阳光保险集团
Sunshine Insurance Group

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

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors of Sunshine Insurance Group Company Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 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.

FINANCIAL STATEMENTS AND KEY NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June **2023** (Unaudited)	2022 Restated (Unaudited)
Insurance revenue	5	**30,160**	28,099
Interest income		**4,888**	N/A
Investment income	6	**2,858**	7,124
Share of profits and losses of associates and joint ventures		**(242)**	441
Other income		**1,317**	1,326
Total revenues		**38,981**	36,990
Insurance service expenses		**(26,834)**	(24,994)
Allocation of reinsurance premiums paid		**(1,119)**	(1,067)
Less: Amount recovered from reinsurer		**880**	789
Net insurance finance expenses for insurance contracts issued		**(5,335)**	(6,160)
Less: Net reinsurance finance income for reinsurance contracts held		**60**	45
Expected credit losses		**97**	N/A
Finance costs		**(477)**	(485)
Other operating and administrative expenses		**(2,522)**	(2,331)
Total expenses		**(35,250)**	(34,203)
Profit before tax		**3,731**	2,787
Income tax	7	**(765)**	(68)
Net profit		**2,966**	2,719
Attributable to:			
Equity owners of the parent		**2,895**	2,657
Non-controlling interests		**71**	62
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	8	**RMB0.25**	RMB0.26
– Diluted	8	**RMB0.25**	RMB0.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

		Six months ended 30 June	
		2023	2022 Restated
	Notes	***(Unaudited)***	*(Unaudited)*
Net profit		**2,966**	2,719
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		**3,931**	N/A
Credit risks provision of debt instruments at fair value through other comprehensive income		**(108)**	N/A
Insurance finance expenses for insurance contracts issued		**(4,782)**	2,999
Reinsurance finance income for reinsurance contracts held		**4**	4
Exchange differences on translating foreign operations		**203**	258
Share of other comprehensive income of associates and joint ventures		**(56)**	112
Net fair value change on available-for-sale financial assets		**N/A**	(4,083)
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		**861**	N/A
Insurance finance expenses for insurance contracts issued		**(109)**	–
Other comprehensive income for the period, net of tax		**(56)**	(710)
Total comprehensive income for the period, net of tax		**2,910**	2,009
Attributable to:			
Equity owners of the parent		**2,837**	1,946
Non-controlling interests		**73**	63

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Notes	**30 June 2023** ***(Unaudited)***	31 December 2022 Restated *(Unaudited)*
ASSETS			
Property and equipment		**18,622**	18,938
Right-of-use assets		**2,599**	3,051
Investment properties		**10,607**	9,085
Investments in associates and joint ventures		**10,897**	10,230
Financial Investments:			
Financial assets at fair value through profit or loss		**116,127**	23,809
Debt financial assets at fair value through other comprehensive income		**264,477**	N/A
Equity financial assets at fair value through other comprehensive income		**32,161**	N/A
Held-to-maturity financial assets		**N/A**	114,704
Investments classified as loans and receivables		**N/A**	35,288
Available-for-sale financial assets		**N/A**	169,489
Term deposits		**6,200**	22,383
Statutory deposits		**5,896**	5,418
Securities purchased under agreements to resell		**7,975**	7,375
Interest receivables		**N/A**	3,660
Insurance contract assets		**1,037**	813
Reinsurance contract assets		**4,042**	3,939
Deferred tax assets	10	**1,331**	2,548
Other assets		**5,014**	5,384
Cash and short-term time deposits		**12,255**	17,455
Total assets		**499,240**	453,569

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Notes	**30 June 2023** *(Unaudited)*	31 December 2022 Restated *(Unaudited)*
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities		**372,680**	347,093
Reinsurance contract liabilities		**32**	37
Lease liabilities		**704**	782
Bonds payable	12	**12,430**	12,125
Financial liabilities at fair value through profit or loss		**4,128**	4,546
Securities sold under agreements to repurchase		**27,569**	17,480
Income tax payables		**209**	209
Premiums received in advance		**518**	2,375
Deferred tax liabilities	10	**148**	61
Other liabilities		**14,231**	9,508
Total liabilities		**432,649**	394,216
Equity			
Share capital	11	**11,502**	11,502
Reserves		**29,279**	28,732
Retained profits		**24,528**	17,841
Attributable to equity owners of the parent		**65,309**	58,075
Non-controlling interests		**1,282**	1,278
Total equity		**66,591**	59,353
Total liabilities and equity		**499,240**	453,569

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Attributable to equity owners of the parent														
		Reserves													
(Unaudited)	**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**	**Total**	**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
Change in accounting policies	–	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	–	–	–	–	–	–	–	–	–	–	–	2,895	2,895	71	2,966
Other comprehensive income	–	–	–	–	–	–	4,682	–	(4,887)	203	(56)	–	(58)	2	(56)
Total comprehensive income	–	–	–	–	–	–	4,682	–	(4,887)	203	(56)	2,895	2,837	73	2,910
Dividend declared	–	–	–	–	–	–	–	–	–	–	–	(2,070)	(2,070)	–	(2,070)
Appropriation to general risk reserves	–	–	–	17	–	–	–	–	–	–	–	(17)	–	–	–
Transfer of gains/(losses) on disposal of equity investments at fair value through other comprehensive income to retained profits	–	–	–	–	–	–	689	–	(458)	–	–	(231)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(70)	(70)
Others	–	(7)	–	–	–	–	–	–	–	–	–	–	(7)	–	(7)
As at 30 June 2023	11,502	25,886	1,332	5,773	57	12	5,615	–	(9,588)	314	(122)	24,528	65,309	1,282	66,591

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Attributable to equity owners of the parent													
		Reserves												
Restated *(Unaudited)*	**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**	**Total**	**Non-controlling interests**	**Total equity**
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
Change in accounting policies	–	149	–	(202)	–	–	–	(5,500)	–	(92)	(1,811)	(7,456)	–	(7,456)
As at 1 January 2022	10,351	21,427	1,068	4,215	57	8	3,149	(5,500)	(346)	(77)	16,200	50,552	1,208	51,760
Net profit	–	–	–	–	–	–	–	–	–	–	2,657	2,657	62	2,719
Other comprehensive income	–	–	–	–	–	–	(4,084)	3,003	258	112	–	(711)	1	(710)
Total comprehensive income	–	–	–	–	–	–	(4,084)	3,003	258	112	2,657	1,946	63	2,009
Dividend declared	–	–	–	–	–	–	–	–	–	–	(1,553)	(1,553)	–	(1,553)
Appropriation to general risk reserves	–	–	–	18	–	–	–	–	–	–	(18)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(72)	(72)
Others	–	6	–	–	–	–	–	–	–	–	–	6	4	10
As at 30 June 2022	10,351	21,433	1,068	4,233	57	8	(935)	(2,497)	(88)	35	17,286	50,951	1,203	52,154

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Six months ended 30 June	
	2023	2022
		Restated
	(Unaudited)	*(Unaudited)*
Net cash inflows from operating activities	**15,823**	21,576
Cash flows from investing activities		
Purchases of property and equipment, intangible assets and other assets	**(1,622)**	(644)
Disposals of property and equipment, intangible assets and other assets	**1**	62
Purchases of investments	**(145,913)**	(181,320)
Disposals of investments	**107,172**	135,102
Interest received	**8,073**	7,033
Dividends received	**50**	156
Others	**(17)**	131
Net cash outflows from investing activities	**(32,256)**	(39,480)
Cash flows from financing activities		
Increase in securities sold under agreements to repurchase, net	**10,086**	8,577
Proceeds from issuance of asset-backed securities	**2,749**	–
Repayment of asset-backed securities	**–**	(2,200)
Interest paid	**(402)**	(389)
Dividends paid	**(70)**	(1,708)
Payment of principal portion of lease liabilities	**(229)**	(228)
Others	**(92)**	(4)
Net cash inflows from financing activities	**12,042**	4,048
Effects of foreign exchange rate changes	**(210)**	59
Net decrease in cash and cash equivalents	**(4,601)**	(13,797)
Cash and cash equivalents at the beginning of period	**24,830**	25,282
Cash and cash equivalents at the end of period	**20,229**	11,485
Analysis of balances of cash and cash equivalents		
Cash at banks and on hand	**12,255**	7,897
Securities purchased under agreements to resell	**7,974**	3,588

1 CORPORATE INFORMATION

Sunshine Insurance Group Company Limited (the "Company") was established on 27 June 2007 in Shenzhen, the People's Republic of China under the name of Sunshine Insurance Holdings Co., Ltd., according to the approval by the former China Insurance Regulatory Commission. 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 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2022 and any public announcements made during the interim reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2022, except for the adoption of new and amended standards as set out in below.

A number of new or amended International Financial Reporting Standards ("IFRS") 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.

3.1 Changes in accounting policies

(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 3.2(1).

In accordance with IFRS 17, the Group is not required to provide the amounts of the retrospective adjustment for each financial statements 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 recognized in the financial statements. The new accounting policies are set out in Note 3.2(2).

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 period. The Group discloses the related information for this period 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 and short-term time deposits	*(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 and short-term time deposits		(1)	–	

(k) Cash and short-term time deposits

	31 December 2022	Reclassification effects *(note)*	Remeasurement effects	**1 January 2023**
Cash and short-term time deposits	17,455	1	–	17,456
From interest receivables		1	–	

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

Impairment of financial assets

Applying the expected credit risk model resulted in the recognition 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.

3.2 Significant accounting policies

(1) IFRS 17 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; 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 amounts that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. An investment component is distinct if, and only if, both the following conditions are met:

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

    (i) the 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 fulfill a contract unless the Group transfers a good or service other than insurance contract services to the policyholder as those activities occur. A good or service other than an insurance contract service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. A good or service other than an insurance contract service that is promised to the policyholder is not distinct if: the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract; and the Group provides a significant service in integrating the good or service with the insurance components.

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

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 recognizes a group of insurance contracts it issues from the earliest of the following:

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

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

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

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

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

Measurement

General model

<u>Measurement on initial recognition</u>

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

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

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

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

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 fulfillment 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 fulfillment 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 fulfillment cash flows relating to future service, except that such increases in the fulfillment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or except that such decreases in the fulfillment 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 recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The Group recognizes the reduction in the liability for remaining coverage because of services provided in the period as insurance revenue. The Group recognizes the increase in the liability for incurred claims because of claims and expenses incurred in the period and any subsequent changes in fulfillment 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 recognizes the same amount as insurance revenue to reflect the portion of the premiums that relate to recovering those cash flows.

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

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, and include in other comprehensive income the difference between total insurance finance income or expenses and insurance finance income or expenses recognized in profit or loss.

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 recognize insurance finance income or expenses for the period in profit or loss to reflect some or all of the changes in the effect of the time value of money and financial risk on the amount of the Group's share of the underlying items. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;

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

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

(c) the changes in fulfillment 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 recognize insurance finance income or expenses for the period in profit or loss to reflect some or all of the changes in the effect of the time value of money and financial risk on the fulfillment 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 fulfillment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or

   (iii) such decreases in the fulfillment 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 recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

For insurance contracts with direct participation features that the Group holds the underlying items, the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income, 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 recognizes a loss as insurance service expenses in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for remaining coverage for the group being equal to the fulfillment cash flows.

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

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

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

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

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

(c) insurance finance income or expenses.

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

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

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

(b) for any subsequent decreases relating to future service in fulfillment 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 fulfillment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred; or

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

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

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

At the end of each subsequent reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period:

(a) plus the premiums received in the period;

(b) minus insurance acquisition cash flows;

(c) plus any amounts relating to the amortization of insurance acquisition cash flows recognized as insurance service expenses in the reporting period;

(d) plus any adjustment to a financing component;

(e) minus the amount recognized as insurance revenue for services provided in that period; and

(f) 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 fulfillment cash flows exceed the carrying amount of the liability for remaining coverage, the Group recognizes a loss as insurance service expenses in profit or loss and increases 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 recognizes a group of reinsurance contracts held from the earlier of the following:

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

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

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

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

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

Measurement for reinsurance contracts held

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

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

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

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

(a) the fulfillment cash flows;

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

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

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

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

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

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

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

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

The Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component 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 recognized to the extent those reversals are not changes in the fulfillment cash flows of the group of reinsurance contracts held;

(d) the changes in the fulfillment cash flows relating to future service, except that such change results from a change in fulfillment 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 recognized in profit or loss because of services received in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held.

Changes in the fulfillment 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 recognizes the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Group recognizes the increase in the asset for incurred claims because of claims and expenses that are expected to be reimbursed in the period and any subsequent related changes in fulfillment 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 fulfillment 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 recognizes the contractual service margin over the duration of the group of contracts in a systematic way that reflects the transfer of investment services under the contract.

Modification and derecognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   (ii) the premium charged by the third party.

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

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

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

Presentation

The Group presents separately in the statement of financial position the carrying amount 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 recognized in the carrying amount of the related portfolios of insurance contracts issued.

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

(a) insurance revenue;

(b) insurance service expenses;

(c) allocation of reinsurance premiums paid;

(d) amount recovered from reinsurer;

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

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

(2) IFRS 9 Financial Instruments

Financial assets

Recognition

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

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

Classification and measurement

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

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

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

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

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

Debt instruments

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

(a) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the Group mainly include cash and term deposits, statutory deposits, 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 amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Such assets held by the Group mainly include debt financial assets at FVOCI.

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

Equity instruments

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

Impairment

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

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI, 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 recognized into the different stages and measured the impairment provisions respectively.

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

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

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

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

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

Derecognition

Financial assets are derecognized when:

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

(b) they have been transferred and the Group transfers substantially all the risks and rewards of ownership; 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 derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained profits. When the other financial assets are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

Financial liabilities

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

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

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 recognized in profit or loss.

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

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

(b) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; 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 recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognized in other comprehensive income. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

Other financial liabilities

The Group measures other financial liabilities subsequently at amortized cost, using the effective interest method. Other financial liabilities of the Group mainly include short-term borrowings, long-term borrowings and bonds payable.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.3 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 interim condensed consolidated financial information.

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

[1] 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.

4 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 which offers a wide range of life insurance products mainly by Sunshine Life Insurance Corporation Limited ("Sunshine Life");

(ii) The property and casualty insurance segment which offers a wide range of property and casualty insurance products mainly by Sunshine Property and Casualty Insurance Co., Ltd. ("Sunshine P&C") and Sunshine Surety Insurance Co., Ltd.; and

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

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

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

The segment analysis for the six months ended 30 June 2023 is as follows:

	Life insurance	Property and casualty insurance Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Insurance revenue	**7,859**	**22,291**	**10**	**22,301**	**–**	**30,160**
Interest income	**4,389**	**366**	**12**	**378**	**121**	**4,888**
Investment income	**2,145**	**489**	**–**	**489**	**224**	**2,858**
Share of profits and losses of associates and joint ventures	**(113)**	**92**	**–**	**92**	**(221)**	**(242)**
Other income	**219**	**116**	**3**	**119**	**979**	**1,317**
Total revenues	**14,499**	**23,354**	**25**	**23,379**	**1,103**	**38,981**
Insurance service expenses	**(5,467)**	**(21,336)**	**(31)**	**(21,367)**	**–**	**(26,834)**
Allocation of reinsurance premiums paid	**(474)**	**(645)**	**–**	**(645)**	**–**	**(1,119)**
Less: Amount recovered from reinsurer	**468**	**412**	**–**	**412**	**–**	**880**
Net insurance finance expenses for insurance contracts issued	**(4,988)**	**(342)**	**(1)**	**(343)**	**(4)**	**(5,335)**
Less: Net reinsurance finance income for reinsurance contracts held	**18**	**42**	**–**	**42**	**–**	**60**
Expected credit losses	**152**	**(48)**	**–**	**(48)**	**(7)**	**97**
Finance costs	**(319)**	**(139)**	**–**	**(139)**	**(19)**	**(477)**
Other operating and administrative expenses	**(935)**	**(246)**	**(3)**	**(249)**	**(1,338)**	**(2,522)**
Total expenses	**(11,545)**	**(22,302)**	**(35)**	**(22,337)**	**(1,368)**	**(35,250)**
Profit before tax	**2,954**	**1,052**	**(10)**	**1,042**	**(265)**	**3,731**
Income tax	**(528)**	**(238)**	**–**	**(238)**	**1**	**(765)**
Net profit	**2,426**	**814**	**(10)**	**804**	**(264)**	**2,966**

The segment analysis for the six months ended 30 June 2022 is as follows:

	Life insurance	Property and casualty insurance: Sunshine P&C	Property and casualty insurance: Sunshine Surety	Property and casualty insurance: Subtotal	Other business and elimination	Total
Insurance revenue	7,841	20,252	6	20,258	–	28,099
Investment income	6,584	1,242	16	1,258	(718)	7,124
Share of profits and losses of associates and joint ventures	562	87	–	87	(208)	441
Other income	239	99	7	106	981	1,326
Total revenues	15,226	21,680	29	21,709	55	36,990
Insurance service expenses	(5,412)	(19,531)	(51)	(19,582)	–	(24,994)
Allocation of reinsurance premiums paid	(458)	(609)	–	(609)	–	(1,067)
Less: Amount recovered from reinsurer	373	416	–	416	–	789
Net insurance finance expenses for insurance contracts issued	(6,449)	(327)	(3)	(330)	619	(6,160)
Less: Net reinsurance finance income for reinsurance contracts held	12	33	–	33	–	45
Finance costs	(302)	(168)	(1)	(169)	(14)	(485)
Other operating and administrative expenses	(952)	(247)	(2)	(249)	(1,130)	(2,331)
Total expenses	(13,188)	(20,433)	(57)	(20,490)	(525)	(34,203)
Profit before tax	2,038	1,247	(28)	1,219	(470)	2,787
Income tax	267	(207)	–	(207)	(128)	(68)
Net profit	2,305	1,040	(28)	1,012	(598)	2,719

5 INSURANCE REVENUE

	Six months ended 30 June	
	2023	2022
Contracts not measured under the premium allocation approach		
Insurance revenue relating to the changes in the liability for remaining coverage		
Amount of contractual service margin recognized in profit or loss	**2,034**	2,054
Change in the risk adjustment for non-financial risk	**361**	302
Expected insurance service expenses incurred in the period	**3,669**	3,814
Amortization of insurance acquisition cash flows	**4,153**	4,141
Subtotal	**10,217**	10,311
Contracts measured under the premium allocation approach	**19,943**	17,788
Total	**30,160**	28,099

6 INVESTMENT INCOME

	Six months ended 30 June	
	2023	2022
Interest and dividend income (a)	**2,480**	7,209
Realised (losses)/gains (b)	**(1,627)**	2,215
Unrealised gains/(losses) (c)	**1,840**	(22)
Operating lease income from investment properties	**165**	144
Charge of impairment losses on financial assets, net	**N/A**	(2,422)
Total	**2,858**	7,124

(a) Interest and dividend income

	Six months ended 30 June	
	2023	2022
Bonds	**286**	3,331
Debt investment schemes	**294**	529
Funds	**932**	451
Equity securities	**562**	664
Equity investment schemes	**172**	387
Others	**234**	1,847
Total	**2,480**	7,209

(b) Realised (losses)/gains

	Six months ended 30 June	
	2023	2022
Bonds	**642**	1,315
Funds	**(1,253)**	85
Equity securities	**(859)**	832
Others	**(157)**	(17)
Total	**(1,627)**	2,215

(c) Unrealised gains/(losses)

	Six months ended 30 June	
	2023	2022
Bonds	**88**	(9)
Debt investment schemes	**200**	–
Funds	**554**	(121)
Equity securities	**(262)**	68
Others	**1,134**	6
Financial assets at fair value through profit or loss	**1,714**	(56)
Financial liabilities at fair value through profit or loss	**126**	34
Total	**1,840**	(22)

7 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.

	Six months ended 30 June	
	2023	2022
Current income tax	**252**	633
Deferred income tax *(Note 10)*	**513**	(565)
Total	**765**	68

8 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
Consolidated net profit attributable to equity owners of the parent	**2,895**	2,657
Weighted average number of ordinary shares in issue (in million shares)	**11,502**	10,351
Basic earnings per share	**RMB0.25**	RMB0.26
Diluted earnings per share	**RMB0.25**	RMB0.26

9 DIVIDENDS

	Six months ended 30 June	
	2023	2022
Dividends recognised as distributions during the period:		
2022 final dividend – RMB0.18 per ordinary share	**2,070**	–
2021 final dividend – RMB0.15 per ordinary share	**–**	1,553

10 DEFERRED TAX ASSETS AND LIABILITIES

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 relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	30 June 2023	31 December 2022
Net deferred income tax assets, before accounting policy changes	**2,487**	1,936
Change in an accounting policy	**(1,003)**	–
Net deferred income tax assets, at beginning of period/year	**1,484**	1,936
Recognised in profit or loss *(Note 7)*	**(513)**	369
Recognised in equity	**212**	182
Net deferred income tax assets, at end of period/year	**1,183**	2,487
Represented by:		
Deferred tax assets	**1,331**	2,548
Deferred tax liabilities	**(148)**	(61)

11 SHARE CAPITAL

	30 June 2023	31 December 2022
Numbers of shares issued and fully paid at RMB1 each (million)	11,502	11,502

12 BONDS PAYABLE

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

Issuer	**Issue date**	**Maturity**	**Early Redemption option**	**Interest rate**	**30 June 2023**	31 December 2022
Sunshine P&C	2021/12/7	10 years	End of the fifth year	4.5%-5.5%	**5,125**	4,998
Sunshine Life	2016/4/20	10 years	None	4.5%	**2,198**	2,088
Sunshine Life	2021/3/30	10 years	End of the fifth year	4.4%-5.4%	**5,107**	5,039
Total					**12,430**	12,125

13 SUBSEQUENT EVENTS

As at the approval date of the interim condensed consolidated financial information, there is no significant subsequent event that need to be disclosed by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

Sunshine Insurance keeps focusing on insurance as its core business and value development, prompting customer strategy and has built a customer-driven development model in 2023. Centering on a customer-oriented and diversified product and service system, we continued to promote the "Matrix Plan" and "Partnership Action", with improving customer operation capabilities. In terms of life insurance, we have further consolidated our business model of diversified and coordinated development of sales channels, and the value of new business kept growing. In terms of property and casualty insurance, we continued to deepen the construction of intelligent life table of automobile insurance and data life table of non-automobile insurance and the profitability continued to increase.

(I) Results of operations

In the first half of 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 RMB67.81 billion, representing a year-on-year increase of 7.7%, and the insurance revenue reached RMB30.16 billion, representing a year-on-year increase of 7.3%. The net profit attributable to equity owners of the parent was RMB2.90 billion, representing a year-on-year increase of 9.0%. The embedded value was RMB104.98 billion, up 3.7% from the end of last year. The annualised total investment yield was 3.5%. As of June 30, 2023, the Group had approximately 31.92 million active customers[1].

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

- The life insurance GWPs were RMB45.85 billion, representing a year-on-year increase of 9.0%;

- The first-year regular premiums ("FYRPs") were RMB13.95 billion, representing a year-on-year increase of 53.4%, and single premiums decreased by 53.1% year on year;

- The value of half year's new business was RMB2.68 billion, representing a year-on-year increase of 37.1%.

Note 1: The active customers refer to the applicants and insureds who hold at least one valid insurance policy at the point of time of the statistics, excluding complimentary insurance. In the event that the applicants and the insureds are the same persons, 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 property and casualty insurance[(2)] business realized enhanced profitability with business structure continued to be optimized.

- The original premium income (OPI) was RMB21.93 billion, representing a year-on-year increase of 5.1%, and the business structure was further optimised. We have been downsizing guarantee insurance business, which resulted in a year-on-year decrease of 45.1%, and property and casualty insurance (excluding guarantee insurance) business increased by 14.1% year on year;

- The value-oriented business and strategically-focused areas achieved rapid growth, of which the growth rate of personal vehicle premiums was 9.5%, of new energy vehicle premiums was 80.3%, of agricultural insurance premiums was 42.9% and of policy-supported health insurance premiums was 74.6%;

- With strengthened business management and risk screening, the underwriting combined ratio[(3)] was 98.2%, representing a year-on-year decrease of 0.7 percentage points.

Investment performance maintained stable by sticking to long-term investment philosophy and further optimizing allocation structure.

- The total investment income in the first half of the year was RMB7.69 billion, the annualised total investment yield was 3.5%, and the annualised comprehensive investment yield was 4.9%.

- We gave the full play to professional advantages and actively optimised and adjusted the product structure, with third-party assets under management of RMB366.49 billion.

A data intelligence innovation was launched, driven by proprietary development and external collaboration.

- We built "three robots", namely sales robot, management robot, and service robot. We strengthened the core capabilities of customer operation and content operation, continuously optimised the depth and width of customer service, and improved customer experience. Through service robots, the intelligent business handling rate for voice inbound customers was 70%, the intelligent consulting service rate was more than 90%, and the customer satisfaction rate was more than 86%.

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

Note 3: Underwriting combined ratio under IFRS 17 = (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) + premium reserve set aside)/insurance revenue.

- We deepened the ability of big data application and continued to promote digital intelligence transformation. We strengthened internal and external data integration and insight, supported marketing with artificial intelligence technology, and improved customer conversion efficiency and capabilities. We improved the "intelligent automobile insurance life table (車險智能生命表)" system and strengthened risk pricing capabilities. We upgraded the construction of risk control platforms and continuously improved risk control capabilities. 198 new risk indicators were added, with a settlement rate of 98.8%.

- We firmly promoted the strategic project of Sunshine GPT. We focused on the R&D breakthrough of private large models in the insurance field, realised multiple intelligent support capabilities such as multi-application entrance, multi-modal service support, and multi-business scenario integration, and accelerated the application in core business scenarios such as customer service and sales support. Within 3 months after the launch of Sunshine GPT, it has been used 345,000 times, covering 65% of employees.

We carried out sustainable development by supporting the real economy and fulling 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. We actively supported the real economy and provided risk protection of RMB32.6 trillion for the real economy in the first half of 2023 and provided risk protection for the "Belt and Road" initiative of RMB66.98 billion for servicing and jointly building the "Belt and Road". We provided risk protection of RMB126.90 billion for approximately 15,000 micro, small and medium-sized enterprises to support them, and helped micro and small enterprises obtain financing worth RMB5.39 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 organised and participated in various public welfare activities in the fields of education, the elderly care and poverty alleviation. By the end of June 2023, Sunshine Insurance has invested more than RMB640 million in various public welfare and charitable undertakings. 73 charity schools were built in 24 provinces across the country. A total of 17,733 rural doctors were trained. We sincerely care for our employees and their families, and parent support allowance were granted to a total of 37,729 employees.

- We promoted green development and achieved harmonious coexistence. In the first half of 2023, we had provided nearly RMB6.0 trillion in green insurance protection to 754,000 enterprises and individuals, and more than RMB1.74 billion in compensation support. We continuously optimised a sustainable investment framework and strengthened the ESG (environmental, social and governance) risk management in the process of investment. By the end of June 2023, the balance of sustainable investment was more than RMB50.0 billion. We practice low-carbon office, promote energy conservation and consumption reduction, improve the efficiency of resource utilization, increase the utilization rate of electronic insurance policies and online services, and actively build green and low-carbon operation system.

(II) Major indicators

Unit: RMB in millions

Principal accounting data	**June 30, 2023(1)**	December 31, 2022(1)	Increase/ decrease
Total assets	**499,240**	453,569	10.1%
Total liabilities	**432,649**	394,216	9.7%
Total equity	**66,591**	59,353	12.2%
Equity attributable to equity owners of the parent	**65,309**	58,075	12.5%
Net assets per share (RMB)(2)	**5.68**	5.05	12.5%

	For the six months ended June 30, 2023[1]	For the six months ended June 30, 2022[1]	Increase/ decrease
Insurance revenue	**30,160**	28,099	7.3%
Net profit	**2,966**	2,719	9.1%
Net profit attributable to equity owners of the parent	**2,895**	2,657	9.0%
Earnings per share (RMB/share)[2]	**0.25**	0.26	(3.8%)
Weighted average return on equity[3]	**8.9%**	10.5%	(1.6pt)
Net investment yield[4]	**3.4%**	4.2%	(0.8pt)
Total investment yield[5]	**3.5%**	4.1%	(0.6pt)
Comprehensive investment yield[6]	**4.9%**	2.7%	2.2pt

Note 1: The Company restates and presents the comparative information on insurance contract in accordance with IFRS 17 Insurance Contracts (the "**New Accounting Standards for Insurance Contracts**"). The Company has chosen not to restate and present the comparative information on financial instruments in accordance with IFRS 9 Financial Instruments (the "**New Accounting Standards for Financial Instruments**"). As a result, the above performance measures as at June 30, 2023 and for the six months ended June 30, 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 six months ended June 30, 2022 are financial data under IAS 39 Financial Instruments: Recognition and Measurement (the "**Old Accounting Standards for Financial Instruments**") and the New Accounting Standards for Insurance Contracts.

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

Note 3: Weighted average return on equity equals net profits for the period attributable to equity owners of the parent divided by the weighted average total net assets attributable to equity owners of the parent. The indicator has been annualised and the rates equal the actual ratio multiplied by 2.

Note 4: Net investment yield equals net investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. 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 six months ended June 30, 2023 refer to cash and short-term time deposits, 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 six months ended June 30, 2022 refer to cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, investments in associates and joint ventures, statutory deposits and investment properties. The indicators have been annualised.

Note 5: Total investment yield equals total investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. 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. This indicator has been annualised.

Note 6: 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 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. This indicator has been annualised. In the calculation of annualised investment yield, only net investment income has been annualised, including the interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

Unit: RMB in millions

	June 30, 2023	December 31, 2022	Increase/ decrease
Embedded value of the Group	**104,982**	101,273	3.7%
Comprehensive solvency ratio (%)[1]			
– The Group	**203**	198	5pt
– Sunshine Life	**170**	156	14pt
– Sunshine P&C	**220**	224	(4pt)

	For the six months ended June 30, 2023	For the six months ended June 30, 2022	Increase/ decrease
Sunshine Life's value of half year's new business	**2,679**	1,954	37.1%

Note 1: Comprehensive solvency ratio = actual capital/minimum capital. The minimum regulatory requirement for comprehensive solvency ratio is 100%.

II. ANALYSIS OF RESULTS

Life Insurance

(I) Business Analysis

In the first half of 2023, Sunshine Life kept pursuing sustainable value growth, and focusing on the full life cycle of customers and their families and steadily implemented the customer strategy of "Matrix Plan". 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.

In the first half of 2023, our GWPs reached RMB45.85 billion, a year-on-year increase of 9.0%; of which, FYRPs were RMB13.95 billion, a year-on-year increase of 53.4%; the value of half year's new business was RMB2.68 billion, a year-on-year increase of 37.1%. As of June 30, 2023, Sunshine Life had 13.51 million active customers.

1. Channel Development

In the first half of 2023, the diversification management model of individual insurance channel has generated initial results, and the bancassurance channel maintained leading advantages in the industry, which further consolidated the Company's business model of diversified and synergistic development of sales channels.

Unit: RMB in millions

For the half-year ended June 30	**2023**	2022	YOY
Individual insurance channel[1]	**10,905**	**8,468**	**28.8%**
First-year premiums	3,347	2,107	58.9%
Including: long-term insurance (more than one year)	3,149	1,885	67.1%
– Including: regular premium	3,022	1,802	67.7%
– Including: single premium	127	83	53.0%
Including: short-term insurance (one year or below)	198	222	(10.8%)
Renewal premiums	7,558	6,361	18.8%
Bancassurance channel	**31,060**	**29,520**	**5.2%**
First-year premiums	16,337	19,438	(16.0%)
Including: long-term insurance (more than one year)	16,337	19,437	(15.9%)
– Including: regular premium	10,636	7,017	51.6%
– Including: single premium	5,701	12,420	(54.1%)
Including: short-term insurance (one year or below)	0	1	(100.0%)
Renewal premiums	14,723	10,082	46.0%
Other channels[2]	**3,883**	**4,070**	**(4.6%)**
GWPs	**45,848**	**42,058**	**9.0%**
First-year premiums	21,552	23,395	(7.9%)
Including: long-term insurance (more than one year)	19,838	21,649	(8.4%)
– Including: regular premium	13,946	9,094	53.4%
– Including: single premium	5,892	12,555	(53.1%)
Including: short-term insurance (one year or below)	1,714	1,746	(1.8%)
Renewal premiums	24,296	18,663	30.2%

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 RMB47 million in the first half of 2022.

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

(1) Individual insurance channel

Based on regional and team characteristics, we conducted in-depth research on customer needs and promoted the differentiated business and management model in individual insurance channel, resulting in a sound and sustained business development. In the first half of 2023, the GWPs from the individual insurance channel amounted to RMB10.91 billion, a year-on-year growth of 28.8%, of which, FYRPs amounted to RMB3.02 billion, a year-on-year growth of 67.7%. We achieved an increase in productivity and the number of high-level agents through improved business capability for different customers and high-level sales force cultivation. The productivity per capita(1) amounted to approximately RMB26,000, a year-on-year growth of 63.0%. The number of insurance agents meeting the MDRT standard nearly tripled year on year.

In terms of the traditional marketing team, based on regional differentiation, the Company comprehensively upgraded the elite recruitment and training system, updated the wanted agent portraits, process, tools and training courses for recruitment, and the quality of new agents continued to be optimised. The new agents' productivity per capita amounted to RMB19,000 in the first half of 2023, a year-on-year increase of 95.0%.

In terms of the elite sales team, the Company has been building the elite team in central cities and provincial capitals, and continued to optimize the quality and productivity of agents. In the first half of 2023, the Company has an elite team of 1,706 agents, a year-on-year increase of 13.5%, with more than 80% of them having college education and above, and a productivity per capita amounting to RMB57,000, which is 2.2 times that of the whole individual insurance team.

In terms of worksite marketing, the Company expand the coverage of key industries and gain in-depth insight into industry customer needs, and continued to strengthen its ability to develop group customers and convert individual customers, and the worksite marketing business model with Sunshine characteristics is bearing fruit. In the first half of 2023, FYRPs increased more than 2 times compared with last year.

For the half year ended June 30	**2023**	2022	YOY
Average number of agents per month(2)	**55,351**	65,707	(15.8%)
Average ratio of active agents per month(3)	**18.9%**	18.9%	0pt
Productivity per capita (RMB)	**25,756**	15,797	63.0%

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 average number of agents at the beginning and at the end of the month of the given half year divided by 6. Individual insurance channel includes the former individual insurance agent channel and worksite marketing channel. The 2022 statistics are made 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 the given half year divided by 6; active agents refers to agents with standard premiums no less than RMB1,000 in that month. Since 2023, the individual insurance channel increased the standard for active agents, and historical data for 2022 was adjusted accordingly.

(2) Bancassurance channel

The bancassurance channel insisted on value development as its core. The Company closely followed the changes in customer demand to meet the all-round wealth management needs of customers' families, actively promoted the optimisation of product structure, further reduced single premium business, and the proportion of value-oriented business continued to increase. Under the guidance of the diversified sales channels strategy, the Company deepened the targeted operation of outlets and consolidated the operating capability of value-oriented outlets. At the same time, we constantly implemented high standards for newly-recruited agents, and improved the quality and capacity of the sales coordination team. In the first half of 2023, the GWPs from the bancassurance channel amounted to RMB31.06 billion, a year-on-year growth of 5.2%, of which FYRPs amounted to RMB10.64 billion, a year-on-year growth of 51.6%. The average productivity of branches and outlets[(1)] amounted to approximately RMB94,000, a year-on-year growth of 31.0%, and the productivity per capita of the team[(2)] amounted to approximately RMB190,000, representing a year-on-year increase of 36.3%.

(3) Other channels

Group insurance channel, integrated channel, online sales channel, insurance agencies and insurance brokers channel continuously improved the capability of value development under diverse service scenarios. In the first half of 2023, the GWPs from the other channels amounted to RMB3.88 billion, a year-on-year decrease of 4.6%.

Note 1: The average productivity of branches and outlets refers to the ratio of the average monthly first-year standard premiums in the reporting period to the number of average monthly active branches and outlets; the number of active branches and outlets refers to the number of branches and outlets whose average monthly first-year standard premiums are more than RMB0 for the year.

Note 2: The productivity per capita of the team refers to the ratio of average monthly first-year 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 standard premiums in the current month are greater than RMB0.

Note 3: Considering the particularity of bancassurance channel, the first-year standard premiums in the average productivity of branches and outlets and the productivity per capita of the team does not include single premium business.

2. *Customer Management*

In the first half of 2023, Sunshine Life continuously promoted the "Matrix Plan", and carried out research on the needs of massive customers focusing on the core needs of customers family at different stages of their life-cycle, which formed a life protection guide map rich in Sunshine characteristics, and continued to enrich the "insurance + service" product supply system to optimise customer service experience. Promotion was continuously made in the operation of mid-to-high-end customers. The number of customers with in-force policies of first-year standard premiums of RMB150,000 and above increased by 30.7%, and the number of customers with in-force policies of first-year standard premiums of RMB50,000 and above increased by 19.9%.

Sunshine Life was committed to building a comprehensive and warm insurance product system, creating a series of star products matrix to meet the protection needs of customers at various stages of "birth, aging, sickness and death", as well as wealth inheritance. In terms of protection products, combining with sales scenarios, the Company have achieved flexible matching of protection plans by "main insurance modularization + riders", and launched upgraded products such as "Sunshine Insurance B (陽光保B款)" and "Sunshine Insurance i Family B (陽光保i家版B款)", which are family critical illness insurance products. In terms of savings products, the Company launched participating products such as the "Sunshine Companion Annuity Insurance (陽光伴年金保險)" and the "Yiyang Sunshine Pension Annuity Insurance (頤養陽光養老年金保險)", focusing on the long-term education saving needs of the new generation of family members and the protection and saving needs of elderly customers in the context of aging. Under the background of accelerating aging, the Company actively implemented the national strategic plan to participate in the construction of the third pillar of pension, launching the Company's first personal pension product, "Sunshine Longevity Pension Annuity Insurance (陽光壽養老年金保險)".

Sunshine Life was committed to providing customers with convenient, efficient and intelligent service experience, and continuously upgrading the "Zhen·Cheng (臻・橙)" customer service brands. Focusing on the two major customer groups, namely "the old and the young", with in-depth insight into the service needs of child growth and senior customers in their preparation for old age and retirement, Sunshine Life has created a boutique and star service matrix, covering children's education and elderly residence and retirement. Through the integration of "Sunshine Legacy (陽光・臻傳)" and "Sunshine Sincere Desire (陽光・橙意)" customer applications, it created a one-stop online value-added service landing platform to continuously improve service quality and customer satisfaction.

3. *Product Information*

(1) Analysis by business type

Unit: RMB in millions

For the half year ended June 30	**2023**	2022	YOY
Life insurance	**39,694**	**35,645**	**11.4%**
– Traditional	**32,914**	21,584	52.5%
– Participating	**6,677**	13,957	(52.2%)
– Universal	**103**	104	(1.0%)
Accident insurance	**300**	**387**	**(22.5%)**
Health insurance	**5,854**	**6,026**	**(2.9%)**
GWPs	**45,848**	**42,058**	**9.0%**

(2) The top five products

Unit: RMB in millions

Ranking	Name	Type	GWPs from January to June 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	22,902	Bancassurance
2	Sunshine Life Insurance Jin Wen Ying Endowment (Participating) (陽光人壽金穩盈兩全保險(分紅型))	Participating life insurance	4,371	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	3,681	Individual insurance
4	Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (陽光人壽臻愛倍致終身壽險)	Traditional life insurance	2,443	Bancassurance
5	Sunshine Life Insurance Sunshine Rise Whole Life (陽光人壽陽光升終身壽險)	Traditional life insurance	1,246	Individual insurance

4. *Premium persistency ratio*

For the half year ended June 30	**2023**	2022	YOY
13-month premium persistency ratio (%)[1]	**92.7**	90.0	2.7pt
25-month premium persistency ratio (%)[2]	**85.6**	76.5	9.1pt

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 reporting period, while the nominator is the premiums from such policies which have remained in force in the reporting period.

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 reporting period, while the nominator is the premiums from such policies which have remained in force in the reporting period.

The premium persistency ratio increased thanks to the continuous optimization of business quality of Sunshine Life. The 13-month premium persistency ratio for the first half of 2023 was 92.7%, a year-on-year increase of 2.7 percentage points, while the 25-month persistency ratio was 85.6%, increased by 9.1 percentage points year on year.

5. *Premiums in the top ten regions*

Unit: RMB in millions

For the half year ended June 30	**2023**	2022	YOY
Guangdong	**2,976**	2,489	19.6%
Shenzhen	**2,926**	2,133	37.2%
Chongqing	**2,917**	2,523	15.6%
Zhejiang	**2,378**	2,294	3.7%
Hubei	**2,191**	2,083	5.2%
Beijing	**2,101**	1,383	51.9%
Shandong	**2,081**	1,827	13.9%
Fujian	**1,827**	1,450	26.0%
Yunnan	**1,605**	1,278	25.6%
Henan	**1,527**	1,951	(21.7%)
Subtotal	**22,529**	19,411	16.1%
Subtotal of other regions	**23,319**	22,647	3.0%
Total	**45,848**	42,058	9.0%

6. Data Intelligence Innovation

Sunshine Life deepened the digital transformation and upgrading, transforming from technology-empowerment to technology-driven, substantially promoting the integration of business and technology, concentrating scientific and technological power, gathering data resources, and comprehensively improved the production capacity of data intelligent products.

(1) Customer Service

We continued to optimize the breadth and depth of the application of service robots. With the help of the Consonance Experience Plan (靈犀體驗計劃) and the Tianshu Data Platform (天樞數據平台), we shifted our service mode from "waiting at the door" to "proactive service" through data-driven customer experience upgrading, real-time monitoring of service interruption data, and the service leads and work orders automatically generated under the early warning model. In the first half of 2023, the one-off completion rate of customer service was greatly improved.

Our intelligent service platform "My Home Sunshine (我家陽光)" APP continued to improve the service journey from the customer's perspective, strengthening content operation to build a healthy ecology, and optimizing customer experience and customer satisfaction. As of the end of June 2023, the total number of registered users of "My Home Sunshine" APP reached approximately 4.484 million.

(2) Business Operations

Sales Robot continued to be customer demand-oriented, focused on technological empowerment of the individual insurance channel, and continued to strengthen the construction of the two core competencies of customer operation and content operation. With the big data capability of the data center, we have built a scenario-based influencing factor system, which has formed more than 500 customer labels to help agents gain insights into customers. Fully online sales operation tool has been created. The newly launched Ray Smart Visiting Function and Content Operation Platform helped agents realize online daily operating activities such as personal customer visits, product presentations, and recruitment presentations.

(3) Risk Management

The "Sky Eye System (天眼系統)" is a risk monitoring and early warning platform. In the first half of 2023, 101 policy risk indicators were reconstructed, and 198 new agent risk indicators were added, focusing on such dimensions as non-compliance in selling non-insurance financial products, embezzling premiums, arbitrage of employment bonus and commission, and misleading sales, etc., which effectively identify the risks of sales behaviors of the sales force and risks of non-compliance of the key positions personnel.

(II) Financial Analysis

The following table sets forth the selected key financial data for the life insurance segment for the periods indicated:

Unit: RMB in millions

For the half year ended June 30[1]	**2023**	2022	YOY
Insurance revenue	7,859	7,841	0.2%
Interest income	4,389	–	N/A
Investment income	2,145	6,584	N/A
Share of profits and losses of associates and joint ventures	(113)	562	N/A
Total revenues	**14,499**	**15,226**	**(4.8%)**
Insurance service expenses	5,467	5,412	1.0%
Net insurance finance expenses for insurance contracts issued	4,988	6,449	(22.7%)
Expected credit losses	(152)	–	N/A
Other operating and administrative expenses	935	952	(1.8%)
Total expenses	**11,545**	**13,188**	**(12.5%)**
Profit before tax	**2,954**	**2,038**	**44.9%**
Income tax	528	(267)	N/A
Net profit	**2,426**	**2,305**	**5.2%**

Note 1: The Company restates and presents the comparative information on insurance contracts 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. Accordingly, the above performance indicators for the six months ended June 30, 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 for the six months ended June 30, 2022 are financial data under the Old Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts.

Insurance revenue

Insurance revenue from the life insurance segment increased by 0.2% from RMB7,841 million for the six months ended June 30, 2022 to RMB7,859 million for the six months ended June 30, 2023, primarily due to the growth of life insurance business. For the six months ended June 30, 2023, the contractual service margin (CSM) release was RMB2,034 million, and the non-financial risk adjustment release was RMB171 million.

Interest income & investment income & expected credit losses

The total amount of interest income, investment income and expected credit losses from the life insurance segment increased from RMB6,584 million for the six months ended June 30, 2022 to RMB6,686 million for the six months ended June 30, 2023, which was basically stable for both years.

Share of profits and losses of associates and joint ventures

Share of profits and losses of associates and joint ventures from the life insurance segment decreased from RMB562 million for the six months ended June 30, 2022 to RMB-113 million for the six months ended June 30, 2023, primarily due to the disposal of certain associates.

Insurance service expenses

Insurance service expenses from the life insurance segment increase by 1.0% from RMB5,412 million for the six months ended June 30, 2022 to RMB5,467 million for the six months ended June 30, 2023, mainly due to the growth of life insurance business with the increase in premiums and corresponding expenses.

Net insurance finance expenses for insurance contracts issued

Net insurance finance expenses for insurance contracts issued from the life insurance segment decreased by 22.7% from RMB6,449 million for the six months ended June 30, 2022 to RMB4,988 million for the six months ended June 30, 2023, mainly attributable to the variable fee approach applied to participating and universal insurance, where short-term investment fluctuations are absorbed by CSM, resulting in fluctuations in net insurance finance expenses for insurance contracts issued.

Other operating and administrative expenses

Other operating and administrative expenses from the life insurance segment decreased by 1.8% from RMB952 million for the six months ended June 30, 2022 to RMB935 million for the six months ended June 30, 2023, which was basically stable for both years.

Income tax

Income tax from the life insurance segment increased from RMB-267 million for the six months ended June 30, 2022 to RMB528 million for the six months ended June 30, 2023, primarily due to the increase in profit or loss from fair value changes in the first half of 2023.

Net profit

As a result of the foregoing, our net profit from the life insurance segment increased by 5.2% from RMB2,305 million for the six months ended June 30, 2022 to RMB2,426 million for the six months ended June 30, 2023.

Property and Casualty Insurance

We provide property and casualty insurance products and services mainly through Sunshine P&C. In the first half of 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.

(I) Business Analysis

In the first half of 2023, Sunshine P&C continued to be customer-centered and adhered to the development concept of prioritizing profitability while pursuing growth, continuously optimized its business structure and improved its profitability, consolidated a solid foundation for high-quality development. The underwriting combined ratio was 98.2%, representing a year-on-year decrease of 0.7 percentage points. The OPI was RMB21.93 billion, representing a year-on-year increase of 5.1%. As of June 30, 2023, the number of active customers was 19.14 million.

Unit: RMB in millions

For the half year ended June 30	**2023**	2022	YOY
Original premium income	**21,929**	20,857	5.1%
Premiums ceded to us	**30**	16	87.5%
Gross written premiums	**21,959**	20,873	5.2%

Unit: RMB in millions

For the half year ended June 30 Original premium income	**2023**	2022	YOY
Automobile insurance	**12,876**	**12,504**	**3.0%**
Non-automobile insurance	**9,053**	**8,353**	**8.4%**
Accident and short-term health insurance	3,081	2,440	26.3%
Guarantee insurance	1,738	3,168	(45.1%)
Liability insurance	1,612	1,144	40.9%
Cargo insurance	1,129	359	214.5%
Others(1)	1,493	1,242	20.2%
Total	**21,929**	**20,857**	**5.1%**

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

For the half year ended June 30 All types	**2023**	2022	YOY
Underwriting combined ratio(1)	**98.2%**	98.9%	(0.7pt)
Combined ratio(2)	**98.5%**	98.8%	(0.3pt)

Note 1: Underwriting combined ratio under IFRS 17 = (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) + premium reserve set aside)/insurance revenue.

Note 2: Combined ratio is calculated based on the IFRS 4 Insurance Contracts.

1. *Business by insurance type*

Unit: RMB in millions

Insurance name For the half-year ended June 30, 2023	Original premium income	Sum assured	Claims[1]	Reserves[2]	Underwriting profit[3]	Combined ratio[4]
Automobile insurance	**12,876**	**10,365,602**	**8,727**	**17,739**	**210**	**98.3%**
Non-automobile insurance	**9,053**	**54,628,810**	**5,182**	**19,443**	**108**	**98.7%**
Accident and short-term health insurance	3,081	40,398,833	1,151	3,510	130	94.8%
Guarantee insurance	1,738	292,373	2,313	9,641	17	99.5%
Liability insurance	1,612	8,035,020	471	2,745	20	98.3%
Cargo insurance	1,129	2,260,715	695	341	(34)	103.3%
Others[5]	1,493	3,641,869	552	3,206	(25)	103.5%

Note 1-4: Claims, reserves, underwriting profit and combined ratio are calculated based on the IFRS 4 Insurance Contracts.

Note 5: Others mainly include commercial property insurance, agricultural insurance, engineering insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

(1) Automobile insurance

In the first half of 2023, the OPI from automobile insurance was RMB12.88 billion, representing a year-on-year increase of 3.0%, and the combined ratio was 98.3%.

Through deepening the project of "intelligent automobile insurance life table (車險智能生命表)", the Company continuously pursued a more precise way of pricing and a more scientific way of resource allocation, effectively enhanced the ability of multi-channel balanced development, and further consolidated the foundation of high-quality development of automobile insurance. Among them, the growth rate of personal vehicle premiums was 9.5% and the growth rate of new energy vehicle premiums was 80.3% with both proportion in automobile insurance business increased by 3.7 percentage points.

In the future, the Company will continue to deepen the construction and application of the intelligent automobile insurance life table, actively cultivate a new development model of new energy automobile insurance, continue to strengthen the balanced construction of channels, and build the core competitiveness of Sunshine's automobile insurance.

(2) Non-automobile insurance

In the first half of 2023, the OPI of non-automobile insurance was RMB9.05 billion, representing a year-on-year increase of 8.4%, and the combined ratio of non-automobile insurance was 98.7%.

The Company strove to improve its ability in pricing non-automobile products and risk service solutions, continued to take data accumulation as the core, studied and established an accurate identification and quantitative evaluation model for risk classification and individual risk, established a non-automobile management system with non-automobile data life table (非車數據生命表) as the core. Meanwhile, the Company also actively promoted the implementation of the "Partner Action" business model with risk management services as the entry point, so as to further strengthen the foundation for the high-quality development of non-automobile business.

In the future, the Company will continue to deepen the construction of non-automobile data life table and the implementation of "Partner Action" model to further optimize business structure and business quality, and to achieve sustainable and healthy development of non-automobile insurance.

Accident and short-term health insurance

In the first half of 2023, the OPI of accident and short-term health insurance was RMB3.08 billion, representing a year-on-year increase of 26.3%; the combined ratio was 94.8%. The Company actively participated in the construction of the multi-level medical security system, participated in social security supplementary insurance programs in China extensively, explored the integration of social insurance and commercial insurance, and realised the growth rate of 74.6% in policy-supported health insurance premiums in the first half of the year.

In the future, the Company will deepen insights into customers' multi-level medical care demands, build a professional solution of "insurance solutions+ health management+ technology empowerment" and expand regional and population coverage to establish comparative advantages and Sunshine characteristics in the field of policy-supported health insurance.

Guarantee insurance

In the first half of 2023, the OPI of guarantee insurance was RMB1.74 billion, representing a year-on-year decrease of 45.1%. The combined ratio was 99.5%.

The Company accelerated the development of its non-financial guarantee insurance business and continued to maintain a prudent attitude towards the development of its financial guarantee insurance business, further differentiated its regional policy on financial guarantee insurance business, focused on improving the quality of new assets, proactively adjusted its product structure, tightened the access criteria and scaled down its business. Combined with the overall recovery of the macro-economy, it resulted in a decline in customer delinquency rate and an effective improvement in overall costs.

In the future, the Company will strengthen the research and judgement of trending risks, upgrade the risk insight model system, strengthen the whole process of risk control, continuously optimize the business structure and customer structure, so as to consolidate the stable foundation of operation.

Liability insurance

In the first half of 2023, the OPI of liability insurance was RMB1.61 billion, representing a year-on-year increase of 40.9% and the combined ratio was 98.3%. Through the continuous enhancement of risk identification and product pricing, the Company has continued to optimize products supply and improve risk management services.

In the future, the Company will fully utilize liability insurance in resolving conflicts and disputes, actively explore more emerging areas, such as intelligent travel, cybersecurity, green development and low carbon, innovate the product service mode, and promote the healthy and sustainable development of liability insurance.

Cargo insurance

In the first half of 2023, the OPI of cargo insurance was RMB1.13 billion, representing a year-on-year increase of 214.5%, which was mainly driven by internet cargo insurance business. The combined ratio was 103.3%, representing a year-on-year decrease of 10.3 percentage points.

In the future, based on the steady expansion of traditional cargo insurance, the Company will continue to deepen the expansion of internet cargo insurance business and further optimize the business structure and strengthen the cost management to consolidate the foundation for steady 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 services and products.

In terms of individual customers, we continued to deepen the operation on individual customers, innovated the personal non-automobile insurance product portfolio, and enriched the value-added service, so as to satisfy the needs of customers for scenario-based and diversified protection, and enhance customer stickiness to improve customer renewal, retention and conversion. In the first half of 2023, the renewal rate of personal vehicle insurance customers was 65.3%, representing a year-on-year increase of 3.1 percentage points. The proportion of non-automobile insurance products purchased by individual auto insurance customers reached 47.9%, representing a year-on-year increase of 1.4 percentage points.

In terms of institutional customers, we have continued to promote the implementation of the "Partner Action" mode. We selected commercial buildings, general hospitals, micro and small enterprises and other industry sectors in the form of "insurance + technology + service" and piloted the promotion of Internet of Things perception technology services, including infrared thermal imaging and wireless smoke sensors to create and form an industry-specific risk management solutions, and to assist customers in risk reduction. In the first half of 2023, we provided technology-based disaster mitigation and professional risk consulting services to 7,687 important corporate customers.

3. Premiums in the top ten regions

Unit: RMB in millions

For the half-year ended June 30			
Original premium income	**2023**	2022	YOY
Shandong	**2,516**	2,522	(0.2%)
Henan	**2,001**	2,014	(0.6%)
Zhejiang	**1,683**	1,637	2.8%
Hebei	**1,557**	1,529	1.8%
Hubei	**1,528**	634	141.0%
Guangdong	**1,139**	1,091	4.4%
Jiangsu	**908**	942	(3.6%)
Sichuan	**827**	957	(13.6%)
Beijing	**756**	637	18.7%
Anhui	**746**	740	0.8%
Subtotal	**13,661**	**12,703**	**7.5%**
Subtotal in other regions	**8,268**	**8,154**	**1.4%**
Total	**21,929**	**20,857**	**5.1%**

4. Data intelligent innovation

Relying on big data and artificial intelligence technology, Sunshine P&C insisted on advancement through technology and continued to promote digital intelligent innovation. Focusing on improving customer experience, empowering business development, improving operational efficiency and enhancing risk management, Sunshine P&C continued to consolidate the foundation of intelligent technology and create digital and intelligent products to drive its high-quality development.

(1) Customer service

We continued to improve the functions and experience on Sunshine's online platforms, taking the Wechat applet programs such as "Sunshine Auto•Life APP" and "Sunshine Insurance +" as the main service carriers, integrated the service scenarios and customers' needs in depth and optimised the customer service process to strive to provide customers with more convenient and high-quality one-stop online services. In the first half of 2023, our platforms had a total of 10.56 million registered users, providing over 158 million times of services to customers in total.

(2) Business operations

We deepened our exploration of the artificial intelligence technology, refined digital intelligent products, as well as empowered business development and management in product pricing, customer operation, and claims settlement. The construction of the "intelligent automobile insurance life table (車險智能生命表)" was further enhanced to gradually promote the automation and intelligence of automobile insurance operation. The improvement of the new generation of non-automobile core systems effectively supported rapid product configuration, differentiated underwriting processes under multi-business models, and rapid connection of channel platforms, in addition, effectively decreased the response time of operations. We promoted the construction of "network intelligent sales assistant (網電智能銷售助手)" and initially formed intelligent supervision capability in Wechat conversations. We built an "Claims Digital Intelligence Platform (理賠數智平台)", reconstructed the claims operation model, improved customer experience, and enhanced the quality of claims operations.

(3) Risk Management

We continuously upgraded and updated the Sunshine Sky Eye risk map platform (陽光天眼風險地圖平台), optimised the risk control operation process, made full use of natural disaster risk rating and other functional modules to provide customers with high-quality and fast risk control services. We completed more than 9,000 risk control operations in the first half of 2023, providing more than 410,000 early warning information to customers and the public. We further analysed the risk factors of the automobile insurance anti-fraud model, optimised risk control rules, and improved the identification rate of risk cases, and the cumulative loss amount reduced exceeded RMB45 million in the first half of 2023.

(II) *Financial Analysis*

The following table sets forth the key financial data selected from the property and casualty insurance segment for the reporting periods indicated:

Unit: RMB in millions

For the half year ended June 30[1]	**2023**	2022	Changes
Insurance revenue	22,291	20,252	10.1%
Interest income	366	–	N/A
Investment income	489	1,242	N/A
Share of profits and losses of associates and joint ventures	92	87	5.7%
Total revenues	**23,354**	**21,680**	**7.7%**
Insurance service expenses	21,336	19,531	9.2%
Net insurance finance expenses for insurance contracts issued	342	327	4.6%
Expected credit losses	48	–	N/A
Other operating and administrative expenses	246	247	(0.4%)
Total expenses	**22,302**	**20,433**	**9.1%**
Profit before tax	**1,052**	**1,247**	**(15.6%)**
Income tax	238	207	15.0%
Net profit	**814**	**1,040**	**(21.7%)**

Note 1: The Company restates and presents the comparative information on insurance contracts 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. Accordingly, the above performance indicators for the six months ended June 30, 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 for the six months ended June 30, 2022 are financial data under the Old Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts.

Insurance revenue

The insurance revenue of Sunshine P&C increased by 10.1% to RMB22,291 million for the six months ended June 30, 2023 from RMB20,252 million for the six months ended June 30, 2022, mainly due to the increase in insurance revenue resulting from the high growth rate of non-automobile insurance business and the coverage.

Interest income & investment income & expected credit losses

The total amount of interest income, investment income and expected credit losses of Sunshine P&C decreased to RMB807 million for the six months ended June 30, 2023 from RMB1,242 million for the six months ended June 30, 2022, mainly due to the decrease of realised gains.

Share of profits and losses of associates and joint ventures

Share of profits and losses of associates and joint ventures from Sunshine P&C increased by 5.7% to RMB92 million for the six months ended June 30, 2023 from RMB87 million for the six months ended June 30, 2022, representing a substantial stability within two years.

Insurance service expenses

The insurance service expenses of Sunshine P&C increased by 9.2% to RMB21,336 million for the six months ended June 30, 2023 from RMB19,531 million for the six months ended June 30, 2022, mainly due to the rapid increase in the expansion of the non-automobile insurance premiums coverage for the six months ended June 30, 2023, the increase in corresponding expenses, as well as the increase in claim expenses following the liberalization of the pandemic this year.

Net insurance finance expenses for insurance contracts issued

Net insurance finance expenses for insurance contracts issued of Sunshine P&C increased by 4.6% to RMB342 million for the six months ended June 30, 2023 from RMB327 million for the six months ended June 30, 2022, remained basically stable for the two years.

Other operating and administrative expenses

Other operating and administrative expenses of Sunshine P&C decreased by 0.4% to RMB246 million for the six months ended June 30, 2023 from RMB247 million for the six months ended June 30, 2022, representing substantial stability for these two years.

Income tax

The income tax of Sunshine P&C increased by 15.0% to RMB238 million for the first half of 2023 from RMB207 million for the six months ended June 30, 2022, which was mainly due to the increased taxable profit in this year.

Net profit

Mainly affected by the above factors, the net profit of Sunshine P&C decreased by 21.7% to RMB814 million for the six months ended June 30, 2023 from RMB1,040 million for the six months ended June 30, 2022.

Asset Management

The Group upholds the philosophy of long-term and value investment, continuing to optimize asset and liability management system, and improve its institutional framework of investment management. By harnessing its full-range investment qualifications and diversified investment capability, the Group insists on the strategic asset allocation, with the principle of asset-liability management and cross-macro economic cycle, and continues to build an investment portfolio aiming for long-term, stable and sustainable investment performance.

(I) Our Group's investment assets

In the first half of 2023, China's economy has gradually returned to normal operation with persistent effects of macro policies, but the external environment continues to face grave challenges, causing disturbances to the capital market. The domestic stock market fluctuated with differentiated investment styles, the investment yields of long-term bonds were decreasing on average, and the credit spreads were narrowing. The Group adhered to its strategic consistency, firmly implemented its medium to long-term strategic asset allocation principle, while maintaining a sound risk appetite, seizing tactical opportunities, and taking multiple measures to stabilize investment income. Firstly, we increased the allocation of long-term government bonds and policy bank bonds to further extend the asset duration, and effectively control the duration gap and reinvestment risks. Secondly, we flexibly adjusted the allocation arrangement and product strategies of non-standard debt assets based on the interest rate levels and market supply, with a view to stabilize coupon income and enhance cost-return matching. Thirdly, while keeping reasonable equity positions with well-diversified and balanced structure, we accelerated the allocation of high dividend yield stocks, to better manage risk and return. As of June 30, 2023, the Group's total investment assets amounted to RMB466.60 billion, representing an increase of 12.4% compared with that of the end of the previous year. The total investment income amounted to RMB7.69 billion, representing a year-on-year increase of 1.3%.

1. *Investment portfolio*

Unit: RMB in millions

	June 30, 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	**326,912**	**70.0%**	**2.9pt**	**17.4%**
Term deposits	6,200	1.3%	(4.1pt)	(72.3%)
Bonds	244,192	52.3%	8.1pt	33.1%
Wealth management products(1)	51,757	11.1%	(1.0pt)	3.0%
Other debt investments(2)	24,763	5.3%	(0.1pt)	10.7%
Equity financial assets	**97,949**	**21.0%**	**(1.3pt)**	**5.7%**
Stocks	56,159	12.0%	(1.3pt)	1.5%
Equity funds	5,598	1.2%	(0.3pt)	(8.1%)
Wealth management products(1)	27,727	6.0%	0.0pt	11.1%
Other equity investments(3)	8,465	1.8%	0.3pt	34.0%
Investments in associates and joint ventures	**10,897**	**2.3%**	**(0.2pt)**	**6.5%**
Investment properties	**10,607**	**2.3%**	**0.1pt**	**16.8%**
Cash and cash equivalents and others(4)	**20,230**	**4.4%**	**(1.5pt)**	**(18.5%)**
Investment assets (total)	**466,595**	**100.0%**	**–**	**12.4%**

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

Note 2: Other debt investments mainly 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 mainly include cash deposits and securities purchased under agreements to resell.

(1) By investment category

Bonds investment. Under the current 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 June 30, 2023, bond investments accounted for 52.3% of the total investment assets, representing an increase of 8.1 percentage points from the end of the previous year; among them, government bonds accounted for 53.2% of the bond investments. The Group continued to improve 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 is well managed. 99.2% of domestic bonds (excluding government bonds and policy bank bonds) held by us received a credit rating of AA+ or above by external rating agencies, of which 96.9% received a credit rating of AAA or above. All overseas bonds held by us were investment-grade bonds with a credit rating of A- or above by external rating agencies.

Fixed-income wealth management products. As of June 30, 2023, the fixed-income wealth management products held by the Group amounted to RMB51.76 billion, accounting for 11.1% of the total investment assets. 94.3% of the debt investment schemes and trust schemes we held received credit ratings of AAA. In terms of industry distribution, the underlying projects are spread across sectors including infrastructure, 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 fields and product selection.

Equity financial assets. As of June 30, 2023, the Group's investment in equity financial assets amounted to RMB97.95 billion, accounting for 21.0% of the total investment assets, a decrease of 1.3 percentage points from the end of the previous year, of which the investment in stocks and equity funds accounted for 13.2% of the total investment assets. The Group proactively manages equity investments driven by in-depth researches, actively explores investment opportunities, and prefers value stocks with high dividend yield and high-quality growth stocks with sustainable performance.

(2) By investment purpose

Unit: RMB in millions

	June 30, 2023		December 31, 2022	
	Amount	**Percentage**	Amount	Percentage
Financial assets at fair value through profit or loss	116,127	24.9%	N/A	N/A
Financial assets at fair value through other comprehensive income	296,638	63.6%	N/A	N/A
Financial assets measured at amortised cost	32,326	6.9%	N/A	N/A
Others[1]	21,504	4.6%	N/A	N/A
Investment assets (total)	**466,595**	**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-sales 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 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

For the half-year ended June 30[5]	**2023**	2022	Changes
Net investment income[1]	7,338	7,827	(6.3%)
Realised gains	(1,627)	2,215	N/A
Gains or losses on changes in fair value	1,840	(22)	N/A
Impairment loss on investment assets	143	(2,422)	N/A
Total investment income[2]	**7,694**	**7,598**	**1.3%**
Changes in other comprehensive income	5,779	(5,103)	N/A
Comprehensive investment income[3]	**13,473**	**2,495**	**440.0%**
Net investment yield (annualised) (%)[1]	**3.4**	**4.2**	**(0.8pt)**
Total investment yield (annualised) (%)[2]	**3.5**	**4.1**	**(0.6pt)**
Comprehensive investment yield (annualised) (%)[3][4]	**4.9**	**2.7**	**2.2pt**

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 refers to the sum of net investment income, realised gains and gains or losses from fair value changes, less impairment loss 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 refers to 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.

Note 4: In the calculation of the annualised investment yield, only net investment income has been annualised, including the interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

Note 5: The above performance indicators for the six months ended June 30, 2023 are financial data calculated under the New Accounting Standards for Financial Instruments, and the above performance indicators for the six months ended June 30, 2022 are financial data calculated under the Old Accounting Standards for Financial Instruments.

In the first half of 2023, we achieved a net investment income of RMB7.34 billion and a total investment income of RMB7.69 billion, with an annualised net investment yield of 3.4% and an annualised total investment yield of 3.5%. We recorded a comprehensive investment income of RMB13.47 billion, with an annualised comprehensive investment yield of 4.9%, representing a significant improvement over the same period last 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 or customized special accounts. As of June 30, 2023, Sunshine AMC achieved the assets under management ("**AUM**") amounted to RMB750.09 billion, representing a decrease of 0.9% from the end of 2022, among which, affected by active optimization and adjustment of product structure, our third-party AUM amounted to RMB366.49 billion, representing a decrease of 11.7% from the end of 2022.

Unit: RMB in millions

	June 30, 2023	December 31, 2022	Changes
Assets under management entrusted to Sunshine AMC	**750,093**	**756,955**	**(0.9%)**
Including: AUM entrusted by Group	383,601	341,979	12.2%
Including: AUM entrusted by third party	366,492	414,976	(11.7%)

In the first half of 2023, Sunshine AMC insisted on promoting the development of the third-party business from the perspective of compliant operation, risk control and value development, continuously strengthened its efforts in product strategy research, customer demand mining and investment research capability output, and continued to improve Sunshine AMC's brand by making the voice of Sunshine heard. We constantly optimised customer service level and elevated customers' experience during their holding period through a multi-asset and multi-strategy product system, and promoted marketing with services to assure a sound development of the third-party business. Our debt business continued to play a positive role in long-term funds. We also continued to increase investment in infrastructure construction such as water conservancy, highways and municipal services, which effectively supported the development of the real economy and contributed to promoting the supply-side structural reform. Meanwhile, we actively invested in innovative practice for developing green industry, and in recent years, our products of the debt investment schemes managed by the Company have continuously won the Ark Prize for Innovative Insurance Asset Management Products organized by Securities Times.

III. ANALYSIS ON SPECIAL ITEMS

(I) Liquidity Analysis

1. *Gearing Ratio*[1]

	30 June, 2023[2]	31 December, 2022[2]
Gearing Ratio	**86.7%**	86.9%

Note 1: gearing ratio = total liabilities/total assets

Note 2: The Company restates and presents the comparison information on insurance contracts in accordance with the New Accounting Standards for Insurance Contracts. The Company has chosen not to restate and present the comparison information on financial instruments in accordance with the New Accounting Standards for Financial Instruments. Therefore, the above performance indicators for June 30, 2023 are financial data under the New Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts, and the above performance indicators for December 31, 2022 are financial data under the Old Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts.

2. Statement of Cash Flows

Unit: RMB in millions

For the half-year ended June 30	**2023[1]**	2022[1]	Increase/ Decrease
Net cash inflows from operating activities	**15,823**	21,576	(26.7%)
Net cash outflows from investing activities	**(32,256)**	(39,480)	(18.3%)
Net cash inflows from financing activities	**12,042**	4,048	197.5%

Note 1: The Company restates and presents the comparison information on insurance contracts in accordance with the New Accounting Standards for Insurance Contracts. The Company has chosen not to restate and present the comparison information on financial instruments in accordance with the New Accounting Standards for Financial Instruments. Therefore, the above performance indicators for the six months ended June 30, 2023 are financial data under the New Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts, and the above performance indicators for the six months ended June 30, 2022 are financial data under the Old Accounting Standards for Financial Instruments and the New Accounting Standards for Insurance Contracts.

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, interest 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 RMB20.23 billion and term deposits of RMB6.20 billion. In the case of interest loss, most of the Company's term bank deposits are available. In addition, the Company's investment portfolio also provides the Company with liquidity resources to meet unforeseen cash disbursement needs. As of the end of the Reporting Period, the carrying value of the Company's fixed-income financial assets investment was RMB326.91 billion and the carrying value of equity financial assets investment was RMB97.95 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 prepared and reported 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 former CBIRC.

As at June 30, 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

	June 30, 2023	December 31, 2022	Increase/ decrease
The Group			
Core capital	**77,777**	69,751	11.5%
Actual capital	**104,120**	95,311	9.2%
Minimum capital	**51,273**	48,081	6.6%
Core solvency ratio (%)	**152**	145	7pt
Comprehensive solvency ratio (%)	**203**	198	5pt
Sunshine Life			
Core capital	**52,126**	43,133	20.8%
Actual capital	**72,380**	62,540	15.7%
Minimum capital	**42,533**	40,038	6.2%
Core solvency ratio (%)	**123**	108	15pt
Comprehensive solvency ratio (%)	**170**	156	14pt
Sunshine P&C			
Core capital	**11,940**	10,837	10.2%
Actual capital	**18,028**	16,990	6.1%
Minimum capital	**8,178**	7,590	7.7%
Core solvency ratio (%)	**146**	143	3pt
Comprehensive solvency ratio (%)	**220**	224	(4pt)

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 30 June 2023, bonds with a carrying value of RMB28.30 billion were pledged as collateral for the securities sold under agreements to repurchase resulting from debt repurchase transactions entered into by the Group in the interbank market. As at 30 June 2023, the carrying value of the bonds deposited in the collateral pool by the Group on the stock exchange was RMB6.60 billion.

(IV) Bank Borrowings and bonds payable

The aggregate balance of bank borrowings of the Group as at June 30, 2023 was RMB0.33 billion, excluding the bonds issued by some subsidiaries of the Group and the securities sold under repurchase agreements of its investment business. The bonds payable by the Group are set out in Note 12 to the consolidated financial statements of this announcement.

(V) Risk of Exchange Rate Fluctuations

The vast majority of the Group's assets and liabilities are denominated in Renminbi, 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 RMB1.55 billion and a decrease in profit before tax by RMB0.89 billion. 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 30 June 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

Continuing Connected Transactions

Provision of Investment Management Services by Sunshine AMC to the Group

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 contracts, 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. 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.

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 Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the connected transactions and continuing connected transactions of the Company.

(II) Material Contracts and Their Implementation

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

During the Reporting Period, except as otherwise disclosed in this 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. Subsequently, upon obtaining relevant approvals and filings (including filings with the CSRC and approvals from the Hong Kong Stock Exchange) and the compliance with all applicable laws, rules and regulations, such Domestic Shares will be converted into H Shares and listed and traded on the Main Board of the Hong Kong Stock Exchange.

(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 the initial public offering of overseas listed foreign shares ("**H Shares**") and listing on the Main Board of the Hong Kong Stock Exchange ("**IPO**") on December 9, 2022. The Company issued 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 IPO was approximately HK$6,705 million. During the Reporting Period, the Company did not use any proceeds from the IPO. As at the end of the Reporting Period, the remaining amount of unused proceeds was HK$6,458 million. On July 14, 2023, as considered by the Board of Directors of the Company, the Company will make a further capital injection to Sunshine P&C and Sunshine Life. In particular, the total unused IPO proceeds will be used for the capital injection. As at the date of this announcement, the Company has transferred funds to Sunshine Life in accordance with relevant requirements of applicable laws and regulations. The Company will transfer funds to Sunshine P&C after the general meeting to be held by Sunshine P&C approves the relevant resolution in relation to the capital injection. It is expected that the approval for the Company's increase in the registered capitals to Sunshine P&C and Sunshine Life from National Administration of Financial Regulation will be acquired recently. As at the date of this announcement, the proceeds from IPO was HK$6,705 million, including:

(1) HK$247 million has been used as the payment of underwriting fee and the estimated expenses of the IPO;

(2) HK$6,458 million will be used by the Company to make oriented capital injection into its subsidiaries Sunshine P&C and Sunshine Life for enhancing their capital bases to support their continued business growth (subject to the approval from National Administration of Financial Regulation).

As at the date of this announcement, the use of the proceeds from the IPO by the Company has been in line with the use of proceeds and the expected timetable promised by the Company in the Prospectus.

V. PROSPECTS

(I) Market Environment

Since 2023, China's economy has continued to recover and improve steadily despite the complex and severe external environment, showing its enormous development resilience. In the second half of the year, the development space for the insurance industry is expected to further expanded with the sustained recovery of the economy, the stimulated residents' demand, the promotion of high-quality industry development, as well as the acceleration and deepening of transformation. Driven by the overall economic improvement, residents' wealth accumulation, aging population and other factors, there remains great potential for growth in China's insurance market in the long run.

(II) Development Outlook

With the mission of "bringing more sunshine to people" and the pursuit of "becoming the leading professional insurance service provider for families, as well as the trusted risk management partner for enterprises", we will continue to implement the development requirements of "striving for quality and seeking further progress based on quality" and solidly promote the "Matrix Plan" and the "Partnership Action", so as to accumulate the development strength unceasingly.

In terms of life insurance, we will firmly adhere to promoting more resources to attract and nurture the high-performance agents, drive the improvement of the agent team base and quality efficiency and continue to maintain the leading edge of the bancassurance channel while deeply exploring new models of value development. We will also delve into customers' differentiated preferences deeply and upgrade the "insurance + service" content layout to meet customers' differentiated demands, and continuously build the capability to enhance our digital intelligent operation. In terms of property insurance, based on the improvement of risk identification and product pricing capabilities, we will continue to deepen the construction of intelligent automobile insurance and non-automobile data insurance life tables, deepen insights into customer needs, upgrade our claims service system, do a good job in risk reduction management, strengthen technological innovation empowerment, and accelerate the cultivation of core competitiveness. In terms of investment sector, we will actively carry out balanced investment with multiple products and strategies to build an investment portfolio that matches the characteristics of insurance liabilities with stable investment performance for a long term. In terms of the third-party asset management business, we will build a comprehensive and systematic system of integrated asset management capabilities from multiple aspects such as products, customers and channels.

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"). 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 June 30, 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 half 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 6 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 June 30, 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 11%.

2. Investment Returns

Investment return assumptions of Sunshine Life's major business accounts are set as 5.0%, and that of Bancassurance Participating Single Premium account and Bancassurance Universal Life Single Premium account are set as 5.3%, which will remain unchanged in subsequent years.

3. Mortality

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

4. Morbidity

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

5. Lapse and Surrender Rates

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

6. Expenses

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

7. Commission and Handling Fees

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

8. Policyholder Dividends

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

9. Tax Rate

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

III. RESULTS OF EMBEDDED VALUE AND VALUE OF NEW BUSINESS

The tables below show the embedded value of Sunshine Insurance Group, the embedded value and value of half year's new business of Sunshine Life as of June 30, 2023 (in RMB million):

1. Embedded value

Valuation Date	**June 30, 2023**	December 31, 2022
The adjusted net worth of Sunshine Insurance Group	**72,182**	**70,807**
The adjusted net worth of Sunshine Life	**48,358**	**45,447**
Sunshine Life's value of in-force business before cost of capital	41,884	38,164
Cost of capital	(9,084)	(7,697)
Sunshine Life's value of in-force business after cost of capital	**32,800**	**30,466**
Embedded value of Sunshine Insurance Group	**104,982**	**101,273**
Embedded value of Sunshine Life	**81,158**	**75,913**

2. Value of half year's new business

Valuation Date	**June 30, 2023**	June 30, 2022
Sunshine Life's value of half year's new business before cost of capital	4,699	3,389
Cost of capital	(2,020)	(1,435)
Sunshine Life's value of half year's new business after cost of capital	**2,679**	**1,954**

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

Valuation Date	**June 30, 2023**	June 30, 2022
Total of Sunshine Life	**2,679**	**1,954**
Of which: Individual insurance channel	908	776
Bancassurance channel	1,677	1,125

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 June 30, 2023 (in RMB million):

Items		**Amount**
1.	**Embedded value of Sunshine Life at beginning of period**	**75,913**
2.	Impact of new business	2,679
3.	Expected return	2,854
4.	Investment experience variance	(262)
5.	Other experience variance	144
6.	Methodology, Model and Assumptions change	(982)
7.	Diversification effects	831
8.	Capital injection/shareholder dividend	0
9.	Others	(19)
10.	**Embedded value of Sunshine Life at end of period**	**81,158**
11.	**Adjusted net worth of the Group's other business at end of period**	**25,106**
12.	Adjustment for minority shareholders' interest	(1,283)
13.	**Embedded value of Sunshine Insurance Group at end of period**	**104,982**

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 half year's new business of Sunshine Life as of June 30, 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 half year's new business after cost of capital**
Base Scenario	**32,800**	**2,679**
Risk discount rate increased by 50 base points	31,230	2,464
Risk discount rate decreased by 50 base points	34,507	2,915
Investment returns increased by 50 base points	42,253	4,112
Investment returns decreased by 50 base points	23,305	1,239
Mortality increased by 10% (i.e. 110% of Base)	32,382	2,635
Mortality decreased by 10% (i.e. 90% of Base)	33,226	2,724
Morbidity increased by 10% (i.e. 110% of Base)	31,958	2,666
Morbidity decreased by 10% (i.e. 90% of Base)	33,654	2,691
Lapse and surrender rates increased by 10% (i.e. 110% of Base)	32,439	2,602
Lapse and surrender rates decreased by 10% (i.e. 90% of Base)	33,167	2,758
Expenses assumptions increased by 10% (i.e. 110% of Base)	32,422	2,412

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") and Embedded Value of Sunshine Life Insurance Corporation Limited ("Sunshine Life") set out in the Interim 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 30 June 2023;
- Value of half year's new business of Sunshine Life as of 30 June 2023; and
- Movement analysis of the EV and sensitivity analysis of value of in-force business and value of half 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 August 2023

OTHERS

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

During the Reporting Period, the Company has complied with all other applicable code provisions other than C.2.1 set out in the Corporate Governance Code and adopted most of the recommended best practices under appropriate circumstances.

During the Reporting Period, Mr. ZHANG Weigong served as the chairman of the Board and chief executive officer of the Company. Mr. ZHANG Weigong, our founder, has extensive experience in the insurance industry and is responsible for the business strategies and overall management. While this will constitute a deviation from code provision C.2.1 of Appendix 14 to the Hong Kong Listing Rules, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board considers that vesting the roles of chairman of the Board and chief executive officer in Mr. ZHANG Weigong is beneficial to the business prospects and operational efficiency of the Company. The balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and high-caliber individuals. The Board currently comprises five executive Directors (including Mr. ZHANG Weigong), one non-executive Director 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, the Company had adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for governing the securities transactions by the Directors and the Supervisors. 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 INTERIM RESULTS

The 2023 interim financial information prepared by the Group in accordance with IFRS has been reviewed by Ernst & Young. This interim results has been reviewed by the Audit Committee of the Board.

V. INTERIM DIVIDEND

The Company will not declare any interim dividend for the six months ended June 30, 2023.

VI. SUBSEQUENT EVENTS

Due to the adjustment of work arrangement, Mr. Dong Yingqiu has resigned as the joint company secretary of the Company and the authorized representative of the Company (the "**Authorized Representative**") under Rule 3.05 of the Listing Rules with effect from August 25, 2023. On the same day, Mr. Nie Rui has been appointed as the joint company secretary and the Authorized Representative of the Company, and he will jointly perform the duties of company secretary with Mr. Lau Kwok Yin, who is currently the other joint company secretary of the Company. For details, please refer to the announcement of the Company dated August 25, 2023.

Save as disclosed in this announcement, as of the date of this announcement, there was no other significant event after the Reporting Period.

VII. PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2023 will be dispatched to the Company's Shareholders and 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

"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with the CIRC to form CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018
"China" or "PRC"	the People's Republic of China, for the purpose of this 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 14 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under PRC laws
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we" or "us"	our Company and its subsidiaries

"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which have been listed and traded on the Hong Kong Stock Exchange with effect from December 9, 2022
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 14,501,000 H Shares offered by the Company for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in the Prospectus, as further described in the section headed "Structure of the Global Offering" in the Prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"International Offer Shares"	the 1,135,651,500 H Shares offered by our Company pursuant to the International Offering
"International Offering"	the offer of the International Offer Shares by the international underwriters at the offer price outside the United States to non-US persons in offshore transactions in accordance with Regulation S, as further described in "Structure of the Global Offering" in the Prospectus
"Listing"	listing of our H Shares on the Main Board
"Listing Date"	the date of December 9, 2022, on which dealings in our H Shares first commence on the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the People's Republic of China

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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), pursuant to the Notice of the State Council on the Establishment of Institutions (Guo Fa [2023] No. 5) issued by the State Council on March 20, 2023, is a regulatory authority formed on the basis of the former CBIRC, and if the context requires, includes its predecessors (i.e. CBIRC)
"Prospectus"	the prospectus of the Company dated November 30, 2022 issued in connection with the Global Offering and the Listing
"Regulation S"	Regulation S under the US Securities Act
"Reporting Period"	for the six months ended June 30, 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)
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"Sunshine AMC"	Sunshine Asset Management Corporation Limited (陽光資產管理股份有限公司), a joint stock company established on December 4, 2012 under the laws of the PRC with limited liability, in which the Company directly and indirectly held approximately 80% equity interest as 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
"Supervisor(s)"	the member(s) of our Board of Supervisor(s)
"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	US dollars, the lawful currency of the United States

By order of the Board
Sunshine Insurance Group Company Limited
陽光保險集團股份有限公司
DONG Yingqiu
Secretary to the Board

Hong Kong, August 25, 2023

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. WANG Jingwei as non-executive director; and Mr. MA Guangyuan, Mr. LIU Zhanqing, Mr. WANG Jianxin, Mr. GAO Bin and Ms. JIA Ning as independent non-executive directors.