separately in the statement of financial position the carrying amounts of portfolios of:

(a) insurance contracts issued that are assets;

(b) insurance contracts issued that are liabilities;

(c) reinsurance contracts held that are assets; and

(d) reinsurance contracts held that are liabilities.

The Group includes any assets for insurance acquisition cash flows recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Group disaggregates the amounts recognised in profit or loss and statement of comprehensive income into:

(a) insurance revenue;

(b) insurance service expenses;

(c) allocation of reinsurance premiums paid;

(d) amounts recovered from reinsurers;

(e) insurance finance income or expenses for insurance contracts issued; and

(f) reinsurance finance income or expenses for reinsurance contracts held.

3 SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

The Group's operating segments are as follows:

(i) The life insurance segment offers a wide range of life insurance products mainly by Sunshine Life.

(ii) The property and casualty insurance segment offers a wide range of property and casualty insurance products mainly by Sunshine P&C and Sunshine Surety.

(iii) Other businesses segment mainly provides corporate management and assets management services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resources allocation and performance assessment. Segment performance is assessed based on indicators such as net profit.

Transfer prices between operating segments are based on the amount stated in the contracts signed by both sides.

The segment analysis as at 31 December 2023 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Insurance revenue	14,394	45,487	19	45,506	–	59,900
Interest income	8,888	745	25	770	236	9,894
Investment income	4,939	346	1	347	62	5,348
Share of profits and losses of associates and joint ventures	(52)	181	–	181	(345)	(216)
Other income	374	203	6	209	2,715	3,298
Total revenues	28,543	46,962	51	47,013	2,668	78,224
Insurance service expenses	(12,075)	(44,733)	(84)	(44,817)	–	(56,892)
Allocation of reinsurance premiums paid	(905)	(1,269)	–	(1,269)	–	(2,174)
Less: Amount recovered from reinsurers	934	1,669	1	1,670	–	2,604
Net insurance finance expenses for insurance contracts issued	(8,466)	(650)	(2)	(652)	218	(8,900)
Less: Net reinsurance finance income for reinsurance contracts held	39	79	(1)	78	–	117
Expected credit losses	(118)	(270)	–	(270)	24	(364)
Finance costs	(813)	(285)	–	(285)	(29)	(1,127)
Other operating and administrative expenses	(2,221)	(486)	(8)	(494)	(2,999)	(5,714)
Total expenses	(23,625)	(45,945)	(94)	(46,039)	(2,786)	(72,450)
Profit/(loss) before tax	4,918	1,017	(43)	974	(118)	5,774
Income tax	(1,712)	(39)	1	(38)	(158)	(1,908)
Net profit	3,206	978	(42)	936	(276)	3,866

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Segment assets	445,522	51,774	1,560	53,334	14,830	513,686
Segment liabilities	411,582	38,637	47	38,684	1,631	451,897

Other segment information for the year ended 31 December 2023:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Depreciation and amortisation	**447**	**404**	**3**	**407**	**795**	**1,649**
Capital expenditure	**259**	**185**	**–**	**185**	**1,646**	**2,090**

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

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Insurance revenue	14,437	41,273	28	41,301	–	55,738
Investment income	17,580	1,941	27	1,968	(867)	18,681
Share of profits and losses of associates and joint ventures	514	187	–	187	(388)	313
Other income	422	159	12	171	2,244	2,837
Total revenues	32,953	43,560	67	43,627	989	77,569
Insurance service expenses	(13,408)	(40,352)	(127)	(40,479)	–	(53,887)
Allocation of reinsurance premiums paid	(937)	(1,310)	–	(1,310)	–	(2,247)
Less: Amount recovered from reinsurers	932	1,186	–	1,186	–	2,118
Net insurance finance expenses for insurance contracts issued	(13,428)	(611)	(5)	(616)	868	(13,176)
Less: Net reinsurance finance income for reinsurance contracts held	28	63	–	63	–	91
Finance costs	(656)	(316)	(1)	(317)	(17)	(990)
Other operating and administrative expenses	(1,835)	(514)	(4)	(518)	(2,320)	(4,673)
Total expenses	(29,304)	(41,854)	(137)	(41,991)	(1,469)	(72,764)
Profit/(loss) before tax	3,649	1,706	(70)	1,636	(480)	4,805
Income tax	279	(176)	–	(176)	(280)	(177)
Net profit	3,928	1,530	(70)	1,460	(760)	4,628

(in RMB million)	Life insurance	Property and casualty insurance Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Segment assets	381,493	49,166	1,590	50,756	21,320	453,569
Segment liabilities	348,705	37,889	51	37,940	7,571	394,216

Other segment information for the year ended 31 December 2022:

(in RMB million)	Life insurance	Property and casualty insurance Sunshine P&C	Sunshine Surety	Subtotal	Other businesses and elimination	Total
Depreciation and amortisation	500	392	8	400	761	1,661
Capital expenditure	169	160	–	160	1,072	1,401

4 INSURANCE REVENUE

(in RMB million)	**2023**	2022
Insurance contracts not measured under the premium allocation approach		
Insurance revenue relating to the changes in the liability for remaining coverage		
Amortisation of contractual service margin	**3,624**	3,736
Change in the risk adjustment for non-financial risk	**764**	681
Expected insurance service expenses incurred in the year	**6,008**	6,268
Amortisation of insurance acquisition cash flows	**8,249**	8,359
Subtotal	**18,645**	19,044
Insurance contracts measured under the premium allocation approach	**41,255**	36,694
Total	**59,900**	55,738

5 INVESTMENT INCOME

(in RMB million)	**2023**	2022
Interest and dividend income (a)	**7,420**	14,565
Realised gains/(losses) (b)	**(869)**	6,819
Unrealised gains/(losses) (c)	**(1,553)**	560
Operating lease income from investment properties	**350**	305
Charge of impairment losses on financial assets, net	**N/A**	(3,568)
Total	**5,348**	18,681

(a) Interest and dividend income

(in RMB million)	**2023**	2022
Bonds	**639**	6,670
Debt investment scheme	**593**	1,047
Funds	**2,910**	1,887
Equity securities	**2,594**	741
Equity investment scheme	**169**	387
Others	**515**	3,833
Total	**7,420**	14,565

(b) Realised gains/(losses)

(in RMB million)	**2023**	2022
Bonds	**3,633**	2,476
Funds	**(2,236)**	(275)
Equity securities	**(2,066)**	(1,100)
Others	**(200)**	5,718
Total	**(869)**	6,819

(c) Unrealised gains/(losses)

(in RMB million)	**2023**	2022
Bonds	**136**	73
Funds	**(945)**	(195)
Equity securities	**(1,874)**	3
Others	**732**	689
Financial assets at fair value through profit or loss	**(1,951)**	570
Financial liabilities at fair value through profit or loss	**398**	(10)
Total	**(1,553)**	560

6 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:

(in RMB million)	**2023**	2022
Current income tax	**221**	372
Deferred income tax	**1,687**	(195)
Total	**1,908**	177

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

(in RMB million)	**2023**	2022
Profit before income tax	**5,774**	4,805
Tax computed at the statutory tax rate	**1,444**	1,201
Non-taxable income	**(1,978)**	(1,453)
Expenses not deductible for tax purposes	**56**	42
Adjustments in respect of current tax of previous periods	**1**	(13)
Others	**2,385**	400
Income tax at the effective tax rate	**1,908**	177

7 EARNINGS PER SHARE

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

	2023	2022
Consolidated net profit attributable to equity owners of the parent *(in RMB million)*	**3,738**	4,494
Weighted average number of ordinary shares in issue *(in million shares)*	**11,502**	10,421
Basic earnings per share	**RMB0.32**	RMB0.43
Diluted earnings per share	**RMB0.32**	RMB0.43

8 DIVIDENDS

(in RMB million)	**2023**	2022
Dividends recognised as distributions during the year:		
2022 final dividend – RMB0.18 per ordinary share	**2,070**	–
2021 final dividend – RMB0.15 per ordinary share	**–**	1,553

9 BONDS PAYABLE

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

Issuer *(in RMB million)*	**Issue date**	**Maturity**	**Early redemption option**	**Interest rate**	**31 December 2023**	**31 December 2022**
Sunshine P&C	2021/12/07	10 years	End of the fifth year	4.5%-5.5%	**4,998**	4,998
Sunshine Life	2016/04/20	10 years	None	4.5%	**2,127**	2,088
Sunshine Life	2021/03/30	10 years	End of the fifth year	4.4%-5.4%	**5,063**	5,039
Sunshine Life	2023/12/12	10 years	End of the fifth year	3.88%-4.88%	**7,002**	–
Subtotal					**19,190**	12,125
Add: Accrued interest					**224**	N/A
Total					**19,414**	12,125

10 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	**31 December 2023**	31 December 2022
Bonds	**29,662**	17,480

As at 31 December 2023, bonds with par value of RMB34,172 million (31 December 2022: RMB21,731 million) was pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group. The collateral is restricted from trading during the period of the repurchase transaction.

11 SUBSEQUENT EVENTS

Profit distribution

On 25 March 2024, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2023 and declared a final cash dividend of 2023 with a total distribution of RMB2,070 million in the amount of RMB0.18 (tax inclusive) per share. The profit distribution plan is subject to the approval by the Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

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

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

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

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

(I) Results of operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 3: Underwriting combined ratio under the New Accounting Standards for Insurance Contracts = (insurance service expenses + (allocation of reinsurance premiums paid – amount recovered from reinsurer) + (net insurance finance expenses for insurance contracts issued – net reinsurance finance income for reinsurance contracts held) + changes in premium reserves)/insurance revenue.

We focused on AI innovation and deepened digital transformation.

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

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

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

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

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

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

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

(II) Major indicators

Unit: RMB in millions, except for percentages

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

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

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

Unit: RMB in millions, except for percentages

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

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

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

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

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

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

Note 6: Underwriting combined ratio = (insurance service expenses + (allocation of reinsurance premiums paid – amount recovered from reinsurer) + (net insurance finance expenses for insurance contracts issued – net reinsurance finance income for reinsurance contracts held) + changes in premium reserves)/insurance revenue.

Unit: RMB in millions, except for percentages

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

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

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

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

Unit: RMB in millions, except for percentages

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

Unit: RMB in millions, except for percentages

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

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

II. ANALYSIS OF ANNUAL RESULTS

Life Insurance

(I) Business Analysis

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

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

1. Channel Development

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

Unit: RMB in millions

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

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

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

(1) Individual insurance channel

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

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

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

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

For the year ended December 31	**2023**	2022	YOY
Average number of agents per month[2]	**53,432**	63,197	(15.5%)
Average ratio of active agents per month[3]	**17.4%**	16.5%	0.9pt
Productivity per capita (RMB)	**20,653**	14,299	44.4%

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

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. Individual insurance channel includes the former individual insurance agent channel and worksite marketing channel. The 2022 statistics are subject to corresponding adjustment.

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

(3) Other channels

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

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

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

2. *Customer Management*

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

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

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

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

3. *Product Management*

(1) Analysis by business type

Unit: RMB in millions

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

(2) Information of the top five products

Unit: RMB in millions

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

4. *Premium persistency ratio*

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

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

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

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

5. *Premiums in the top ten regions*

Unit: RMB in millions

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

6. Application of Science and Technology

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

(1) Sales Support

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

(2) Customer Services

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

(3) Risk Management and Control

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

(II) Profit Source Analysis

Unit: RMB in millions, except for percentages

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

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

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

Insurance revenue

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

Unit: RMB in millions, except for percentages

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

Insurance service expenses

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

Unit: RMB in millions, except for percentages

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

Investment results

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

Net profit

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

Property and Casualty Insurance[1]

(I) Business Analysis

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

Unit: RMB in millions, except for percentages

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

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

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

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

Unit: RMB in millions, except for percentages

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

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

Note 2: Underwriting loss ratio = (settled loss + changes in outstanding loss reserves + gain/loss on loss contracts + (allocation of reinsurance premiums paid – amount recovered from reinsurer) + (net insurance finance expenses for insurance contracts issued – net reinsurance finance income for reinsurance contracts held) + changes in premium reserves)/insurance revenue.

1. Business by insurance type

Unit: RMB in millions, except for percentages

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

(1) Automobile insurance

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

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

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

(2) Non-automobile insurance

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

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

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

Accident and short-term health insurance

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

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

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

Guarantee insurance

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

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

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

Liability insurance

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

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

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

Cargo insurance

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

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

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

2. *Customer Management*

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

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

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

3. *Premiums in the top ten regions*

Unit: RMB in millions

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

4. Application of Science and Technology

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

(1) Sales support

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

(2) Customer service

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

(3) Management empowerment

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

(II) Profit Source Analysis

Unit: RMB in millions, except for percentages

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

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

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

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

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

Insurance revenue

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

Unit: RMB in millions, except for percentages

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

Insurance service expenses

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

Unit: RMB in millions, except for percentages

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

Underwriting profit

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

Total investment income

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

Net profit

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

Asset Management

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

(1) Our Group's investment assets

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

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

1. *Investment portfolio*

Unit: RMB in millions, except for percentages

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

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

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

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

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

(1) By investment category

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

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

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

(2) By accounting measurement

Unit: RMB in millions

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

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

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

2. *Investment income*

Unit: RMB in millions, except for percentages

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

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

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

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

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

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

(II) Third-party assets under management

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

Unit: RMB in millions

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

In 2023, Sunshine AMC persisted in promoting the development of third-party asset management business from the perspectives of compliant operation, risk control and value development, and actively responded to the changes in industry competitive landscape and the fluctuations in capital market. We continuously enhanced our comprehensive asset management capabilities and optimized customer service level through a multi-asset and multi-strategy product system, which effectively ensured the sound development of third-party asset management business. The portfolio asset management products managed by the Company operated steadily and were granted "Insurance Investment Golden Bull Award (保險業投資金牛獎)" for three consecutive years, in particular, three products were granted "Portfolio Insurance Asset Management Product Golden Bull Award (組合類保險資管產品金牛獎)" and "Insurance Asset Management Company Golden Bull Award (保險資管公司金牛獎)". Moreover, we kept supporting physical economic development through our debt business by increasing investments in infrastructure projects such as the water conservancy, highways, and municipal construction. In recent years, products in the debt investment schemes under our management were granted "Ark Prize (創新保險資管產品

方舟奬)" for Innovative Insurance Asset Management Products organized by "Securities Times (證券時報)". In that year, Sunshine AMC ranked among the top 500 global asset management institutions on IPE for the first time, ranking 202nd in the world and 39th in China.

III. ANALYSIS ON SPECIAL ITEMS

(I) Liquidity Analysis

1. Gearing Ratio

	December 31, 2023	December 31, 2022
Gearing Ratio[1]	**88.0%**	86.9%

Note 1: gearing ratio = total liabilities/total assets

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

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

3. Liquidity Analysis

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

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

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

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

(II) Solvency

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

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

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

Unit: RMB in millions, except for percentages

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

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

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

(III) Asset Charge

Some subsidiaries of the Group sold and repurchased securities in the market due to liquidity management needs. During the transactions, the securities held by subsidiaries of the Company will be used as collateral for transaction. As at December 31, 2023, the charge information of the relevant securities is set out in Note 10 to the consolidated financial statements of this announcement.

(IV) Bank Borrowings and Bonds Payable

The aggregate balance of bank borrowings of the Group as at December 31, 2023 was RMB200 million, excluding the bonds issued by some subsidiaries of the Group and the securities sold under repurchase agreements of its investment business. The total balance of bonds payable by the Group was RMB19.41 billion.

(V) Risk of Exchange Rate Fluctuations

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

(VI) Contingent Liabilities

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

IV. MAJOR EVENTS

(I) Connected Transactions

1. Continuing Connected Transactions

Provision of Investment Management Services by Sunshine AMC to the Group

Principal terms

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

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

Connected persons

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

Reasons for the transactions

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

Pricing policy

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

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

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

Annual caps and transaction amounts

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

Unit: RMB in millions

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

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

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

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

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

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

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

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

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

2. *Confirmation for Related Party Transactions*

Save for the connected transactions and continuing connected transactions disclosed in this announcement, there are no related party transactions that constitute connected transactions or continuing connected transactions that are required to be announced or approved by independent Shareholders under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions of the Company.

(II) Material Contracts and Their Implementation

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

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

(III) Performance of Commitments

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

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

(IV) Material Litigation and Arbitration

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

(V) Major Acquisition and Investment

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

(VI) Use of Proceeds

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

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

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

As at the date of this announcement, the Company's use of proceeds from the IPO complies with the use of proceeds and expected timetable promised by the Company in the Prospectus.

V. PROSPECTS

(I) Market Environment

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

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

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

(II) Development Outlook

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

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

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

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

EMBEDDED VALUE

I. BACKGROUND

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

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

- The adjusted net worth of Sunshine Insurance Group; and
- Sunshine Insurance Group's share in Sunshine Life's value of in-force business after cost of capital.

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

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

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

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

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

II. KEY ASSUMPTIONS

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

1. Risk Discount Rate

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

2. Investment Returns

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

3. Mortality

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

4. Morbidity

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

5. Lapse and Surrender Rates

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

6. **Expenses**

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

7. **Commission and Handling Fees**

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

8. **Policyholder Dividends**

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

9. **Tax Rate**

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

III. RESULTS OF EMBEDDED VALUE AND VALUE OF NEW BUSINESS

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

1. **Embedded value**

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

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

2. Value of one year's new business

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

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

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

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

IV. ANALYSIS OF EMBEDDED VALUE MOVEMENT

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

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

Notes: Items of change are explained below

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

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

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

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

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

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

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

Item 9. Other miscellaneous items.

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

V. SENSITIVITY TESTS

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

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

INDEPENDENT ACTUARIES OPINION ON REVIEW OF EMBEDDED VALUE INFORMATION

To the Board of Directors of Sunshine Insurance Group Company Limited

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

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

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

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

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

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

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

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

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

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

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

25 March 2024

OTHER MATTERS

I. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as the basis of corporate governance practices since the Listing Date. During the Reporting Period, save as disclosed below, 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.

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

III. SECURITIES TRANSACTIONS

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

IV. REVIEW OF ANNUAL RESULTS

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by Ernst & Young Hua Ming LLP and Ernst & Young. The audit committee of the Board of the Company has also reviewed the audited annual results of the Group for the year ended December 31, 2023. The figures in respect of the Group's results for the year ended December 31, 2023 as set out in this annual results announcement have been agreed by the Company's auditor, Ernst & Young, in line with the figures set out in the Group's audited consolidated financial statements for the year ended December 31, 2023.

V. PROPOSED FINAL DIVIDEND

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

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

The notice of the 2023 Annual General Meeting will announce the date of the 2023 Annual General Meeting of the Company and the relevant arrangements of closure of register of members, and the arrangements of closure of register of members for the final dividend.

VI. SUBSEQUENT EVENTS

Profit distribution

On March 25, 2024, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2023, and declared a final cash dividend of 2023 with a total distribution of RMB2.07 billion 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. Please refer to "Other Matters V" for details.

Save as disclosed in this announcement, there were no other material subsequent events of the Company after the Reporting Period.

VII. PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended December 31, 2023 will be published on the Company's website (www.sinosig.com) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

DEFINITIONS

"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
"China" or "PRC"	the People's Republic of China, for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" or "PRC" do not include Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), which was merged with the CBRC to form the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司), a joint stock company established on June 27, 2007 under the laws of the PRC with limited liability, and if the context requires, includes its predecessors prior to the incorporation of the Company

"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under PRC laws
"Group", "our Group", "we" or "us"	our Company and its subsidiaries
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which have been listed and traded on the Hong Kong Stock Exchange with effect from December 9, 2022
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"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
"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)
"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

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"National Administration of Financial Regulation"	The National Administration of Financial Regulation (國家金融監督管理總局), a regulatory authority formed on the basis of the former CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知)(Guo Fa [2023] No. 5) issued by the State Council on March 20, 2023, and if the context requires, includes its predecessor (i.e. CBIRC)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Company dated November 30, 2022 issued in connection with the Global Offering and the Listing
"province"	all provincial-level administrative regions of the PRC, including provinces, autonomous regions, municipalities directly under the Central Government and special administrative regions of the PRC
"Reporting Period"	for the year ended December 31, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"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)
"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 at the date of this announcement

"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 approximately 99.9999% equity interest as at the date of this announcement
"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 at the date of this announcement
"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 date of this announcement
"Supervisor(s)"	the member(s) of our Board of Supervisors
"US$" or "US dollars"	US dollars, the lawful currency of the United States

By order of the Board
Sunshine Insurance Group Company Limited
陽光保險集團股份有限公司
SHU Gaoyong
Joint Company Secretary

Hong Kong, March 25, 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. ZHANG Weigong, Mr. ZHAO Zongren, Mr. LI Ke, Mr. PENG Jihai and Mr. WANG Yongwen as executive directors; Mr. CAI Qiwu, Mr. WANG Jingwei, Mr. CHEN Yong, Ms. QIAN Yiqun and Mr. HOU Huisheng as non-executive directors; and Mr. LIU Zhanqing, Mr. GAO Bin, Ms. JIA Ning, Mr. WU Xiaoqiu and Mr. HONG Qi as independent non-executive directors.