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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 2024**

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 2024, together with the comparative figures for the corresponding period in 2023, which should be read in conjunction with the following Management Discussion and Analysis. Unless otherwise stated, the currencies listed in this announcement are RMB.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS*FOR THE SIX MONTHS ENDED 30 JUNE 2024**(All amounts expressed in RMB million unless otherwise specified)*

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Insurance revenue	5	31,488	30,160
Interest income		4,748	4,888
Investment income	6	4,463	2,858
Share of profits and losses of associates and joint ventures		233	(242)
Other income		1,517	1,317
Total revenues		42,449	38,981
Insurance service expenses		(27,620)	(26,834)
Allocation of reinsurance premiums paid		(905)	(1,119)
Less: Amount recovered from reinsurers		620	880
Net insurance finance expenses for insurance contracts issued		(4,258)	(5,335)
Less: Net reinsurance finance income for reinsurance contracts held		76	60
Expected credit losses		(814)	97
Finance costs		(679)	(477)
Other operating and administrative expenses		(3,159)	(2,522)
Total expenses		(36,739)	(35,250)
Profit before tax		5,710	3,731
Income tax	7	(2,498)	(765)
Net profit		3,212	2,966
Attributable to:			
Equity owners of the parent		3,143	2,895
Non-controlling interests		69	71
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	8	RMB0.27	RMB0.25
– Diluted	8	RMB0.27	RMB0.25

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*FOR THE SIX MONTHS ENDED 30 JUNE 2024**(All amounts expressed in RMB million unless otherwise specified)*

	Six months ended 30 June	
	2024	2023
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit	<u>3,212</u>	<u>2,966</u>
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	8,117	3,931
Credit risks provision of debt instruments at fair value through other comprehensive income	319	(108)
Insurance finance expenses for insurance contracts issued	(13,815)	(4,782)
Reinsurance finance income for reinsurance contracts held	13	4
Exchange differences on translating foreign operations	(28)	203
Share of other comprehensive income of associates and joint ventures	<u>7</u>	<u>(56)</u>
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	5,116	861
Insurance finance expenses for insurance contracts issued	<u>(989)</u>	<u>(109)</u>
Other comprehensive income for the period, net of tax	<u>(1,260)</u>	<u>(56)</u>
Total comprehensive income for the period, net of tax	<u><u>1,952</u></u>	<u><u>2,910</u></u>
Attributable to:		
Equity owners of the parent	1,880	2,837
Non-controlling interests	<u>72</u>	<u>73</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

(All amounts expressed in RMB million unless otherwise specified)

	<i>Notes</i>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Property and equipment		19,647	19,768
Right-of-use assets		2,392	2,522
Investment properties		9,157	9,308
Investments in associates and joint ventures		9,957	10,476
Financial Investments:			
Financial assets at fair value through profit or loss		135,660	125,367
Financial assets at amortised cost		1,099	–
Debt financial assets at fair value through other comprehensive income		278,456	260,618
Equity financial assets at fair value through other comprehensive income		49,102	31,831
Term deposits		9,763	9,588
Statutory deposits		6,456	5,882
Securities purchased under agreements to resell		4,998	13,129
Insurance contract assets		971	1,111
Reinsurance contract assets		4,855	4,794
Deferred tax assets		936	1,260
Other assets		5,773	4,479
Cash at bank and on hand		9,464	13,553
Total assets		<u>548,686</u>	<u>513,686</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2024

(All amounts expressed in RMB million unless otherwise specified)

	<i>Notes</i>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities		424,517	385,377
Reinsurance contract liabilities		26	24
Lease liabilities		569	650
Bonds payable	10	19,594	19,414
Financial liabilities at fair value through profit or loss		2,889	3,780
Securities sold under agreements to repurchase		22,424	29,662
Tax payables		737	637
Premiums received in advance		459	569
Deferred tax liabilities		1,800	101
Other liabilities		<u>14,132</u>	<u>11,683</u>
Total liabilities		<u><u>487,147</u></u>	<u><u>451,897</u></u>
Equity			
Share capital		11,502	11,502
Reserves		23,613	25,068
Retained profits		<u>25,118</u>	<u>23,876</u>
Attributable to equity owners of the parent		<u><u>60,233</u></u>	<u><u>60,446</u></u>
Non-controlling interests		<u><u>1,306</u></u>	<u><u>1,343</u></u>
Total equity		<u><u>61,539</u></u>	<u><u>61,789</u></u>
Total liabilities and equity		<u><u>548,686</u></u>	<u><u>513,686</u></u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts expressed in RMB million unless otherwise specified)

(Unaudited)	Attributable to equity owners of the parent													
	Reserves											Non-controlling interests	Total equity	
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Financial assets at FVOCI reserves	Insurance finance reserve	Foreign currency translation reserves	Other reserves	Retained profits			Total
As at 1 January 2024	11,502	25,897	1,557	6,404	57	20	6,178	(15,024)	143	(164)	23,876	60,446	1,343	61,789
Net profit	-	-	-	-	-	-	-	-	-	-	3,143	3,143	69	3,212
Other comprehensive income	-	-	-	-	-	-	13,549	(14,791)	(28)	7	-	(1,263)	3	(1,260)
Total comprehensive income	-	-	-	-	-	-	13,549	(14,791)	(28)	7	3,143	1,880	72	1,952
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	-	-	-	-	-	-	(75)	(111)	-	-	186	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(60)	(60)
Others	-	(23)	-	-	-	-	-	-	-	-	-	(23)	(49)	(72)
As at 30 June 2024	11,502	25,874	1,557	6,421	57	20	19,652	(29,926)	115	(157)	25,118	60,233	1,306	61,539

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts expressed in RMB million unless otherwise specified)

(Unaudited)	Attributable to equity owners of the parent													
	Reserves											Non- controlling interests	Total equity	
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Financial assets at FVOCI reserves	Insurance finance reserve	Foreign currency translation reserves	Other reserves	Retained profits			Total
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 CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts expressed in RMB million unless otherwise specified)

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Net cash inflows from operating activities	<u>20,342</u>	<u>15,823</u>
Cash flows from investing activities		
Purchases of property and equipment, intangible assets and other assets	(260)	(1,622)
Proceeds from disposals of property and equipment, intangible assets and other assets	2	1
Purchases of investments	(147,923)	(145,913)
Proceeds from disposals of investments	115,111	107,172
Interest received	8,479	8,073
Dividends received	48	50
Others	(338)	(17)
Net cash outflows from investing activities	<u>(24,881)</u>	<u>(32,256)</u>
Cash flows from financing activities		
Increase in securities sold under agreements to repurchase, net	(7,231)	10,086
Proceeds from issuance of asset-backed securities	2,749	2,749
Repayment of asset-backed securities	(2,430)	–
Interest paid	(496)	(402)
Dividends paid	(60)	(70)
Payment of principal portion of lease liabilities	(188)	(229)
Others	(48)	(92)
Net cash (outflows)/inflows from financing activities	<u>(7,704)</u>	<u>12,042</u>
Effects of foreign exchange rate changes	<u>8</u>	<u>(210)</u>
Net decrease in cash and cash equivalents	<u>(12,235)</u>	<u>(4,601)</u>
Cash and cash equivalents at the beginning of period	<u>26,695</u>	<u>24,830</u>
Cash and cash equivalents at the end of period	<u>14,460</u>	<u>20,229</u>
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	9,463	12,255
Investments with an initial term within 3 months	<u>4,997</u>	<u>7,974</u>

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 2024 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 the material accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023. Thus the interim condensed consolidated financial information should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2023 and any public announcements made during the interim reporting period.

3 ISSUED BUT NOT YET EFFECTIVE STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

Standards/Amendments	Content
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ⁽ⁱ⁾
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ⁽ⁱ⁾
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ⁽ⁱⁱ⁾

- i. Effective for annual periods beginning on or after 1 January 2027
- ii. Effective for annual periods beginning on or after 1 January 2026

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. ("Sunshine Surety"); and
- (iii) Other businesses segment mainly provides corporate management and assets management services.

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

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

The segment analysis for the six months ended 30 June 2024 is as follows:

	Property and casualty insurance			Subtotal	Other business and elimination	Total
	Life insurance	Sunshine P&C	Sunshine Surety			
Insurance revenue	8,024	23,457	7	23,464	-	31,488
Interest income	4,277	353	12	365	106	4,748
Investment income	3,673	330	2	332	458	4,463
Share of profits and losses of associates and joint ventures	363	85	-	85	(215)	233
Other income	244	110	3	113	1,160	1,517
Total revenues	16,581	24,335	24	24,359	1,509	42,449
Insurance service expenses	(4,962)	(22,630)	(28)	(22,658)	-	(27,620)
Allocation of reinsurance premiums paid	(374)	(531)	-	(531)	-	(905)
Less: Amount recovered from reinsurers	360	260	-	260	-	620
Net insurance finance expenses for insurance contracts issued	(3,698)	(384)	(1)	(385)	(175)	(4,258)
Less: Net reinsurance finance income for reinsurance contracts held	31	45	-	45	-	76
Expected credit losses	(608)	(208)	-	(208)	2	(814)
Finance costs	(522)	(145)	-	(145)	(12)	(679)
Other operating and administrative expenses	(1,537)	(313)	(1)	(314)	(1,308)	(3,159)
Total expenses	(11,310)	(23,906)	(30)	(23,936)	(1,493)	(36,739)
Profit before tax	5,271	429	(6)	423	16	5,710
Income tax	(2,505)	76	-	76	(69)	(2,498)
Net profit	2,766	505	(6)	499	(53)	3,212

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

	Property and casualty insurance			Subtotal	Other business and elimination	Total
	Life insurance	Sunshine P&C	Sunshine Surety			
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	<u>14,499</u>	<u>23,354</u>	<u>25</u>	<u>23,379</u>	<u>1,103</u>	<u>38,981</u>
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 reinsurers	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	<u>(11,545)</u>	<u>(22,302)</u>	<u>(35)</u>	<u>(22,337)</u>	<u>(1,368)</u>	<u>(35,250)</u>
Profit before tax	2,954	1,052	(10)	1,042	(265)	3,731
Income tax	(528)	(238)	–	(238)	1	(765)
Net profit	<u>2,426</u>	<u>814</u>	<u>(10)</u>	<u>804</u>	<u>(264)</u>	<u>2,966</u>

5 INSURANCE REVENUE

	Six months ended 30 June	
	2024	2023
Insurance contracts not measured under the premium allocation approach		
Insurance revenue relating to the changes in the liability for remaining coverage		
Amortisation of contractual service margin	1,981	2,034
Change in the risk adjustment for non-financial risk	357	361
Expected insurance service expenses incurred in the period	3,178	3,669
Amortisation of insurance acquisition cash flows	<u>3,991</u>	<u>4,153</u>
Subtotal	<u>9,507</u>	<u>10,217</u>
Insurance contracts measured under the premium allocation approach	<u>21,981</u>	<u>19,943</u>
Total	<u><u>31,488</u></u>	<u><u>30,160</u></u>

6 INVESTMENT INCOME

	Six months ended 30 June	
	2024	2023
Interest and dividend income (a)	3,675	2,480
Realised losses (b)	(946)	(1,627)
Unrealised gains (c)	1,551	1,840
Operating lease income from investment properties	<u>183</u>	<u>165</u>
Total	<u><u>4,463</u></u>	<u><u>2,858</u></u>

(a) Interest and dividend income

	Six months ended 30 June	
	2024	2023
Bonds	534	286
Debt investment schemes	307	294
Funds	1,121	932
Equity securities	1,309	562
Equity investment schemes	175	172
Others	<u>229</u>	<u>234</u>
Total	<u><u>3,675</u></u>	<u><u>2,480</u></u>

(b) Realised losses

	Six months ended 30 June	
	2024	2023
Bonds	2,222	642
Funds	(1,885)	(1,253)
Equity securities	(1,165)	(859)
Others	(118)	(157)
	<hr/>	<hr/>
Total	<u>(946)</u>	<u>(1,627)</u>

(c) Unrealised gains

	Six months ended 30 June	
	2024	2023
Bonds	904	88
Debt investment schemes	45	200
Funds	684	554
Equity securities	1,478	(262)
Others	(1,431)	1,134
	<hr/>	<hr/>
Financial assets at fair value through profit or loss	<u>1,680</u>	<u>1,714</u>
	<hr/>	<hr/>
Financial liabilities at fair value through profit or loss	<u>(129)</u>	<u>126</u>
	<hr/>	<hr/>
Total	<u>1,551</u>	<u>1,840</u>

7 INCOME TAX

	Six months ended 30 June	
	2024	2023
Current income tax	187	252
Deferred income tax	<u>2,311</u>	<u>513</u>
Total	<u>2,498</u>	<u>765</u>

Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s international tax reform. The Group has adopted the relief for deferred taxes under the amendments.

The Group is within the scope of the Pillar Two rules. When Pillar Two becomes effective in the jurisdictions in which the Group operates, the Group is required to calculate the effective tax rate for each jurisdiction under the Pillar Two rules and to recognise a top-up tax on any shortfall of 15%. Due to the complexity of the Pillar Two calculations and the difference between the effective tax rate calculated under Pillar Two and IAS 12 Income Taxes, the Group is currently in the process of analysing the potential impact of Pillar Two.

8 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
Consolidated net profit attributable to equity owners of the parent	3,143	2,895
Weighted average number of ordinary shares in issue	11,502	11,502
Basic earnings per share	RMB0.27	RMB0.25
Diluted earnings per share	<u>RMB0.27</u>	<u>RMB0.25</u>

9 DIVIDENDS

	Six months ended 30 June	
	2024	2023
Dividends recognised as distributions during the period:		
2023 final dividend – RMB0.18 per ordinary share	2,070	–
2022 final dividend – RMB0.18 per ordinary share	<u>–</u>	<u>2,070</u>

10 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 2024	31 December 2023
Sunshine P&C	2021/12/07	10 years	End of the fifth year	4.5%-5.5%	4,999	4,998
Sunshine Life	2016/04/20	10 years	None	4.5%	2,142	2,127
Sunshine Life	2021/03/30	10 years	End of the fifth year	4.4%-5.4%	5,075	5,063
Sunshine Life	2023/12/12	10 years	End of the fifth year	3.88%-4.88%	<u>7,017</u>	<u>7,002</u>
Subtotal					<u>19,233</u>	<u>19,190</u>
Add: Accrued interest					<u>361</u>	<u>224</u>
Total					<u>19,594</u>	<u>19,414</u>

11 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

In the first half of 2024, the Company insisted on the development ideas of “seeking progress amidst quality”, firmly adhered to the path of high-quality development and high-value growth, and continued to promote the “New Sunshine Strategy” with “Technological Sunshine”, “Valuable Sunshine” and “Caring Sunshine” as the core. As a result, the operating results achieved steady growth, the core competence of the main business of insurance has been further stabilized and enhanced, and the overall market competitiveness of the Company has been effectively improved. The Company adhered to the philosophy of value-oriented development, created the unique core competitiveness of Sunshine through model innovation to realize the leap in its value creation capability. The Company made great efforts to promote the “One Body, Two Wings (一身兩翼)” channel development model for life insurance, resulting in continuous value growth, stabilisation and rebound of the sales-force, and substantial reduction in liability cost. The Company continuously promoted the construction of “intelligent automobile insurance mortality table (車險智能生命表)” and “non-automobile data mortality table (非車數據生命表)” as well as the “credit insurance mortality table (信用保險生命表)”, thereby continuously improving risk pricing capacity of property and casualty insurance. Guided by the benevolent culture of “love and responsibility”, the Company comprehensively improved customer service. In order to improve customer experience, operational efficiency and management, the Company made great efforts on “artificial intelligence+”, continued to enhance the five core competencies including digital customer insight, digital marketing, digital risk control, digital product innovation and digital operation to provide scientific and technological support for the high-quality development of the Company.

(I) Results of operations

In the first half of 2024, the Company maintained a sound growth momentum, and its operating performance growing steadily and value creation continuously enhancing. The gross written premiums (“GWPs”) of the Group were RMB76.46 billion, representing a year-on-year increase of 12.8%, and the insurance revenue reached RMB31.49 billion, representing a year-on-year increase of 4.4%. The net profit attributable to equity owners of the parent was RMB3.14 billion, representing a year-on-year increase of 8.6%. The embedded value of the Group was RMB112.64 billion, up 8.2% from the end of the previous year. The annualised total investment yield was 3.6% and the annualised comprehensive investment yield was 7.2%. As at the end of June 2024, the Group had approximately 30.78 million active customers⁽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 free policies. In the event that the applicants and insureds are the same person, they shall be deemed as one customer. The number of customers of subsidiaries does not add up to the total number of customers of the Group because of the de-duplication process for customers who purchase multiple products.

The life insurance business remained rapid growth with continuously enhanced value creation.

- The life insurance GWPs were RMB51.76 billion, representing a year-on-year increase of 12.9%;
- The value of half year's new business was RMB3.75 billion, representing a year-on-year increase of 39.9%;
- Diversified channels developed coordinatively. Individual insurance channel saw strong growth of value of new business. Sales-force headcount stabilised and even rebounded, while agent productivity continued to improve. The bancassurance channel has highlighted its professional system capabilities and solidified its advantages in market competition. The insurance agencies and insurance brokers channel has seized market opportunities and continuously enhanced development capabilities.

The property and casualty insurance business⁽¹⁾ achieved stable growth and maintained a good quality.

- The original premium income (OPI) was RMB24.65 billion, representing a year-on-year increase of 12.4%. The business scale achieved stable growth;
- The proportion of non-automobile insurance premiums was 46.1%, representing a year-on-year increase of 4.8 percentage points; the proportion of personal vehicle premiums to the automobile insurance was 62.4%, representing a year-on-year increase of 1.5 percentage points. The business structure has been continuously optimized;
- The underwriting profit was RMB0.2 billion, and the underwriting combined ratio was 99.1%.

We adhered to the long-term investment strategy and further optimized the asset allocation structure.

- Focusing on the asset and liability management, we firmly implemented the strategic asset allocation based on the characteristics of liabilities and tided through cycles, and the investment performance remained stable. The Group achieved total investment income of RMB8.33 billion, with annualised total investment yield of 3.6% and annualised comprehensive investment yield of 7.2%;
- Focusing on the main business and customer-centricity, we adhered to the professional, market-oriented and diversified development path, and paid equal attention to scale and quality, with RMB286.66 billion of third-party assets under management.

Note 1: Property and casualty insurance business refers to the business of Sunshine P&C.

The digital transformation continued to be deepened with breakthroughs in the application of AI in key areas.

- We strengthened the availability of AI data and the construction of the Sunshine Zhengyan (陽光正言) big model, which has been further applied in customer service, intelligent claims settlement, smart office and other scenarios. Customer service robots provided customers with services such as policy inquiries, automobile insurance claims reporting, and life insurance follow-ups, achieving a customer satisfaction rate of 90.2% on non-human service. The usage rate of the document classification and visual injury identification functions for smart claims in personal injury assessments within property insurance exceeded 80%, with a document classification accuracy rate of 95.6%. The Sunshine Office GPT has been used a total of 1.02 million times, covering 84% of employees.
- We deepened the digital transformation through “Technology+Data”. In terms of sales support, we optimized and upgraded the property and casualty insurance as well as life insurance sales management platform. The property insurance set up a fully online closed-loop process for main non-automobile products from quotes to issuance, improved the digital closed-loop of marketing activities and empowered the per capita productivity and efficiency improvement of telemarketing. The life insurance “Know Your Insurance (懂你保險)” assisted agents in providing customers with coverage planning and product recommendations. In terms of customer service, we continuously improved our online customer service platform. The online rate of property insurance value-added service reached 96.3%. The online rate of life insurance preservation services was 96.4%. In terms of management empowerment, we built an intelligent risk control system across the Group, improved “non-automobile data mortality table (非車數據生命表)” system with regard to property and casualty insurance, and improved non-automobile insurance risk pricing capabilities; with regard to the life insurance, we created a total of 354 online risk monitoring indicators, which effectively prevented sales behavioral risks.

We actively practiced sustainable development and earnestly fulfilled social responsibility.

- We served national strategies and supported the real economy. In the first half of 2024, the Company continuously enhanced its support for the real economy in quality and efficiency, provided a total of RMB50.4 trillion of risk protection for the real economy, and offered more than RMB420 billion of financial support. In supporting micro and small enterprises, we fulfilled our financial responsibility of “helping enterprises to alleviate their difficulties”, providing risk protection of nearly RMB220 billion to approximately 18,000 micro and small enterprises. In supporting “rural revitalization”, we steadily expanded the coverage of agricultural insurance to ensure food security and innovatively developed protection products for “Agriculture, Rural Areas, and Farmers” to support the industry revitalization, offering agriculture risk protection of RMB35.3 billion. In serving the opening-up strategy, we provided risk protection of RMB60.2 billion for 331 “Belt and Road Initiative” projects, involving 67 countries. In fostering new quality productive forces, we vigorously supported technological innovation and advanced manufacturing industry, and provided risk protection of approximately RMB32.6 billion for 406 sci-tech enterprises.
- We supported green transformation while achieving harmonious coexistence. The Company continued to enrich its green insurance product and service system. In the first half of 2024, we provided nearly RMB8 trillion of green insurance protection for 1.22 million enterprises and individuals, and offered claims support of approximately RMB2.3 billion. We actively responded to climate change by incorporating climate factors into our risk management processes to enhance our climate resistance. We continuously improved our sustainable investment framework and policies, and explored the development of diversified investment products and services. As of the end of June 2024, the balance of sustainable investments nearly reached RMB55 billion, of which green investment exceeded RMB19 billion. Moreover, we actively practiced the concept of green operation, promoted energy conservation renovations in workplaces as well as the construction of green buildings and data centers, while continuously enhancing the digitalization of operations and online coverage.
- We fulfilled our social responsibilities and devoted ourselves to public welfare. The Company gave full play to the advantages of the main business of insurance and medical resources, and actively organized and participated in various public welfare activities in the fields of helping the student, helping the elderly and poverty alleviation. As of the end of June 2024, Sunshine Insurance built 74 “BoAi” schools in 24 provinces across the country and trained a total of 20,397 rural doctors through the “Plan to Promote Competence of 10,000 Rural Doctors (萬名村醫能力提升計劃)”. We sincerely cared for our employees and their families, with an accumulated amount of RMB540 million parent-supporting subsidies granted to a total of 44,182 employees.

(II) Key financial indicators

Unit: RMB in millions, except for percentages

	June 30, 2024/For the six months ended June 30, 2024	December 31, 2023/For the six months ended June 30, 2023	Increase/ decrease
Total assets	548,686	513,686	6.8%
Total liabilities	487,147	451,897	7.8%
Total equity	61,539	61,789	(0.4%)
Equity attributable to owners of the parent	60,233	60,446	(0.4%)
Total revenues	42,449	38,981	8.9%
Net profit	3,212	2,966	8.3%
Net profit attributable to equity owners of the parent	3,143	2,895	8.6%
Earnings per share (RMB/share) ⁽¹⁾	0.27	0.25	8.6%
Weighted average return on equity ⁽²⁾	<u>10.4%</u>	<u>8.9%</u>	<u>1.5pt</u>

Note 1: Based on the data attributable to equity owners of the Company. The percentage of increase or decrease in earnings per share is calculated based on the data before rounding.

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

(III) Other financial and business data

Unit: RMB in millions, except for percentages

	June 30, 2024/For the six months ended June 30, 2024	December 31, 2023/For the six months ended June 30, 2023	Increase/ decrease
The Group			
Insurance revenue	31,488	30,160	4.4%
Insurance service expenses	27,620	26,834	2.9%
Investment assets ⁽¹⁾	514,112	479,752	7.2%
Net investment yield (annualised) ⁽²⁾⁽⁵⁾	3.8%	3.4%	0.4pt
Total investment yield (annualised) ⁽³⁾⁽⁵⁾	3.6%	3.5%	0.1pt
Comprehensive investment yield (annualised) ⁽⁴⁾⁽⁵⁾	7.2%	4.9%	2.3pt
Life insurance			
Insurance revenue	8,024	7,859	2.1%
Insurance service expenses	4,962	5,467	(9.2%)
Contractual service margin ⁽⁶⁾	48,554	45,177	7.5%
Property and casualty insurance			
Insurance revenue	23,457	22,291	5.2%
Insurance service expenses	22,630	21,336	6.1%
Underwriting combined ratio ⁽⁷⁾	99.1%	98.2%	0.9pt

Note 1: Investment assets 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, financial assets at amortised cost, 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.

Note 2: Net investment yield equals net investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, operating lease income from investment properties, share of profits and losses of associates and joint ventures, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

- Note 3:* Total investment yield equals total investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Total investment income equals the sum of net investment income, realised gains and gains or losses from fair value changes, less impairment losses on investment assets.
- Note 4:* Comprehensive investment yield equals comprehensive investment income for the period less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Comprehensive investment income 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.
- Note 5:* In the calculation of the annualised investment yield, only the 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 have been annualised.
- Note 6:* Contractual service margin refers to the unearned profit that will be recognised in the future due to the provision of insurance contract services in the future.
- Note 7:* Underwriting combined ratio = (insurance service expenses + (allocation of reinsurance premiums paid – amount recovered from reinsurers) + (net insurance finance expenses for insurance contracts issued – net reinsurance finance income for reinsurance contracts held) + changes in premium reserves)/insurance revenue.

Unit: RMB in millions, except for percentages

	June 30, 2024/For the six months ended June 30, 2024	December 31, 2023/For the six months ended June 30, 2023	Increase/ decrease
Embedded value of the Group	112,644	104,060	8.2%
Sunshine Life's value of half year's new business	3,747	2,679	39.9%
Comprehensive solvency ratio (%) ⁽¹⁾			
– The Group	227	221	6pt
– Sunshine Life	211	183	28pt
– Sunshine P&C	241	245	(4pt)

Note 1: The minimum regulatory requirement for comprehensive solvency ratio is 100%.

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

Unit: RMB in millions, except for percentages

Balance sheet items	June 30, 2024	December 31, 2023	Change	Major reasons
Cash at bank and on hand	9,464	13,553	(30.2%)	The needs for liquidity management
Securities purchased under agreements to resell	4,998	13,129	(61.9%)	The needs for liquidity management
Equity financial assets at fair value through other comprehensive income	49,102	31,831	54.3%	Impact of the increase in fair value of this category of assets and the increasing allocation in this category of assets

Unit: RMB in millions, except for percentages

Income statement items	For the six months ended June 30, 2024	For the six months ended June 30, 2023	Change	Major reasons
Investment income	4,463	2,858	56.2%	Mainly due to the increase in dividend and interest income
Share of profits and losses of associates and joint ventures	233	(242)	N/A	Mainly due to the increase in net profit of certain associates
Expected credit losses	(814)	97	N/A	Mainly due to the impairment provision of investment assets
Finance costs	(679)	(477)	42.3%	Impact of the increase in interest on both the issuance of capital supplementary bonds and the securities sold under agreements to repurchase
Income tax	(2,498)	(765)	226.5%	Combined impact of taxable profit and deferred income tax

II. ANALYSIS OF INTERIM RESULTS

Life Insurance

(I) Business Analysis

In the first half of 2024, Sunshine Life kept pursuing value-oriented development, steadily implemented the “New Sunshine Strategy”, thereby continuously consolidating the advantage of diversified channel development and achieving initial efforts in the transformation and development of sales-force. Sunshine Life strengthened the linkage between assets and liabilities, while it also upgraded and optimized product and service system. The operation of the Company showed a positive momentum of “steady improvement” and “improving quality while maintaining stability”. In the first half of 2024, GWPs reached RMB51.76 billion, a year-on-year increase of 12.9%; the value of half year’s new business was RMB3.75 billion, a year-on-year increase of 39.9%. As of June 30, 2024, Sunshine Life had 12.35 million active customers.

1. Channel Development

In the first half of 2024, diversified channels of Sunshine Life have been coordinated and promoted, and business structure continued to optimize and business quality continued to improve. The development strategy of “One Body, Two Wings (一身兩翼)” for individual insurance channel has achieved remarkable results that the differentiated operation management model has been consolidated, and the business has grown steadily. The bancassurance channel adhered to value-oriented development, strengthened its competitive edge in the market, optimized costs and sustained healthy development.

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Individual insurance channel	13,685	10,905	25.5%
First-year premiums	3,872	3,347	15.7%
Including: long-term insurance (more than one year)	3,689	3,149	17.1%
– Including: regular premium	3,580	3,022	18.5%
– Including: single premium	109	127	(14.2%)
Including: short-term insurance (one year or below)	183	198	(7.6%)
Renewal premiums	<u>9,813</u>	<u>7,558</u>	<u>29.8%</u>

For the half year ended June 30	2024	2023	YOY
Bancassurance channel	34,013	31,060	9.5%
First-year premiums	13,581	16,337	(16.9%)
Including: long-term insurance (more than one year)	13,581	16,337	(16.9%)
– Including: regular premium	7,793	10,636	(26.7%)
– Including: single premium	5,788	5,701	1.5%
Including: short-term insurance (one year or below)	–	–	–
Renewal premiums	<u>20,432</u>	<u>14,723</u>	<u>38.8%</u>
Other channels⁽¹⁾	<u>4,058</u>	<u>3,883</u>	<u>4.5%</u>
GWPs	51,756	45,848	12.9%
First-year premiums	19,605	21,552	(9.0%)
Including: long-term insurance (more than one year)	17,838	19,838	(10.1%)
– Including: regular premium	11,745	13,946	(15.8%)
– Including: single premium	6,093	5,892	3.4%
Including: short-term insurance (one year or below)	1,767	1,714	3.1%
Renewal premiums	<u>32,151</u>	<u>24,296</u>	<u>32.3%</u>

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

(1) Individual insurance channel

In terms of individual insurance channel, we took steady development as the theme, strengthened the operating capabilities of organizations at primary level, enhanced the internal basic strength of the team, deeply cultivated the differentiated operation and management model, and optimized the operating strategy of customer segmentation, realizing the steady and improvement of “One Body (一身)” and the stabilization recovery of effective manpower. The value-oriented development model of “Two Wings (兩翼)” achieved a breakthrough, and the value contribution capability was significantly improved. In the first half of 2024, the GWPs from the individual insurance channel amounted to RMB13.69 billion, a year-on-year growth of 25.5%, of which, FYRPs amounted to RMB3.58 billion, a year-on-year growth of 18.5%.

In terms of traditional marketing sales-force, namely “One Body (一身)”, we implemented the “Strong Foundation Project (強基工程)”, strengthened the basic management and operation system, improved the operating efficiency of organizations at primary level, optimized the team structure and continuously improved the team productivity. We optimized and upgraded recruitment and training system, implemented differentiated recruitment models in different regions, consolidated the base structure and improved team retention. We further consolidated the team’s customer business capability with focus on the “three/five/seven (三/五/七)” protection scheme. In the first half of 2024, the active agents in traditional marketing sales-force increased by 1.1% year-on-year, and productivity per active agent⁽¹⁾ amounted to RMB24 thousand, a year-on-year increase of 7.8%. The number of new agents increased by 24.5% year-on-year, and productivity per active new agent amounted to RMB19 thousand, which remained a high level.

In terms of elite team, Sunshine Life focused on the customers with medium to high net worth in central cities and provincial capitals, adhered to the high quality standards of the team, continued to build an elite sales team, and strengthened the refined business capability of the customer base. The number of agents of the team has grown significantly and the productivity of the team has continued to improve. As of June 30, 2024, Sunshine Life had an elite team of 2,489 agents, representing a year-on-year increase of 45.9%, and productivity per active agent amounted to RMB69 thousand, equivalent to a year-on-year increase of 19.6%, which is 2.4 times that of the whole individual insurance team.

In terms of worksite marketing, we focused on high-quality customer base in key industries, and the value-oriented development model with Sunshine characteristics gradually made breakthroughs in key regional markets. In the first half of 2024, FYRPs increased by 42.7% year-on-year.

For the half year ended June 30	2024	2023	YOY
Average number of agents per month ⁽²⁾	52,316	55,351	(5.5%)
Average ratio of active agents per month ⁽³⁾	20.6%	18.9%	1.7pt
Productivity per capita (RMB)	<u>28,187</u>	<u>25,756</u>	<u>9.4%</u>

Note 1: The productivity per active agent 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 × a conversion coefficient + single premiums with a coverage term of more than one year × 0.1 + premiums of short-term insurance with a coverage term of one year or below × 1.0. The conversion coefficient for regular premiums with a payment term of more than one year and less than ten years can be calculated using years of payment divided by 10, and the conversion coefficient for regular premiums with a payment term of more than ten years is 1.0.

Note 2: Average number of agents per month refers to the sum of the averages of the number of agents at the beginning and at the end of each month in the period divided by 6.

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 period divided by 6; active agent refers to the agent who has standard premiums no less than RMB1,000 in that month.

(2) Bancassurance channel

In terms of bancassurance channel, we closely followed the changes of industry and customer demand, adhered to the determination of value-oriented development, strengthened the construction of professional operating system, and stabilized the market competitive advantage. We continuously optimized the business structure, reduced the liability costs, and ensured the stable business development. In the first half of 2024, the GWPs from the bancassurance channel amounted to RMB34.01 billion, a year-on-year growth of 9.5%. The bancassurance channel kept building the professional capacity of the team and enhanced the operating capability of customers as well as branches and outlets to establish a good reputation. In the first half of 2024, the productivity per active agent⁽¹⁾ amounted to RMB163 thousand and the average productivity of branches and outlets⁽²⁾ amounted to RMB74 thousand.

Note 1: The productivity per active agent refers to the ratio of average monthly first-year regular standard premiums in the reporting period to average monthly active agents; the active agents of the bancassurance channel refers to the agents whose first-year regular standard premiums in the current month are greater than RMB0.

Note 2: The average productivity of branches and outlets refers to the ratio of the average monthly first-year regular standard premiums in the reporting period to the average monthly number of active branches and outlets; the number of active branches and outlets refers to the number of branches and outlets whose average monthly first-year regular standard premiums are more than RMB0 for the month. First-year regular standard premiums=FYRPs with a term of more than one year \times a conversion coefficient. The conversion coefficient for regular premiums with a term of more than one year and less than ten years can be calculated using years of payment divided by 10, and the conversion coefficient for regular premiums with a term of more than ten years is 1.0.

(3) Other channels

We adhered to the general keynote of “pursuing progress while ensuring stability and high-quality development” in group insurance channel, telemarketing channel, online sales channel, insurance agencies and insurance brokers channel, continued to explore new models of value oriented development and improved the value contribution capacity. In the first half of 2024, the GWPs from the other channels amounted to RMB4.06 billion, a year-on-year increase of 4.5%.

2. *Customer Management*

In the first half of 2024, Sunshine Life firmly implemented the “Caring Sunshine” strategy, strengthened customer-centric ideas, continued to promote the “Matrix Plan” with focus on the “three/five/seven (三/五/七)” product system, implemented differentiated value-added services, optimized the customer classification management system and empowered precision marketing of the team. In the first half of the year, the operation of mid-to-high-end customers has improved steadily, and the number of customers with in-force policies of first-year standard premiums of RMB150,000 and higher increased by 15.3%, and the number of customers with in-force policies of first-year standard premiums of RMB50,000 and higher increased by 12.9%.

Sunshine Life continued to enrich the connotation of the “three/five/seven (三/五/七)” product system, continuously met the needs for insurance products in customers’ different life stages, enhanced the product innovation capability, made efforts to enrich product supply, and facilitated the adjustment and optimization of product structure. Sunshine Life has achieved phased results in the first half of 2024, significantly enhancing the product transformation confidence. In terms of aged care and wealth inheritance, we accelerated the layout of participating insurance products to meet customers’ differentiated savings needs. In terms of health protection, Sunshine Life launched the exclusive term critical illness insurance for children, the high-end accident medical insurance for children and the maternal and child medical insurance to meet the health protection needs of specific groups of customers’ families and further expand the coverage of customers. In terms of products supported by national policy, we enriched the supply of products such as tax-advantaged health insurance and personal pension, and promoted the policy-oriented commercial insurance to benefit more customers.

Sunshine Life always practiced the cultural concept of “making customers satisfied”, continued to strengthen the construction of “Caring Sunshine” service system. Sunshine Life solidly implemented the “three/five/seven (三/五/七)” differentiated value-added services, improved the service design capability from the customers’ perspective, and met the core service needs of customers. In terms of health services, Sunshine Life focused on solving the core pain points of customers in the process of medical treatment and rehabilitation. In terms of educational services, Sunshine Life further enriched educational product categories and customized educational products for customers. In terms of aged care services, Sunshine Life optimized elderly care products and service in long-term residence as well as tourism residence, and explored the layout of home-based aged care services. In terms of service management, Sunshine Life continuously improved the efficiency of customer service, strengthened the closed-loop management of value-added services, promoted the service mechanism of “listening to customers”, expanded and upgraded the “customer experience officer” team, and continuously improved the capability to provide straight-through services to customers.

3. Product Management

(1) Analysis by business type

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Life insurance	45,599	39,694	14.9%
– Traditional	37,501	32,914	13.9%
– Participating	8,003	6,677	19.9%
– Universal	95	103	(7.8%)
Accident insurance	259	300	(13.7%)
Health insurance	5,898	5,854	0.8%
GWPs	<u>51,756</u>	<u>45,848</u>	<u>12.9%</u>

(2) Information of the top five products

Unit: RMB in millions, except for percentages

Ranking	Name	Type	GWPs from January to June 2024	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	18,542	Bancassurance
2	Sunshine Life Insurance Zhen An Bei Zhi Whole Life (陽光人壽臻安倍致終身壽險)	Traditional life insurance	4,821	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	3,478	Individual insurance
4	Sunshine Life Insurance Jin Wen Ying C Endowment (Participating) (陽光人壽金穩盈C款兩全保險(分紅型))	Participating life insurance	2,534	Bancassurance
5	Sunshine Life Insurance Jin Wen Ying B Endowment (Participating) (陽光人壽金穩盈B款兩全保險(分紅型))	Participating life insurance	2,143	Bancassurance

4. *Premium persistency ratio*

For the half year ended June 30	2024	2023	YOY
13-month premium persistency ratio (%)	96.4	92.7	3.7pt
25-month premium persistency ratio (%)	89.8	85.6	4.2pt

The premium persistency ratio increased constantly due to the continuous optimization of business quality of Sunshine Life. The 13-month premium persistency ratio for the first half of 2024 was 96.4%, a year-on-year increase of 3.7 percentage points, while the 25-month premium persistency ratio was 89.8%, increased by 4.2 percentage points year-on-year.

5. *Premiums in the top ten regions*

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Guangdong	3,875	2,976	30.2%
Chongqing	3,339	2,917	14.5%
Shenzhen	3,319	2,926	13.4%
Zhejiang	2,678	2,378	12.6%
Hubei	2,554	2,191	16.6%
Shandong	2,480	2,081	19.2%
Beijing	2,387	2,101	13.6%
Henan	1,829	1,527	19.8%
Fujian	1,808	1,827	(1.0%)
Shanghai	1,732	1,263	37.1%
Subtotal	26,001	22,187	17.2%
Subtotals of other regions	25,755	23,661	8.9%
GWPs	51,756	45,848	12.9%

6. *Science and Technology Application*

In 2024, Sunshine Life implemented the “Technological Sunshine” strategy with a focus on the digital transformation and intelligent technology application, improving sales efficiency, optimizing customer experience and preventing and controlling operating risks.

(1) Sales empowerment

In the first half of 2024, the Company launched the “Customer Family Protection Demand Suggestion System” on the smart product “Know Your Insurance (懂你保險)”, and used OCR technology to achieve rapid evaluation of customers’ risk protection status, helping the team to better grasp the sales logic of “three/five/seven (三/五/七)” products and better meet the differentiated protection needs of customers.

Facing customers, teams and employees, the Company released the digital empowerment platform “Content Center”, and focused on three scenarios of customer management, team building and management operation, initially forming a product production system oriented to customer demand, and effectively helping the team to transform and develop.

(2) Customer service

We continued to expand the application scenario of data intelligence in the field of customer service. In the first half of 2024, “LingXi Project (靈犀項目)” focused on integrating customer attributes and customer demand tagging, effectively gaining insight into customer service needs, increasing active service contacts, forming one-stop customer service navigation, and effectively improving the one-time completion rate of customer service.

We continued to strengthen the online customer service capabilities, simplified customer operation process and improved customer experience. In the first half of the year, the Company launched and optimized 52 business functions in the “My Home Sunshine” APP, and launched the first interactive game with the theme of insurance knowledge popularization in the industry, popularizing financial knowledge and protecting consumers’ rights and interests. As at the end of June 2024, the total number of registered users of “My Home Sunshine” APP reached approximately 5.41 million, a year-on-year increase of 20.6%.

(3) Risk management and control

The Company has deepened the construction of the risk control digital platform of “Sky Eye System”. In the first half of 2024, the Company focused on the risk management and control of “two illegalities” (illegal fund-raising and illegal sales of non-insurance financial products), added 7 items, optimized 23 items, and built a cumulative online risk monitoring index of 354 items, effectively preventing the sales behavior risks and the violation risks of key positions.

(II) Profit Source Analysis

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Insurance service results	3,048	2,386	27.7%
Including: Insurance revenue	8,024	7,859	2.1%
Insurance service expenses	(4,962)	(5,467)	(9.2%)
Investment results	3,562	1,619	120.0%
Including: Total investment income ⁽¹⁾	7,228	6,589	9.7%
Other results⁽²⁾	(1,339)	(1,051)	27.4%
Profit before tax	5,271	2,954	78.4%
Income tax	(2,505)	(528)	374.4%
Net profit	<u>2,766</u>	<u>2,426</u>	<u>14.0%</u>

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

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

Insurance revenue

Insurance revenue from the life insurance segment increased by 2.1% from RMB7,859 million for the six months ended June 30, 2023 to RMB8,024 million for the six months ended June 30, 2024, primarily due to the expansion of business scale. For the six months ended June 30, 2024, the contractual service margin (CSM) release from the life insurance segment was RMB1,981 million, and the non-financial risk adjustment release was RMB237 million.

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Insurance revenue	8,024	7,859	2.1%
Non-premium allocation approach	7,153	6,817	4.9%
Premium allocation approach	<u>871</u>	<u>1,042</u>	<u>(16.4%)</u>

Insurance service expenses

Insurance service expenses from the life insurance segment decreased by 9.2% from RMB5,467 million for the six months ended June 30, 2023 to RMB4,962 million for the six months ended June 30, 2024, primarily due to a year-on-year decrease in costs related to the participating business.

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Insurance service expenses	4,962	5,467	(9.2%)
Non-premium allocation approach	4,086	4,506	(9.3%)
Premium allocation approach	<u>876</u>	<u>961</u>	<u>(8.8%)</u>

Investment results

Investment results from the life insurance segment increased by 120.0% from RMB1,619 million for the six months ended June 30, 2023 to RMB3,562 million for the six months ended June 30, 2024. Among them, total investment income from the life insurance segment increased by 9.7% from RMB6,589 million for the six months ended June 30, 2023 to RMB7,228 million for the six months ended June 30, 2024, primarily due to the year-on-year increase of interest and dividend income.

Net profit

Primarily as a result of the foregoing, net profit from the life insurance segment increased by 14.0% from RMB2,426 million for the six months ended June 30, 2023 to RMB2,766 million for the six months ended June 30, 2024.

Property and Casualty Insurance⁽¹⁾

(I) Business Analysis

In the first half of 2024, Sunshine P&C adhered to the development concept of “seeking progress amidst quality”, and solidly pushed forward the implementation of the “New Sunshine Strategy”, achieved stable growth of business, maintained good quality and continuously consolidated a solid foundation for high-quality development. The OPI was RMB24.65 billion, representing a year-on-year increase of 12.4%. The underwriting combined ratio was 99.1% with underwriting profit⁽²⁾ of RMB0.2 billion. As of June 30, 2024, the number of active customers was 19.11 million.

Unit: RMB in millions, except for percentages

For the half year ended June 30

Original premium income	2024	2023	YOY
Automobile insurance	13,290	12,876	3.2%
Non-automobile insurance	11,362	9,053	25.5%
Accident and short-term health insurance	4,344	3,081	41.0%
Liability insurance	2,140	1,612	32.8%
Guarantee insurance	1,825	1,738	5.0%
Cargo insurance	1,276	1,129	13.0%
Others ⁽³⁾	1,777	1,493	19.0%
Total	<u>24,652</u>	<u>21,929</u>	<u>12.4%</u>

Note 1: We provide property and casualty insurance products and services mainly through Sunshine P&C. In the first half of 2024, Sunshine P&C's OPI accounted for 99.93% of our OPI generated from property and casualty insurance business. Unless otherwise specified, this section shall only describe the business of Sunshine P&C.

Note 2: Underwriting profit = insurance revenue – insurance service expenses – allocation of reinsurance premiums paid + amount recovered from reinsurer – net insurance finance expenses for insurance contracts issued + net reinsurance finance income for reinsurance contracts held – changes in premium reserves.

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

Unit: RMB in millions, except for percentages

For the half year ended June 30

All types	2024	2023	YOY
Underwriting profit	203	408	(50.2%)
Underwriting expense ratio ⁽¹⁾	32.7%	33.2%	(0.5pt)
Underwriting loss ratio ⁽²⁾	66.4%	65.0%	1.4pt
Underwriting combined ratio	<u>99.1%</u>	<u>98.2%</u>	<u>0.9pt</u>

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

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

1. Business by insurance type

Unit: RMB in millions, except for percentages

For the half-year ended June 30, 2024 Insurance name	Original premium income	Insured amount	Insurance revenue	Insurance service expenses	Underwriting profit	Underwriting combined ratio
Automobile insurance	13,290	12,552,004	13,303	13,010	46	99.7%
Non-automobile insurance	11,362	66,396,027	10,154	9,620	157	98.5%
Accident and short-term health insurance	4,344	52,174,168	3,182	2,911	230	92.8%
Liability insurance	2,140	6,901,548	1,831	1,795	(50)	102.7%
Guarantee insurance	1,825	132,363	2,653	2,598	4	99.8%
Cargo insurance	1,276	2,709,453	1,149	1,195	(65)	105.6%
Others	1,777	4,478,495	1,339	1,121	38	97.2%

(1) Automobile insurance

Sunshine P&C focused on continuously deepening the application of intelligent automobile insurance mortality table (車險智能生命表)”, adhered to the business logic of the “New, Renewal and Conversion (新續轉)” for personal vehicle, optimized the customer-segmented differentiated business strategies and promoted the transformation and upgrading of channel, so that the capabilities of risk identification and precise pricing have been further enhanced, the linkage between the market strategies and customer value has been closer, and the structure of the automobile insurance has been continuously optimized. In the first half of 2024, the OPI from automobile insurance was RMB13.29 billion, representing a year-on-year increase of 3.2%. The underwriting combined ratio was 99.7%, and underwriting profit was RMB46 million. The proportion of personal vehicle premiums in automobile insurance business increased by 1.5 percentage points year-on-year. Sunshine P&C year-on-year growth of new personal vehicle premiums outperformed the industry and the renewal rate of personal vehicle insurance customers increased by 0.1 percentage point year-on-year.

In the next step, Sunshine P&C will continue to adhere to the customer-centered principle, sort out and optimize the claims process, enhance the intelligent level of claims process, effectively connect the mortality table logic with claims management, further strengthen the closed-loop operation of the automobile insurance operation and management system, and consolidate the foundation for stable profitability of automobile insurance.

(2) Non-automobile insurance

Sunshine P&C focused on the “five priorities” of technology finance, green finance, inclusive finance, pension finance and digital finance, continuously improved the quality and efficiency of serving the real economy, insisted on deepening the construction and application of non-automobile data mortality table and the implementation of “Partnership Action” model, gradually improved the capabilities of risk pricing and market development of non-automobile insurance through the application of the mortality table, continuously enriched product and service supply and continued to deepen the customer-segmented business model, therefore, the business structure and quality have been optimized, and capabilities of the non-automobile balanced development have been continuously strengthened. In the first half of 2024, the OPI of non-automobile insurance was RMB11.36 billion, representing a year-on-year increase of 25.5%. Among them, the agricultural insurance business and health insurance business increased by 38.3% and 48.5% year-on-year, respectively. The underwriting combined ratio was 98.5%, achieving underwriting profit of RMB0.16 billion.

In the next step, Sunshine P&C will focus on national strategies and policy guidance, continue to make efforts on the “five priorities”, continuously improve the quality and efficiency of risk management services, and further consolidate the foundation for the non-automobile balanced development.

Accident and short-term health insurance

Sunshine P&C actively integrated into the strategy of Healthy China (健康中國), extensively participated in social security supplementary projects in various regions, and expanded the coverage of policy-supported health insurance business. Meanwhile, based on Sunshine Insurance Group's advantages in the medical field, we have deeply promoted a professional solution of "insurance solutions + health management + technology empowerment", so as to facilitate the integration and development of social insurance and commercial insurance. We focused on the needs of specific risk groups such as law enforcement officers, veterans, the elderly, and athletes, increased the research and development of exclusive insurance products and the supply of services, continuously enhanced the protection function, and tapped the development potential in innovative fields. In the first half of 2024, the OPI of accident and short-term health insurance was RMB4.34 billion, representing a year-on-year increase of 41.0%. The underwriting combined ratio was 92.8%. The OPI of policy-supported health insurance achieved a year-on-year increase of 109.0%.

In the next step, Sunshine P&C will continue to focus on the needs of people's livelihood security services, continuously expand the coverage of accident and health insurance business and product and service supply, promote the high-quality development of inclusive insurance, and assist in the construction of a multi-level medical care system.

Liability insurance

Sunshine P&C closely followed policy directions and development trends, actively served key fields such as technological innovation, green transformation, social governance, and production safety, strengthened industrial research in the fields of new quality productive forces such as low-altitude economy and high-end equipment, strove to promote project layout and development, and gave full play to the professional advantages of insurance protection. In the first half of 2024, the OPI of liability insurance was RMB2.14 billion, representing a year-on-year increase of 32.8%, and the underwriting combined ratio was 102.7%, representing a year-on-year decrease of 0.3 percentage point.

In the next step, Sunshine P&C will continue to focus on key development fields, actively help cultivate new quality productive forces, increase efforts to serve the modernization of social governance, continuously enrich product protection systems and service innovation models, enhance risk management capabilities and continue to optimize business quality, with a view to promoting the high-quality and healthy development of liability insurance.

Guarantee insurance

Sunshine P&C continued to adhere to its prudent development strategy, actively served financing guarantee insurance's function of credit enhancement, deepened the construction of credit and guarantee insurance risk model system, continuously optimized the customer base structure, constantly enhanced capabilities of risk identification, risk pricing and differentiated resource allocation, and improved the level of pre-insurance and post-insurance risk management of business. In the first half of 2024, the OPI of guarantee insurance was RMB1.83 billion, representing a year-on-year increase of 5.0%. The underwriting combined ratio was 99.8%.

In the next step, on the basis of the State's overall requirements for inclusive finance, Sunshine P&C will continue to maintain a prudent development strategy, continue to deepen the credit and guarantee insurance risk model system, further optimize the customer base structure, and consolidate the foundation for stable operations.

Cargo insurance

Sunshine P&C continued to increase its support for import and export trade and cargo logistics industries, and continuously strengthened the embedded connection between insurance products and services such as return freight insurance and the production and living scenarios of the digital economy, thereby achieving the rapid growth of cargo insurance business. In the first half of 2024, the OPI of cargo insurance was RMB1.28 billion, representing a year-on-year increase of 13.0%. However, due to the increase in the frequency of highway cargo traffic accidents and the impact of extreme natural disasters, the underwriting combined ratio was 105.6%, representing a year-on-year increase of 0.9 percentage point.

In the next step, Sunshine P&C will continue to support the development of the digital economy industry, continuously deepen the internet platform scenario-based business cooperation, constantly strengthen business risk selection and adhere to specialised operation to promote the sustainable and healthy development of cargo insurance.

2. *Customer Management*

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

In terms of individual customers, we continued to deepen the customer-segmented differentiated business management system, strengthened information analysis and mining based on data and intelligent technology applications, optimized customer group segmentation rules, gained in-depth insight into the needs of customers, and continuously provided customers with a richer differentiated product portfolio and personalized service experience to further enhance customer stickiness. In the first half of 2024, the renewal rate of personal vehicle insurance customers⁽¹⁾ was 64.2%, representing a year-on-year increase of 0.1 percentage point. The proportion of non-automobile insurance products purchased by individual auto insurance customers reached 55.5%, representing a year-on-year increase of 7.6 percentage points.

In terms of group customers, we have continued to promote the implementation of the “Partnership Action” risk management service. In the first half of 2024, we provided technology-based loss mitigation and professional risk consulting services to 8,595 corporate customers and upgraded and created a full-scale risk management service model of “insurance + technology + service”. We integrated the risk management service ecosystem to build a more professional and simpler “hotel risk manager” industry solution. We have built an online corporate customer service platform integrating “disaster early warning, online service, and risk control and security”, which assisted corporate customers in production safety and served safety development. At the same time, we continuously accelerated the integration of scientific and technological innovation with risk management services, deeply promoted innovative technical services such as “infrared thermal imaging” and “disaster prevention Internet of Things (IoT)”, and introduced very early warning technologies based on the IoT to assist customers in improving their capabilities of risk management.

Note 1: The Company has adjusted the statics basis for indicator from 2024 as follows: renewal rate of personal vehicle insurance customers = the number of personal vehicle insurance subjects which have expired but renewed for the current year/the number of personal vehicle insurance subjects which have expired for the current year. The renewal rate for the first half of 2023 was 64.1% on the same basis.

3. Premiums in the top ten regions

Unit: RMB in millions, except for percentages

For the half-year ended June 30

Original premium income	2024	2023	YOY
Shandong	2,791	2,516	10.9%
Henan	2,554	2,001	27.6%
Hubei	2,115	1,528	38.4%
Zhejiang	1,747	1,683	3.8%
Hebei	1,663	1,557	6.8%
Guangdong	1,320	1,139	15.9%
Jiangsu	999	908	10.0%
Anhui	844	746	13.1%
Sichuan	813	827	(1.7%)
Beijing	727	756	(3.8%)
Subtotal	15,573	13,661	14.0%
Subtotal in other regions	9,079	8,268	9.8%
Total	24,652	21,929	12.4%

4. Application of Science and Technology

In 2024, Sunshine P&C solidly pushed forward the implementation of “Technological Sunshine” strategy, focused on digital information integration and intelligent technology application, upheld “underlying data reconstruction, getting through process breakpoints, and internal and external resources integration”, continued to cultivate competitive edge in insuretech, continuously improved customer experience and operational efficiency, with a view to promoting the high-quality development of the Company through data intelligence.

(1) Sales support

We adhered to fully online and smart applications to continuously enhance our digital marketing capabilities. We upgraded the mobile sales management platform “All-in-one for P&C” APP, and improved online underwriting processes such as smart quoting, policy input and information recognition to better support frontline sales staff in rapid policies generating and customers serving. We opened up the online closed-loop process for non-automobile products from quote to policy issuance, increasing efficiency in quoting for non-automobile business. We optimized the “network intelligent sales assistant”, focusing on two scenarios including Wecom operation and intelligent outbound calling to deepen smart applications, improve a digital closed-loop system for multi-functional marketing activities and enhance the per capita efficiency of telemarketing.

(2) Customer service

We adhered to a technology-driven and streamlined process to create exceptional customer experience. We integrated an online service portal for customers, and enriched and improved the self-service functions such as WeChat claim reporting, WeChat assistance, claims inquiries, and complaint mediation based on the Sunshine P&C WeChat public account (official), thereby establishing a streamlined service process. We upgraded the “One-Click Compensation” remote inspection tool for customers, embedded the AI document validity recognition feature, created a guided operational model, prioritized self-service for reporting claims, and allowed easy handling for simple cases, so as to further improve service operational efficiency. The average payment cycle for automobile insurance claims decreased by 0.9 day year-on-year.

(3) Management empowerment

We adhered to intelligent data traceability to enhance our policy-making capabilities and empower employee quality and efficiency. We established a smart claims platform, and launched a loss estimation quality evaluation model. Based on the “image recognition + machine learning + database” technology application, we intelligently identified loss, guided the loss estimation and assessment of cases, and improved our refined management capabilities in claims handling. We launched a digital smart operation platform to provide online, one-stop decision-making information support for managers at all levels and enhance our overall closed-loop operation capabilities, intelligent attribution analysis capabilities, and target execution tracking capabilities.

(II) Profit Source Analysis

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Insurance revenue	23,457	22,291	5.2%
Insurance service expenses	(22,630)	(21,336)	6.1%
Net reinsurance expenses from reinsurance contracts held ⁽¹⁾	(271)	(233)	16.3%
Net insurance finance expenses for insurance contracts issued and others ⁽²⁾	(353)	(314)	12.4%
Underwriting profit⁽³⁾	203	408	(50.2%)
Underwriting combined ratio	99.1%	98.2%	0.9pt
Total investment income ⁽⁴⁾	714	937	(23.8%)
Other income and expense, net	(488)	(293)	66.6%
Profit before tax	429	1,052	(59.2%)
Income tax	76	(238)	N/A
Net profit	505	814	(38.0%)

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

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

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

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

Insurance revenue

The insurance revenue of Sunshine P&C increased by 5.2% from RMB22,291 million for the six months ended June 30, 2023 to RMB23,457 million for the six months ended June 30, 2024, primarily due to the increase in insurance revenue resulting from the expansion of the premiums scale.

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Insurance revenue	23,457	22,291	5.2%
Automobile insurance	13,303	12,480	6.6%
Non-automobile insurance	<u>10,154</u>	<u>9,811</u>	<u>3.5%</u>

Insurance service expenses

The insurance service expenses of Sunshine P&C increased by 6.1% from RMB21,336 million for the six months ended June 30, 2023 to RMB22,630 million for the six months ended June 30, 2024, primarily due to the increase in corresponding expenses arising from the expansion of the premiums scale, as well as the increase in claim expenses due to the extreme weather.

Unit: RMB in millions, except for percentages

For the half year ended June 30	2024	2023	YOY
Insurance service expenses	22,630	21,336	6.1%
Automobile insurance	13,010	12,008	8.3%
Non-automobile insurance	<u>9,620</u>	<u>9,328</u>	<u>3.1%</u>

Underwriting profit

The underwriting profit of Sunshine P&C decreased by 50.2% from RMB408 million for the six months ended June 30, 2023 to RMB203 million for the six months ended June 30, 2024; and its underwriting combined ratio increased by 0.9 percentage point from 98.2% for the six months ended June 30, 2023 to 99.1% for the six months ended June 30, 2024. The change of underwriting profit was primarily due to the extreme natural disasters such as heavy snowstorm, freezing rain and super typhoon, which were mainly concentrated in regions with large premiums contribution.

Total investment income

The total investment income of Sunshine P&C decreased by 23.8% from RMB937 million for the six months ended June 30, 2023 to RMB714 million for the six months ended June 30, 2024, primarily due to the fluctuation of fair value of investment assets.

Net profit

Primarily as a result of the foregoing, the net profit of Sunshine P&C decreased by 38.0% from RMB814 million for the six months ended June 30, 2023 to RMB505 million for the six months ended June 30, 2024.

Asset Management

The Group upholds the philosophy of long-term value investment, fully considers the impact of the new accounting standards, and continuously optimizes the asset-liability management system. By harnessing the full-range investment qualifications and diversified investment capabilities, we maintain a clear strategic focus to develop the strategic asset allocation that aligns with the characteristics of insurance liabilities and spans across macroeconomic cycles. Furthermore, we keep enhancing our investment research capacity, and effectively improve our judgment of market trends. Meanwhile, we carry out tactical asset allocation scientifically and flexibly under the premise of strictly managing investment risks, to create long-term, stable, and sustainable investment performance for insurance funds.

(I) *Our Group's investment assets*

In the first half of 2024, by consolidating economic foundations, integrating short- and long-term macro policies, addressing both symptoms and root causes, and solidly promoting high-quality development, China's economy demonstrated a sustained recovery and improvement. However, the foundation for ongoing economic growth remained fragile, as evidenced by the blockages within the domestic economic flow and the disruptions in the international circulation. Meanwhile, the global economic growth lacked steam, with a rise in de-globalization. The complex interplay of internal and external factors has exacerbated the volatility in the capital markets. In the A-share market, opportunities for high-quality investments were relatively scarce, making high dividend-yield stocks a major focus, while government bond yields continued to trend downward. Upholding the core principle of asset-liability matching, our Group maintained a prudent risk appetite. Guided by the medium- and long-term strategic asset allocation, we dynamically optimized our tactical allocation structure in response to the changes in the market environment, endeavoring to bolster returns through various initiatives. In fixed-income investment, we maintained a reasonable level of asset-liability matching and adhered to a prudent credit risk baseline. We enhanced the allocation to long-term bonds and actively explored premium non-standard assets, tier-2 capital bonds and perpetual bonds to strengthen the yield of our core holdings. In equity investment, our Group has consistently pursued a long-term, value-oriented strategy. Since 2021, we have strategically allocated resources to high-dividend stocks and other targets with stable financial returns, thereby continuously reinforcing our core returns. At the beginning of 2024, the Group adopted a defensive equity investment strategy, which has yielded favorable results. Furthermore, in response to the challenge of asset scarcity, our Group has actively explored innovative investment types and product varieties. We continuously tracked emerging investment opportunities, including Real Estate Investment Trusts (REITs) and equity ownership plans, with the goal of diversifying and expanding our sources of investment returns. As of June 30, 2024, our Group's total investment assets reached RMB514.11 billion, representing an increase of 7.2% from the end of the previous year. The total investment income amounted to RMB8.33 billion, reflecting a year-on-year increase of 8.2%, while the comprehensive investment income reached RMB25.32 billion, representing a year-on-year increase of 87.9%.

1. *Investment portfolio*

Unit: RMB in millions, except for percentages

	June 30, 2024		Change in percentage from the end of the previous year	Change in amount from the end of the previous year
	Amount	Percentage		
Fixed-income financial assets	362,408	70.5%	1.3pt	9.2%
Term deposits	9,763	1.9%	(0.1pt)	1.8%
Bonds	279,513	54.4%	2.4pt	12.1%
Wealth management products ⁽¹⁾	47,356	9.2%	(1.0pt)	(3.4%)
Other debt investments ⁽²⁾	25,776	5.0%	0.0pt	6.9%
Equity financial assets	118,128	23.0%	1.9pt	16.6%
Stocks	68,756	13.4%	2.4pt	30.6%
Equity funds	4,666	0.9%	(0.1pt)	(5.7%)
Wealth management products ⁽¹⁾	37,422	7.3%	(0.1pt)	4.7%
Other equity investments ⁽³⁾	7,284	1.4%	(0.3pt)	(8.8%)
Investments in associates and joint ventures	9,957	1.9%	(0.3pt)	(5.0%)
Investment properties	9,157	1.8%	(0.1pt)	(1.6%)
Cash and cash equivalents and others⁽⁴⁾	14,462	2.8%	(2.8pt)	(45.8%)
Investment assets (total)	<u>514,112</u>	<u>100.0%</u>	<u>-</u>	<u>7.2%</u>

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 money market funds.

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

Note 4: Cash and cash equivalents and others mainly include cash and short-term time deposits and securities purchased under agreements to resell.

(1) By investment category

Bonds investment. Given 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, 2024, bond investments accounted for 54.4% of the total investment assets, representing an increase of 2.4 percentage points from the end of the previous year; among them, government bonds accounted for 62.5% of the bond investments, representing an increase of 3.1 percentage points from the end of the previous year. The Group continued to improve credit risk management and post-investment management system, and explored high-quality investment targets under strict risk control. Overall, the issuers of the Group's bond investments are of strong financial strength, hence, the credit risk is well managed. Approximately 99.2% of domestic bonds (excluding government bonds and policy bank bonds) held by the Group received a credit rating of AA+ or above by external rating agencies, of which, approximately 96.3% received a credit rating of AAA or above. All overseas bonds held by the Group 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, 2024, the fixed-income wealth management products held by the Group amounted to RMB47.36 billion, accounting for 9.2% of the total investment assets. 93.2% of the debt investment schemes and trust schemes we held received credit ratings of AAA. In terms of industry distribution, the underlying projects were spread across sectors including infrastructure, real property, non-banking financial services, utilities 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, sector and product selection.

Equity financial assets. As of June 30, 2024, the Group's investment in equity financial assets amounted to RMB118.13 billion, accounting for 23.0% of the total investment assets, an increase of 1.9 percentage points from the end of the previous year, of which the investment in stocks and equity funds accounted for 14.3% of the total investment assets. The Group proactively manages equity investments driven by in-depth researches, actively explores investment opportunities, and prioritizes value stocks with high dividend yield and high-quality growth stocks with sustainable performance.

(2) By investment purpose

Unit: RMB in millions, except for percentages

	June 30, 2024		December 31, 2023	
	Amount	Percentage	Amount	Percentage
Financial assets at fair value through profit or loss	135,660	26.4%	125,367	26.1%
Financial assets at fair value through other comprehensive income	327,558	63.7%	292,449	61.0%
Financial assets at amortised cost and others ⁽¹⁾	50,894	9.9%	61,936	12.9%
Investment assets (total)	<u>514,112</u>	<u>100%</u>	<u>479,752</u>	<u>100.0%</u>

Note 1: Financial assets at amortised cost and others mainly include financial assets at amortised cost, cash and short-term time deposits, term deposits, securities purchased under agreements to resell, statutory deposits, investments in associates and joint ventures and investment properties.

2. *Investment income*

Unit: RMB in millions, except for percentages

For the half-year ended June 30	2024	2023	Changes
Net investment income ⁽¹⁾	8,947	7,338	21.9%
Realised gains	(946)	(1,627)	(41.8%)
Gains or losses on changes in fair value	1,551	1,840	(15.7%)
Impairment loss on investment assets	(1,224)	143	N/A
Total investment income⁽²⁾	8,328	7,694	8.2%
Changes in other comprehensive income	16,993	5,779	194.0%
Comprehensive investment income⁽³⁾	25,321	13,473	87.9%
Net investment yield (annualised) (%)⁽¹⁾⁽⁴⁾	3.8	3.4	0.4pt
Total investment yield (annualised) (%)⁽²⁾⁽⁴⁾	3.6	3.5	0.1pt
Comprehensive investment yield (annualised) (%)⁽³⁾⁽⁴⁾	<u>7.2</u>	<u>4.9</u>	<u>2.3pt</u>

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 the 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 have been annualised.

In the first half of 2024, we achieved a net investment income of RMB8.95 billion and a total investment income of RMB8.33 billion, with an annualised net investment yield of 3.8% and an annualised total investment yield of 3.6%. We recorded a comprehensive investment income of RMB25.32 billion, with an annualized comprehensive investment yield of 7.2%, representing an increase of 2.3 percentage points over the same period last year.

(II) *Third-party assets under management*

Sunshine AMC is responsible for the entrusted management of investment assets for the Group's insurance funds. It also provides third-party clients with the professional asset management, investment advisory, and related services to facilitate the stable growth of the asset value through development of asset management issuance products and special account. As of June 30, 2024, Sunshine AMC achieved the assets under management ("AUM") amounting to RMB726.44 billion, representing a decrease of 10.2% from the end of the previous year, among which, our third-party AUM amounted to RMB286.66 billion.

Unit: RMB in millions, except for percentages

	June 30, 2024	December 31, 2023	Changes
Assets under management entrusted to			
Sunshine AMC	726,439	808,572	(10.2%)
Including: AUM entrusted by Group	439,782	397,902	10.5%
Including: AUM entrusted by third party	<u>286,657</u>	<u>410,670</u>	<u>(30.2%)</u>

In the first half of 2024, amid a complex and increasingly volatile capital market, with a continued decline in interest rates, Sunshine AMC has remained steadfast in its customer-oriented principle, and continuously enhanced its comprehensive asset management capabilities through asset allocation, investment research, risk management, and technological advancement. By innovating in products, strategies, and services, it effectively met client needs and supported the stable operation of third-party businesses. The portfolio asset management products managed by Sunshine AMC have operated steadily and the Company has actively embraced the principles of long-term and value investment, adapted to market changes and policy guidance, and appropriately adjusted the development scale to optimize the product structure and improve the development quality. Meanwhile, the debt-related business continues to play a significant role as a source of long-term funds, and effectively support the development of the real economy. It has actively expanded and promoted innovative practice specifically tailored to advance the growth of green industries. Sunshine AMC has been recognized in the IPE Global Asset Management Top 500 for two consecutive years, ranking 206th globally and 37th in China.

III. ANALYSIS ON SPECIAL ITEMS

(I) Liquidity Analysis

1. Gearing Ratio

	30 June, 2024	31 December, 2023
Gearing Ratio ⁽¹⁾	<u>88.8%</u>	<u>88.0%</u>

Note 1: gearing ratio = total liabilities/total assets

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

For the half-year ended June 30	2024	2023	Increase/ decrease
Net cash inflows from operating activities	20,342	15,823	28.6%
Net cash outflows from investing activities	(24,881)	(32,256)	(22.9%)
Net cash (outflows)/inflows from financing activities	<u>(7,704)</u>	<u>12,042</u>	<u>N/A</u>

3. *Liquidity Analysis*

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

The Company's major sources of capital include premium income, interests and dividend income, and cash inflows from the selling or maturing of investment assets, etc. The demand for working capital mainly includes the reimbursement or payment of insurance contracts, withdrawals, reductions 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 RMB14.46 billion and term deposits of RMB9.76 billion. In the case of interest loss, substantially all of the Company's term bank deposits are available. In addition, the Company's investment portfolio also provides the Company with liquidity resources to meet unforeseen cash disbursement needs. As of the end of the Reporting Period, the book value of the Company's fixed-income financial assets investment was RMB362.41 billion and the book value of equity financial assets investment was RMB118.13 billion.

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

(II) Solvency

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

As of June 30, 2024, the comprehensive solvency ratio and the core solvency ratio of the Group and each of its insurance subsidiaries were significantly higher than the regulatory requirements, and their capital positions were sufficient and sound.

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

Unit: RMB in millions, except for percentages

	June 30, 2024	December 31, 2023	Increase/ Decrease
The Group			
Core capital	83,708	73,869	13.3%
Actual capital	121,287	107,874	12.4%
Minimum capital	53,344	48,758	9.4%
Core solvency ratio (%)	157	152	5pt
Comprehensive solvency ratio (%)	227	221	6pt
Sunshine Life			
Core capital	62,205	46,615	33.4%
Actual capital	93,643	74,519	25.7%
Minimum capital	44,483	40,611	9.5%
Core solvency ratio (%)	140	115	25pt
Comprehensive solvency ratio (%)	211	183	28pt
Sunshine P&C			
Core capital	13,989	12,691	10.2%
Actual capital	20,130	18,792	7.1%
Minimum capital	8,336	7,660	8.8%
Core solvency ratio (%)	168	166	2pt
Comprehensive solvency ratio (%)	241	245	(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 June 30, 2024, bonds with a carrying value of RMB28.02 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 and bonds with a carrying value of RMB6.43 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 exchange market.

(IV) Bank Borrowings and Bonds Payable

The aggregate balance of bank borrowings of the Group as of June 30, 2024 was RMB0.18 billion, excluding the bonds issued by some subsidiaries of the Group and the securities sold under repurchase agreements of its investment business. The aggregate balance of bonds payable of the Group was RMB19.59 billion. The bonds payable by the Group are set out in Note 10 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 of RMB1.46 billion as at June 30, 2024 and a decrease in profit before tax of RMB0.84 billion for the half-year ended June 30, 2024. 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 claims of insurance policies and others. 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 June 30, 2024, 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 is entrusted to manage most of the investment assets. The Company also cooperates with professional investment management institutions such as fund companies as external managers to complete the diversified pattern of entrusted investment management. The Company sets different investment strategies and performance benchmarks through different account liability attributes and risk-return characteristics of broad asset class to enhance the stability of returns while reasonably diversifying investment risks. Under the entrusted investment management contracts entered into with Sunshine AMC, the Company guides and supervises investment managers' investment behaviors through investment guidelines, dynamic tracking, performance evaluation and other measures, and adopts targeted risk management measures according to the characteristics of different investment assets.

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

(III) Performance of Commitments

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

(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

As of December 31, 2023, the proceeds from the initial public offering of the Company were fully used, and its use was in line with the use of proceeds promised by the Company in the Prospectus. It was used for enhancing the capital bases to support the ongoing business growth of the Company. For details of the use of the proceeds from the initial public offering of the Company, please refer to the 2023 annual report published by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinosig.com) on April 25, 2024.

V. PROSPECTS

(1) Market Environment

Since this year, China's economy has made progress while maintaining overall stability, the new momentum has been accelerated to grow and the high-quality development has been solidly advanced. In the second half of 2024, China will further deepen the reform through focusing on promoting a Chinese path to modernization, intensify innovation-driven development, thoroughly explore domestic demand potential, and continuously strengthen new momentum and new advantages, therefore, the economy is expected to show a sustained recovery and positive trend. With the stable and healthy development of the economy, China's insurance industry has maintained good momentum, and the overall solvency capacity remains sufficient. In the long run, the general trend of long-term positive development of China's economy has not changed, and the insurance industry is ushering in historic opportunities for high-quality development and will play an irreplaceable and important role.

(II) Development Outlook

The Company will steadfastly promote the “New Sunshine Strategy”, continuously enhance Sunshine’s core competitiveness, and actively make efforts on the “five priorities” to promote the high-quality development and high-value growth of the Company.

In terms of life insurance, we will continue to promote the value-oriented development and model innovation of diversified channels, focusing on the unique advantages of each channel. In terms of individual insurance, we will comprehensively deepen differentiated operations and focus on team building and organization development to enhance grassroots operational capabilities. In terms of the bancassurance channel, we will strengthen and maintain our competitive advantages, continuously improve the operational capabilities of our network and the professional development of our teams and optimize business structure and channel layout. We will continue to enhance asset-liability linkage and matching management to maintain the Company’s robust operational advantages. Furthermore, we will deepen the implementation of the “three/five/seven (三/五/七)” operational system, enrich the insurance service supply system, and enhance both customer management capabilities and the professional skills of our channel teams.

In terms of property and casualty insurance, we will align with national policy directions and industry development trends, adhere to the development direction of “technology, professionalism and value” and the development idea of “seeking progress amidst quality”, create competitive advantages of stable profitability in automobile insurance and develop strong and high-quality non-automobile development model by focusing on continuous optimization of product structure and intelligent automobile insurance mortality table as well as non-automobile data mortality table and centering on the two main lines in core capability construction and fundamental capability enhancement, strengthen the leading role of technology, effectively stimulate workforce vitality, efficiently give full play to our professional advantages of insurance in precisely serving new quality productive forces, continuously enhance the quality and efficiency of serving the real economy, and further reinforce the Company’s new impetus for high-quality development.

In terms of the investment segment, we will adhere to a long-term investment strategy, focus on building investment portfolios that match the characteristics of insurance liabilities and navigate through macroeconomic cycles, and achieve stable long-term asset appreciation and effectively promote high-quality development of principal insurance business. We will focus on our principal business, insist on a philosophy of steady development, and continuously enhance our comprehensive asset management capabilities from such dimensions as products, customers and channels, thereby achieving sustained and healthy development of our third-party asset management business.

EMBEDDED VALUE

I. BACKGROUND

In order to provide investors with an additional tool to understand the Company's economic value and business results, we have prepared the results of embedded value and value of new business in accordance with the "Actuarial Practice Standard: Assessment Standard for Embedded Value of Life Insurance" published by the China Association of Actuaries in November 2016 ("CAA [2016] No. 36") (thereafter referred to as "the EV Assessment Standard"), as well as general accepted actuarial principles and relevant laws and regulations. We have engaged KPMG Advisory (China) Limited Beijing Branch to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results of embedded value and value of new business of the Company as of June 30, 2024.

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, respectively. 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.

The evaluation of embedded value and new business value is based on current assumptions, which are subject to uncertainty. The evaluation results may change significantly with changes in key assumptions. The actual experience in the future may differ from the assumptions presented in this report; therefore, investors should exercise caution when using the evaluation results for 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, 2024. These assumptions have been made on a going concern basis under the current economic and regulatory environment, and based on the Company's own experience in recent years, expectation of current and future experience, and the overall knowledge of the Chinese insurance market.

1. Risk Discount Rate

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

2. Investment Returns

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

3. Mortality

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

4. Morbidity

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

5. *Lapse and Surrender Rates*

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

6. *Expenses*

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

7. *Commission and Handling Fees*

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

8. *Policyholder Dividends*

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

9. *Tax Rate*

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

III. RESULTS OF EMBEDDED VALUE AND VALUE OF NEW BUSINESS

The tables below show the embedded value of Sunshine Insurance Group, the embedded value and value of new business of Sunshine Life as of June 30, 2024 (in RMB million):

1. *Embedded value*

Valuation Date	June 30, 2024	December 31, 2023
The adjusted net worth of Sunshine Insurance Group	71,337	66,027
The adjusted net worth of Sunshine Life	51,550	40,622
Sunshine Life's value of in-force business before cost of capital	48,820	44,691
Cost of capital	(7,512)	(6,657)
Sunshine Life's value of in-force business after cost of capital	41,307	38,033
Embedded value of Sunshine Insurance Group	112,644	104,060
Embedded value of Sunshine Life	<u>92,857</u>	<u>78,656</u>

2. *Value of half year's new business*

Valuation Date	June 30, 2024	June 30, 2023
Sunshine Life's value of half year's new business before cost of capital	4,813	4,699
Cost of capital	(1,066)	(2,020)
Sunshine Life's value of half year's new business after cost of capital	<u>3,747</u>	<u>2,679</u>

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

Valuation Date	June 30, 2024	June 30, 2023
Total of Sunshine Life	3,747	2,679
Of which: Individual insurance channel	1,342	908
Bancassurance channel	<u>2,203</u>	<u>1,677</u>

IV. ANALYSIS OF EMBEDDED VALUE MOVEMENT

The table below shows the change in the embedded value of Sunshine Insurance Group from December 31, 2023 to June 30, 2024 (in RMB million):

Items	Amount
1. Embedded value of Sunshine Life at beginning of period	78,656
2. Impact of new business	3,747
3. Expected return	2,682
4. Investment experience variance	1,840
5. Other experience variance	928
6. Methodology, Model and Assumptions change	(1,295)
7. Diversification effects	1,310
8. Capital injection/shareholder dividend	5,000
9. Others	(11)
10. Embedded value of Sunshine Life at end of period	<u>92,857</u>
11. Adjusted net worth of the Group's other business at end of period	21,094
12. Adjustment for minority shareholders' interest	(1,307)
13. Embedded value of Sunshine Insurance Group at end of period	<u><u>112,644</u></u>

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

Sensitivity tests are performed under a range of 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	41,307	3,747
Risk discount rate increased by 50 base points	39,326	3,539
Risk discount rate decreased by 50 base points	43,480	3,975
Investment returns increased by 50 base points	54,729	4,963
Investment returns decreased by 50 base points	27,842	2,523
Mortality increased by 10% (i.e. 110% of Base)	40,807	3,706
Mortality decreased by 10% (i.e. 90% of Base)	41,819	3,789
Morbidity increased by 10% (i.e. 110% of Base)	40,290	3,735
Morbidity decreased by 10% (i.e. 90% of Base)	42,342	3,759
Lapse and surrender rates increased by 10% (i.e. 110% of Base)	40,913	3,662
Lapse and surrender rates decreased by 10% (i.e. 90% of Base)	41,687	3,838
Expenses assumptions increased by 10% (i.e. 110% of Base)	<u>40,888</u>	<u>3,507</u>

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”) as of 30 June 2024 set out in the 2024 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 2024;
- Value of half year’s new business of the Sunshine Life as of 30 June 2024; 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

27 August 2024

OTHER MATTERS

I. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company or any of its subsidiaries had not purchased, sold or redeemed any of its listed securities (including sale of treasury shares (as defined in the Hong Kong Listing Rules)).

No treasury shares were held by the Company as at the end of the Reporting Period.

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 of operation. While this will constitute a deviation from code provision C.2.1 of Appendix C1 to the Hong Kong Listing Rules, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board considers that vesting the roles of chairman of the Board and chief executive officer in Mr. ZHANG Weigong is beneficial to the business prospects and operational efficiency of the Company. The balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and high-caliber individuals. The Board currently comprises five executive Directors (including Mr. ZHANG Weigong), five non-executive Directors and five independent non-executive Directors and therefore has a high level of independence. The overall strategies and other key business policies of the Group are made collectively by the Board after thorough discussion to ensure the comprehensiveness and reasonableness of decision-making. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

III. SECURITIES TRANSACTIONS

During the Reporting Period, the Company had adopted the Model Code set out in Appendix C3 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 2024 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, 2024.

VI. SUBSEQUENT EVENTS

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, 2024 will be published on the Company's website (www.sinosig.com) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

DEFINITIONS

“Board” or “Board of Directors”	the board of Directors of our Company
“Board of Supervisors”	the board of Supervisors of our Company
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018, and, if the context requires, includes its predecessors, namely CBRC and CIRC
“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 C1 to the Listing Rules
“Director(s)”	the director(s) of our Company
“Domestic Shares”	ordinary shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under PRC laws
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which have been listed and traded on the Hong Kong Stock Exchange with effect from December 9, 2022
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

“Listing”	listing of our H Shares on the Main Board
“Listing Date”	December 9, 2022, the date on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“National Financial Regulatory Administration”	The National Financial Regulatory Administration (國家金融監督管理總局), a regulatory authority formed on the basis of the former CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知)(Guo Fa [2023] No. 5) issued by the State Council on March 20, 2023, and if the context requires, includes its predecessor (i.e. CBIRC)
“Prospectus”	the prospectus of the Company dated November 30, 2022 issued in connection with the Global Offering and the Listing
“Reporting Period”	for the six months ended June 30, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC. The currency for the amounts included in this announcement, unless otherwise stated, is RMB
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	the State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Sunshine AMC”	Sunshine Asset Management Corporation Limited (陽光資產管理股份有限公司), a joint stock company established on December 4, 2012 under the laws of the PRC with limited liability, in which the Company directly and indirectly held approximately 80% equity interest as of the 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 99.9999% equity interest as of 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 of the date of this announcement
“Sunshine Surety”	Sunshine Surety Insurance Company Limited (陽光信用保證保險股份有限公司), formerly known as Sunshine Yurong Credit and Guarantee Insurance Company Limited (陽光渝融信用保證保險股份有限公司), a joint stock company established on January 11, 2016 under the laws of the PRC with limited liability, in which the Company held approximately 87.33% equity interest as of the date of this announcement
“Supervisor(s)”	the member(s) of our Board of Supervisors
“US dollars”	US dollars, the lawful currency of the United States

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

Hong Kong, August 27, 2024

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