阳光保险集团
Sunshine Insurance Group

陽光保險集團股份有限公司
Sunshine Insurance Group Company Limited

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

Stock Code: 6963

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL | CICC 中金公司 | UBS 瑞銀集團 | 建银国际 CCB International

(in no particular order)

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS | ICBC 工银国际 | 交銀國際 BOCOM International | 招银国际 CMB INTERNATIONAL

CITIC SECURITIES | 農銀國際 ABC INTERNATIONAL | CMS 招商證券國際 | 申萬宏源香港 SHENWAN HONGYUAN | 東吳證券(香港) SOOCHOW SECURITIES (HK)

(in no particular order)

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

阳光保险集团
Sunshine Insurance Group

Sunshine Insurance Group Company Limited
陽光保險集團股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**1,150,152,500 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**115,015,500 H Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**1,035,137,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$6.45 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**6963**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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申萬宏源香港 SHENWAN HONGYUAN
東吳證券(香港) SCS SOOCHOW SECURITIES (HK)

(in no particular order)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, December 5, 2022 (Hong Kong time) and, in any event, not later than Tuesday, December 6, 2022 (Hong Kong time). The Offer Price will not be more than HK$6.45 and is currently expected to be not less than HK$5.83 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, December 6, 2022 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$6.45 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$6.45.

The Overall Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$5.83 to HK$6.45) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.sinosig.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (on behalf of the Underwriters) if certain events arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" of this prospectus.

We have not been and will not be registered under the US Investment Company Act. The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered and sold in the United States, or to or for the account or benefit of any US person (as defined in Regulation S), except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the US Securities Act. The Offer Shares are being offered and sold only outside the United States to non-US persons in an offshore transaction in according to Regulation S under the US Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.sinosig.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

November 30, 2022

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.sinosig.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and a whole multiple of the numbers of Hong Kong Offer Shares set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	3,257.50	10,000	65,150.07	150,000	977,250.95	2,000,000	13,030,012.65
1,000	6,515.00	15,000	97,725.10	200,000	1,303,001.27	2,500,000	16,287,515.82
1,500	9,772.50	20,000	130,300.12	250,000	1,628,751.59	5,000,000	32,575,031.63
2,000	13,030.02	25,000	162,875.15	300,000	1,954,501.90	7,500,000	48,862,547.44
2,500	16,287.52	30,000	195,450.19	350,000	2,280,252.22	10,000,000	65,150,063.25
3,000	19,545.02	35,000	228,025.23	400,000	2,606,002.53	20,000,000	130,300,126.50
3,500	22,802.52	40,000	260,600.26	450,000	2,931,752.85	30,000,000	195,450,189.75
4,000	26,060.03	45,000	293,175.29	500,000	3,257,503.17	40,000,000	260,600,253.00
4,500	29,317.52	50,000	325,750.32	1,000,000	6,515,006.33	50,000,000	325,750,316.25
5,000	32,575.03	100,000	651,500.64	1,500,000	9,772,509.49	57,507,500(1)	374,661,726.24

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change to the expected timetable of the Hong Kong Public Offering, we will issue an announcement on the respective websites of the Company at **www.sinosig.com** and the Stock Exchange at **www.hkexnews.hk**.*

The Hong Kong Public Offering commences . . . . .9:00 a.m. on Wednesday, November 30, 2022

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . .11:30 a.m. on Monday, December 5, 2022

Application lists open[3] . . . . .11:45 a.m. on Monday, December 5, 2022

Latest time to (a) complete payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS transfer(s) and (b) to give **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Monday, December 5, 2022

Application lists close[3] . . . . .12:00 noon on Monday, December 5, 2022

Expected Price Determination Date . . . . .Monday, December 5, 2022

Announcement of the Offer Price: . . . . .Thursday, December 8, 2022

Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.sinosig.com** on or before . . . . Thursday, December 8, 2022

Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" from . . . . Thursday, December 8, 2022

H Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before[5]	Thursday, December 8, 2022
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before[6]	Thursday, December 8, 2022
Dealings in the H Shares on the Stock Exchange expected to commence at	9:00 am on Friday, December 9, 2022

Notes:

(1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.

(2) You will not be permitted to submit your application under **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process by completing payment of application money until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 5, 2022, the application lists will not open or close on that day. For further information, please refer to the section headed "How to Apply for Hong Kong Offer Shares – Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" in this prospectus.

(4) If you instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you should contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

(5) H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Friday, December 9, 2022, provided that the Global Offering becomes unconditional in all respects on or before then. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risks.

(6) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering if the final Offer Price is less than the maximum Offer Price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund checks. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund checks.

The above expected timetable is a summary only. For details of the structure of the Global Offering, and the conditions and procedures for applications for Hong Kong Offer Shares, please read "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" carefully.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at ***www.sinosig.com****, does not form part of this prospectus.*

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CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

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

We carry out our life and health insurance business mainly through Sunshine Life, offering approximately 140 products covering life insurance, health insurance and accident insurance. We carry out our property and casualty insurance business mainly through Sunshine P&C, offering over 4,000 property and casualty insurance products covering automobile insurance, accident and short-term health insurance, guarantee insurance, liability insurance, agriculture insurance and commercial property insurance. We primarily manage our insurance funds through Sunshine AMC.

- According to data published by the China Banking and Insurance Regulatory Commission ("**CBIRC**") and the Insurance Association of China, Sunshine Life ranked 12th among 91 PRC life insurance companies with a market share of 1.7% in terms of Original Premiums Income ("**OPI**") in 2020.

- According to data published by the CBIRC and the Insurance Association of China, Sunshine P&C ranked seventh among 87 PRC property and casualty insurance companies with a market share of 2.7% in terms of OPI in 2020.

- As of June 30, 2022, our Group's total investment assets amounted to RMB416,267 million. Our total investment yield was 5.8%, 6.5%, 5.4% and 4.2% (annualized) in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

We have achieved growth and development during the Track Record Period. Our GWPs increased from RMB87,907 million in 2019 to RMB101,759 million in 2021. Our net profit attributable to equity owners of the parent increased from RMB5,086 million in 2019 to RMB5,883 million in 2021. Our total assets increased from RMB332,558 million as of December 31, 2019 to RMB441,623 million as of December 31, 2021. In the six months ended June 30, 2022, our GWPs and net profit attributable to equity owners of the parent was

RMB62,952 million and RMB1,727 million, respectively. As of June 30, 2022, our total assets amounted to RMB473,637 million. In 2019, 2020, 2021 and the six months ended June 30, 2022, our return on average equity was 11.0%, 10.6%, 10.3% and 6.1% (annualized), respectively.

We have a balanced business structure consisting primarily of life and health insurance business and property and casualty insurance business.

The table below sets forth the GWPs from our life and health insurance business and property and casualty insurance business during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	37,881	43.1	44,092	47.6	49,744	48.9	35,645	56.6
Accident insurance	1,597	1.8	1,240	1.3	932	0.9	387	0.6
Health insurance	8,640	9.8	9,772	10.6	10,150	10.0	6,026	9.6
Life and health insurance business	**48,118**	**54.7**	**55,104**	**59.5**	**60,826**	**59.8**	**42,058**	**66.8**
Automobile insurance	24,613	28.0	24,103	26.0	23,176	22.7	12,504	19.9
Non-automobile insurance	15,176	17.3	13,362	14.5	17,757	17.5	8,390	13.3
Property and casualty insurance[(1)]	**39,789**	**45.3**	**37,465**	**40.5**	**40,933**	**40.2**	**20,894**	**33.2**
GWPs	**87,907**	**100.0**	**92,569**	**100.0**	**101,759**	**100.0**	**62,952**	**100.0**

(1) Including GWPs from Sunshine P&C, Sunshine Surety and intragroup transactions elimination. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs of Sunshine P&C were RMB39,671 million, RMB37,445 million, RMB40,919 million and RMB20,873 million, respectively. During the same period, the GWPs of Sunshine Surety were RMB153 million, RMB25 million, RMB14 million and RMB21 million, respectively. During the same period, the GWPs elimination of intragroup transactions were RMB35 million, RMB5 million, nil and nil, respectively.

The table below sets forth our OPI and the GWPs during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
Life and health insurance	48,118	55,104	60,826	42,058
Property and casualty insurance(1)	39,617	37,290	40,545	20,878
OPI	**87,735**	**92,394**	**101,371**	**62,936**
Life and health insurance	–	–	–	–
Property and casualty insurance(1)	172	175	388	16
Premiums ceded to us	**172**	**175**	**388**	**16**
Life and health insurance	48,118	55,104	60,826	42,058
Property and casualty insurance(2)	39,789	37,465	40,933	20,894
GWPs	**87,907**	**92,569**	**101,759**	**62,952**

(1) Including OPI from Sunshine P&C and Sunshine Surety.

(2) Including GWPs from Sunshine P&C, Sunshine Surety and intragroup transactions elimination. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs of Sunshine P&C were RMB39,671 million, RMB37,445 million, RMB40,919 million and RMB20,873 million, respectively. During the same period, the GWPs of Sunshine Surety were RMB153 million, RMB25 million, RMB14 million and RMB21 million, respectively. During the same period, the GWPs elimination of intragroup transactions were RMB35 million, RMB5 million, nil and nil, respectively.

We provide individual and institutional customers with diversified insurance products and services through our nationwide sales and service network. As of June 30, 2022, Sunshine Life and Sunshine P&C had 2,855 branches, including 68 provincial-level branches and 2,787 city-level sub-branches, county-level sub-branches and sales and service outlets, covering all provinces, municipalities and autonomous regions across the PRC, 94.3% of the prefecture-level cities, and 63.0% of the districts and counties. In addition, we have 2,083 exclusive agency ("**EA**") outlets, which further expand our business network. As of June 30, 2022, Sunshine Life had approximately 62,000 individual insurance agents and over 5,400 bancassurance salespeople, providing life and health insurance products through its 27,628 bancassurance branches and outlets. As of June 30, 2022, Sunshine P&C had approximately 44,000 individual insurance agents and approximately 15,000 in-house salespeople. As of June 30, 2022, we had a large customer base consisting of approximately 31.5 million individual customers and approximately 800,000 institutional customers.

The table below sets forth a breakdown of the GWPs of Sunshine Life by customers for the Track Record Period:

	Year ended December 31, 2019		2020		2021		Six months ended June 30, 2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Individual customers	46,292	96.2	53,531	97.1	59,207	97.3	40,968	97.4
Institutional customers	1,826	3.8	1,573	2.9	1,619	2.7	1,090	2.6
Total	**48,118**	**100.0**	**55,104**	**100.0**	**60,826**	**100.0**	**42,058**	**100.0**

The table below sets forth a breakdown of the GWPs of Sunshine Life by sales channel for the Track Record Period:

	Year ended December 31, 2019		2020		2021		Six months ended June 30, 2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Individual insurance agent channel	14,959	31.1	15,796	28.7	15,089	24.8	8,468	20.1
Bancassurance channel	26,281	54.6	32,455	58.9	39,050	64.2	29,520	70.2
Integrated channel	4,346	9.0	4,196	7.6	3,914	6.4	1,715	4.1
Other channels[1]	2,532	5.3	2,657	4.8	2,773	4.6	2,355	5.6
Total	**48,118**	**100.0**	**55,104**	**100.0**	**60,826**	**100.0**	**42,058**	**100.0**

(1) Other channels include the group insurance channel, online sales channel, insurance agencies and insurance brokers channel.

The table below sets forth a breakdown of the OPI of Sunshine P&C by customers for the Track Record Period:

	Year ended December 31, 2019		2020		2021		Six months ended June 30, 2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Individual customers	30,026	76.0	26,729	71.7	28,792	71.0	13,968	67.0
Institutional customers	9,475	24.0	10,541	28.3	11,739	29.0	6,889	33.0
Total	**39,501**	**100.0**	**37,270**	**100.0**	**40,531**	**100.0**	**20,857**	**100.0**

The table below sets forth a breakdown of the OPI of Sunshine P&C by sales channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Agency sales channel	**27,101**	**68.6**	**27,183**	**72.9**	**29,380**	**72.5**	**14,491**	**69.5**
– Individual insurance agents	12,929	32.7	15,520	41.6	16,694	41.2	8,807	42.2
– Sideline insurance agencies	4,402	11.2	3,861	10.4	3,466	8.6	1,745	8.4
– Specialized insurance agencies	9,770	24.7	7,802	20.9	9,220	22.7	3,939	18.9
Direct sales channel	**10,731**	**27.2**	**8,195**	**22.0**	**8,588**	**21.2**	**5,193**	**24.9**
Insurance brokers channel	**1,669**	**4.2**	**1,892**	**5.1**	**2,563**	**6.3**	**1,173**	**5.6**
Total	**39,501**	**100.0**	**37,270**	**100.0**	**40,531**	**100.0**	**20,857**	**100.0**

The table below sets forth the expense ratio, loss ratio and combined ratio of Sunshine P&C's insurance business for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(%)	*(%)*	*(%)*	*(%)*
Expense ratio(1)	43.2	42.3	38.5	34.5
Loss ratio(2)	56.8	58.4	66.6	64.3
Combined ratio(3)	100.0	100.7	105.1	98.8

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

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

(3) Combined ratio refers to the sum of the loss ratio and the expense ratio.

The combined ratio of Sunshine P&C exceeded 100% in 2020, primarily because the combined ratio of Sunshine P&C's non-automobile insurance exceeded 100% in 2020. The combined ratio of Sunshine P&C exceeded 100% in 2021, primarily because the combined ratio of Sunshine P&C's automobile insurance exceeded 100% in 2021.

In 2020, the increase in the loss ratio of Sunshine P&C's insurance business was caused by the increase in the loss ratio of both automobile insurance products and non-automobile insurance products. Specifically, the increase in the loss ratio of automobile insurance products was primarily due to the nationwide implementation of the unified personal injury compensation standard for urban and rural residents, which stipulated that the personal injury compensation for rural residents shall follow the standard for urban residents, resulting in a significant increase in claim payments for in-force insurance policies. The increase in the loss ratio of non-automobile insurance products was primarily due to the impact of the COVID-19 pandemic, which affected the short-term repayment capacity of Sunshine P&C's customers of guarantee insurance, resulting in a year-on-year increase in net claim payments.

In 2021, the increase in the loss ratio of Sunshine P&C's insurance business was mainly caused by the increase in the loss ratio of automobile insurance products. The increase in automobile insurance products' loss ratio was primarily due to (i) the impact of the comprehensive reform of automobile insurance industry launched by the CBIRC in September 2020, which led to lower premium per unit, but contributed to a significant improvement on the degree and scope of risk protection for automobile insurance customers; and (ii) the enlarged losses and claims caused by the catastrophic floods in Henan Province in 2021.

In the six months ended June 30, 2022, the loss ratio of Sunshine P&C's insurance business was improved, primarily due to the decrease in the loss ratio of automobile insurance products, liability insurance products and commercial property insurance products. In terms of automobile insurance products, we continuously optimized the "intelligent life table for automobile insurance (車險智能生命表)" through big data and AI algorithms to continuously improve our pricing capabilities and to enhance our capability of responding to the comprehensive reform of the automobile insurance industry and streamlining business opportunities. Specifically, based on traditional actuarial pricing system, we enhanced risk assessment in relation to automobile insurance products with the help of big data analysis of automobile-related information, such as the brand and price of the automobiles and the number of claims made in recent three years. With improved risk assessment, we enhanced capabilities of pricing and streamlining business opportunities as we adopted relatively competitive pricing strategies for automobile insurance products with relatively low risks while we strictly controlled the pricing for products with relatively high risks. In terms of non-automobile insurance products, we strive to enhance our capabilities in relation to risk identification and pricing. We set detailed rules for evaluating and adjusting ultimate loss ratios and enhance precise pricing for different products, industries and regions. Specifically, we have internal policies and rules such as *the Rule for Adjusting Ultimate Loss Ratios (終極賠付率調整規則)* that set mechanisms to evaluate ultimate loss ratios based on the risk assessment of different products, industries and regions, taking into consideration risk factors such as the claim settlement history and significant claims in relation to different products, industries and regions. Also, seasonality contributed to the improvement of loss ratio in the six months ended June 30, 2022, as severe natural disasters occurred in 2020 and 2021 while none in the six months ended June 30, 2022.

The table below sets forth a breakdown of the combined ratio[1] of Sunshine P&C's insurance business by product for the Track Record Period:

	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
	(%)	*(%)*	*(%)*	*(%)*
Automobile insurance	**97.1**	**97.8**	**112.7**	**97.1**
Commercial automobile insurance	101.1	101.9	113.0	96.4
Compulsory automobile insurance	88.6	89.4	112.1	98.1
Non-automobile insurance	**106.4**	**106.2**	**93.9**	**101.7**
Guarantee insurance	105.9	101.9	80.3	102.0
Accident and short-term health insurance	96.7	100.7	97.4	94.7
Liability insurance	112.3	115.9	104.1	103.0
Commercial property insurance	152.8	150.3	140.7	109.7
Agricultural insurance	124.1	144.8	122.0	113.1
Others[2]	105.7	115.1	122.3	117.6

(1) Combined ratio refers to the sum of the loss ratio and the expense ratio.

(2) Others mainly include engineering insurance, cargo insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

The combined ratio of Sunshine P&C's automobile insurance exceeded 100% in 2021, mainly because the loss ratio of our automobile insurance experienced a significant increase in 2021, primarily due to (i) lower premiums per unit resulted from the comprehensive reform of automobile insurance industry launched by the CBIRC in September 2020; and (ii) the enlarged losses and claims caused by the catastrophic floods in Henan Province in 2021.

The combined ratio of Sunshine P&C's non-automobile insurance exceeded 100% in 2019, 2020 and the six months ended June 30, 2022, mainly because the combined ratios of guarantee insurance, liability insurance, commercial property insurance, agricultural insurance and other property insurance exceeded 100% in 2019, 2020 and the six months ended June 30, 2022, primarily due to (i) the outbreak and recurrence of the COVID-19 pandemic, which materially affected the short-term repayment capacity of our customer base from guarantee insurance; (ii) the relatively high regional concentration risk of our commercial property insurance and agricultural insurance with relatively low risk dispersion; and (iii) the occurrence of natural disasters such as typhoons in 2020, flooding in south China in 2020, catastrophic floods in Henan Province and typhoon In-fa in 2021. The combined ratios of non-automobile insurance generally represented a decreasing trend during the Track Record Period, except for the guarantee insurance which is more susceptible to the recurring COVID-19 pandemic and adverse macro factors.

Combined ratio refers to the sum of the loss ratio and the expense ratio. It is the indicator of a P&C insurance company's underwriting profitability. The financial profit or loss of a P&C insurance company can be affected by many factors, such as investment income, other operating income and expenses, non-operating income and expenses, and income tax expense, among others, in addition to underwriting profit or loss. Therefore, a combined ratio of over 100% only indicates underwriting loss, but not definite financial loss.

After more than ten years of growth and development, we believe that we have become an influential brand in the PRC insurance industry. Our reputation has in turn contributed to the competitive edge of our business. As of June 30, 2022, we ranked among the Top 500 Chinese Enterprises (中國企業500強) announced by the China Enterprise Confederation (中國企業聯合會) for the 11th consecutive year, and, for the tenth consecutive year, we were recognized as one of China' 500 Most Valuable Brands (中國500最具價值品牌) by the World Brand Lab (世界品牌實驗室). We believe that our healthy growth trajectory, comprehensive, balanced and competitive insurance business, continuous innovation and reform, outstanding asset management capabilities and technological capabilities, inspiring corporate culture and our professional talent will enable us to maintain our market leadership, capture the opportunities brought by the demand for high-quality insurance products and services in the PRC, and create value for our customers, shareholders, employees and partners.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and position us for continued growth:

- We have developed into an outstanding large, privately owned insurance group with a healthy growth trajectory and distinguished brand

- Focusing on insurance as our core business, we strive to create value and maintain a comprehensive, balanced and competitive insurance business

- We have become one of industry pioneers by driving our business with innovation

- We have a strong asset management capability supported by our asset allocation strategy and professional talent

- By building a robust insurance ecosystem, we strive to serve our customers with scenario-based products and solutions

- Capitalizing on the power of technology, our digital transformation empowers our business

- Guided by our entrepreneurship and inspiring corporate culture, we have a balanced shareholding structure, well-established corporate governance and a team of experienced professional talent led by our visionary management

See "Business — Our Strengths."

OUR STRATEGIES

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

- Individual customer strategy: to provide our individual customers with high-quality, customized and comprehensive services in accordance with their family's structure and life stages

- Institutional customer strategy: to serve enterprises as their trusted risk management partner

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

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

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

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

See "Business — Our Strategies."

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary of financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this prospectus. The summary financial data set out below should be read together with our consolidated financial statements, the related notes and the section headed "Financial Information" to ensure its completeness. Consolidated financial information is prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in millions)		
GWPs	87,907	92,569	101,759	55,072	62,952
Net premiums earned	**82,003**	**90,777**	**97,282**	**50,298**	**59,662**
Total revenues	**100,837**	**115,059**	**119,969**	**61,372**	**69,396**
Total benefits, claims and expenses	**(95,753)**	**(108,641)**	**(114,244)**	**(59,738)**	**(67,746)**
Profit before tax	**5,084**	**6,418**	**5,725**	**1,634**	**1,650**
Net profit	**5,151**	**5,681**	**6,020**	**1,828**	**1,791**
Attributable to:					
Equity owners of the parent	5,086	5,619	5,883	1,772	1,727
Non-controlling interests	65	62	137	56	64

During the Track Record Period, we achieved continued growth in our GWPs. The growth in our life insurance business was primarily driven by an increase in premium from traditional life insurance products and health insurance products as a result of the continuous optimization of business portfolio. The overall growth in our property and casualty business was primarily driven by our continuous enhancement in risk identification and pricing and our improving capabilities under non-automobile insurance business.

Our net profit increased by 10.3% from RMB5,151 million in 2019 to RMB5,681 million in 2020, primarily due to the increase in net premiums earned and investment income, partially offset by the increase in changes in long-term life insurance contract liabilities. Our net profit increased by 6.0% from RMB5,681 million in 2020 to RMB6,020 million in 2021, primarily due to the increase in net premiums earned and decrease in other operating and administrative expenses, partially offset by the increase in claims incurred and Life insurance death and other benefits paid. Our net profit decreased by 2.0% from RMB1,828 million in the six months ended June 30, 2021 to RMB1,791 million in the six months ended June 30, 2022, primarily due to the increase in life insurance death and other benefits paid and changes in long-term life insurance contract liabilities and decrease in investment income, partially offset by the increase in net premiums earned.

See "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss."

Summary of Consolidated Statements of Financial Position Data

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Total assets	**332,558**	**406,494**	**441,623**	**473,637**
Total liabilities	**281,415**	**349,547**	**382,407**	**417,931**
Net assets	**51,143**	**56,947**	**59,216**	**55,706**
Equity				
Attributable to equity owners of the parent	49,969	55,796	58,008	54,501
Non-controlling interests	1,174	1,151	1,208	1,205
Total Equity	**51,143**	**56,947**	**59,216**	**55,706**

Our net assets increased by 11.3% from RMB51,143 million as of December 31, 2019 to RMB56,947 million as of December 31, 2020, primarily due to the increases in net profit and other comprehensive income, partially offset by dividends declared and distributed. Our net assets increased by 4.0% from RMB56,947 million as of December 31, 2020 to RMB59,216 million as of December 31, 2021, primarily due to an increase in net profit, partially offset by decreases in other comprehensive income and dividends declared. Our net assets decreased by 5.9% from RMB59,216 million as of December 31, 2021 to RMB55,706 million as of June 30, 2022, primarily due to a decrease in other comprehensive income and dividends declared for the year 2021. Our total assets increased to RMB473,637 million as of June 30, 2022 from RMB441,623 million as of December 31, 2021, primarily due to an increase in investment assets as a result of the growth of our insurance business.

See "Financial Information — Discussion of Selected Combined Financial Position Information."

Summary of Consolidated Statements of Cash Flows Data

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in millions)		
Net cash inflows from operating activities	27,829	39,167	44,573	19,923	21,842
Net cash (outflows)/inflows from investing activities	(15,801)	(55,969)	(4,686)	3,496	(39,753)
Net cash inflows/(outflows) from financing activities	(9,842)	17,454	(26,363)	(23,879)	4,054
Effects of foreign exchange rate changes	5	(75)	(64)	(73)	59
Net increase/(decrease) in cash and cash equivalents	2,191	577	13,460	(533)	(13,798)
Cash and cash equivalents at the beginning of the year	9,054	11,245	11,822	11,822	25,282
Cash and cash equivalents at the end of the year	**11,245**	**11,822**	**25,282**	**11,289**	**11,484**

The net cash outflows from investing activities increased from RMB4,686 million as of December 31, 2021 to RMB39,753 million for the six months ended June 30, 2022, primarily due to our purchases of investments, partially offset by our disposals of investments and interest received. In the six months ended June 30, 2022, we had net cash inflows from financing activities of RMB4,054 million, primarily due to a net increase in securities sold under agreements to repurchase, partially offset by repayment of asset-backed securities.

See "Financial Information — Liquidity and Capital Resources."

SELECTED RATIOS

The following table sets forth our key ratios for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2022 (annualized)	Regulatory Requirements[6]
The Group					
Return on average equity[1]	11.0%	10.6%	10.3%	6.1%	N/A
Return on average assets[2]	1.6%	1.5%	1.4%	0.8%	N/A
Net investment yield[3]	5.8%	5.2%	4.6%	4.3%	N/A
Total investment yield[4]	5.8%	6.5%	5.4%	4.2%	N/A

	C-ROSS phase I rules			C-ROSS phase II rules		
	As of December 31,			As of December 31,	As of June 30,	
	2019	2020	2021	2021[7]	2022	Regulatory Requirements
Core solvency ratio[5]						
The Group	208%	205%	197%	161%	144%	≥50%
Sunshine Life	195%	188%	175%	138%	120%	≥50%
Sunshine P&C	173%	194%	181%	156%	157%	≥50%
Sunshine Surety	1,172%	389%	760%	285%	287%	≥50%
Comprehensive solvency ratio[5]						
The Group	235%	229%	223%	218%	200%	≥100%
Sunshine Life	215%	206%	189%	191%	172%	≥100%
Sunshine P&C	227%	248%	267%	235%	242%	≥100%
Sunshine Surety	1,172%	389%	760%	285%	287%	≥100%

(1) Return on average equity equals net profits for the period attributable to equity owners of the parent divided by the average total net assets attributable to equity owners of the parent as of the beginning and end of the period.

(2) Return on average assets equals net profits for the period divided by the average total assets as of the beginning and end of the period.

(3) 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, share of profits and losses of associates and joint ventures, operating lease income from investment properties, interest revenue from securities purchased under agreements to resell and demand deposits. Investment assets refer to cash and short-term deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, fixed-term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, policy loans, investments in associates and joint ventures, statutory deposits and investment properties.

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

(5) Core solvency ratio is the ratio of the core capital to the minimum capital of an insurance company. Comprehensive solvency ratio is the ratio of the actual capital to the minimum capital of an insurance company. Core solvency ratio and comprehensive solvency ratio as of December 31, 2019, 2020 and 2021 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (Nos 1-17) (《保險公司償付能力監管規則(1-17號)》) ("**C-ROSS Phase I Rules**") published by the former CIRC in February 2015, which took effect on January 1, 2016 and expired on January 1, 2022. Core solvency ratio and comprehensive solvency ratio as of June 30, 2022 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》) ("**C-ROSS Phase II Rules**" or "**Rules II**") published by the CBIRC in December 2021, which has been implemented beginning with the quarterly solvency report for the first quarter of 2022.

(6) There is no regulatory requirement for return on average equity, return on average assets, net investment yield and total investment yield.

(7) The Group, Sunshine Life, Sunshine P&C and Sunshine Surety restated the comprehensive solvency ratio and core solvency ratio as of December 31, 2021 based on the C-ROSS phase II rules and relevant policies. Such data is unaudited and the calculation took into account factors that include our Company's judgment on the industry's growth rate, among others.

Under the C-ROSS Phase I Rules, the changes in the core solvency ratio and the comprehensive solvency ratio of our Group during the years ended December 31, 2019, 2020 and 2021 were mainly due to the growth of our insurance business and dividends distributed. The changes in the core solvency ratio and the comprehensive solvency ratio of Sunshine Life during the years ended December 31, 2019, 2020 and 2021 were mainly due to the growth of our insurance business, dividends distributed and the redemption of capital supplementary bonds. The changes in the core solvency ratio and the comprehensive solvency ratio of Sunshine P&C during the years ended December 31, 2019, 2020 and 2021 were mainly due to the changes in our business portfolio and investment return, dividends distributed and the issue of capital supplementary bonds. The changes in the core solvency ratio and the comprehensive solvency ratio of Sunshine Surety during the years ended December 31, 2019, 2020 and 2021 were mainly due to the changes in net profit and liability. While the changes in Sunshine Surety's solvency ratios appeared to be strong due to its relatively small scale, the actual impact of such changes on the solvency ratios of our Group was insignificant.

Under the C-ROSS Phase II Rules, the core solvency ratio and the comprehensive solvency ratio of our Group and each of our insurance subsidiaries decreased as of June 30, 2022 as compared to those as of December 31, 2021 calculated under the C-ROSS Phase I Rules, mainly due to the implementation of the C-ROSS phase II rules, the capital markets volatility, the growth of our life and health insurance business and the decline of interest rate in solvency reserve valuation. See "Financial Information — Liquidity and Capital Resources — Solvency Ratios" for details.

During the Track Record Period, the solvency ratios of our Group and each of our insurance subsidiaries had met the minimum regulatory requirements.

The return on average equity, return on average assets, net investment yield and total investment yield are primarily determined by the general conditions of the capital markets, and are affected by our asset allocation adjustments.

The table below sets forth the embedded value of Sunshine Life as of the dates indicated:

	As of December 31, 2021	**As of June 30, 2022**
	(RMB in millions)	
Embedded value	72,755	74,624

The table below sets forth the embedded value of the Group as of the dates indicated:[1]

	As of December 31, 2021	**As of June 30, 2022**
	(RMB in millions)	
Embedded value	93,776	92,924

(1) The embedded value of the Group includes the embedded value of Sunshine Life and the adjusted net assets of the Group and its subsidiaries other than Sunshine Life, including the net assets attributable to equity owners of the parent and the adjusted market value of related assets.

RECENT DEVELOPMENT

Since 2022, our Group kept the momentum of stable growth in premiums. Our GWPs increased by 10.1% from RMB77,927 million for the nine months ended September 30, 2021 to RMB85,818 million for the nine months ended September 30, 2022. Our net written premiums increased by 10.0% from RMB75,169 million in the nine months ended September 30, 2021 to RMB82,676 million in the nine months ended September 30, 2022. For our life insurance business, we commit to continuously enhance the sales productivity by building an increasingly specialized and professional sales force. For our property and casualty insurance business, we continue to improve capabilities in relation to risk identification and pricing. In the nine months ended September 30, 2022, our property and casualty insurance business has recorded underwriting profits. Our net profit decreased from RMB4,201 million in the nine months ended September 30, 2021 to RMB3,617 million in the same period of 2022, mainly because our investment income in the nine months ended September 30, 2022 was negatively affected by the capital market volatility in 2022. As a result, we expect to have lower net profit in 2022 than in 2021.

Our total assets increased by 8.4% from RMB441,623 million as of December 31, 2021 to RMB478,859 million as of September 30, 2022. Our equity attributable to equity owners of the parent slightly decreased from RMB58,008 million as of December 31, 2021 to RMB54,082 million as of September 30, 2022, while our total equity decreased from RMB59,216 million as of December 31, 2021 to RMB55,327 million as of September 30, 2022.

The comprehensive solvency ratio and the core solvency ratio of Sunshine Life and Sunshine P&C under the C-ROSS Phase II Rules as of September 30, 2022 remained relatively stable as compared to those as of June 30, 2022. The comprehensive solvency ratio of Sunshine Life and Sunshine P&C as of September 30, 2022 was 170% and 239%, respectively, and the core solvency ratio of Sunshine Life and Sunshine P&C as of the same date was 114% and 152%, respectively. Both comprehensive solvency ratio and core solvency ratio of Sunshine Surety under the C-ROSS Phase II Rules amounted to 331% as of September 30, 2022, respectively. The solvency ratios of each of our insurance subsidiaries as of September 30, 2022 had met the minimum regulatory requirements.

Our unaudited interim financial information for the nine months ended September 30, 2022 disclosed in this prospectus has been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022.

Recent Regulatory Developments

Recent development in the PRC regulations in relation to the insurance industry primarily includes:

- The Guiding Opinions on the Implementation of the Comprehensive Reform of Automobile Insurance (關於實施車險綜合改革的指導意見 ("**Guiding Opinions**")) promulgated by the CBIRC on September 2, 2020 and implemented on September 19, 2020. The Guiding Opinions set stage goals including reducing prices, increasing coverage and improving the quality of automobile insurance. Affected by the comprehensive reform of automobile insurance in the PRC's property and casualty insurance industry, the average premiums per vehicle declined significantly across the industry, mainly because the comprehensive reform of automobile insurance enables lower premiums per unit and set the long-term goal of adjusting the expense ratio to 25% or below. Such changes also caused the decline of our expense ratio and the increase of our loss ratio in our automobile insurance business during the Track Record Period;

- The Regulatory Rules on the Solvency of Insurance Companies (II) (保險公司償付能力監管規則(II) ("**Rules II**")) issued on December 30, 2021. The major updates in Rules II include guiding the insurance industry to focus on its main business, enhancing the quality and efficiency of the insurance industry in serving the real economy, effectively preventing and resolving insurance risks, lowering the default risk factor of overseas reinsurance counterparties, giving preferential treatment in terms of capital requirements and actual capital to branches or subsidiaries set up in China by insurance institutions of foreign countries and regions, if their solvency regulatory systems are qualified as equivalent to China' s solvency regulation, so as to reduce cross-border transaction costs, comprehensively revising the risk management standards of insurance companies to provide clearer standards, issuing new capital planning regulatory rules, extending the disclosure content of insurance companies' solvency information and increasing the disclosure requirements for major issues, management analysis and discussion. The CBIRC officially published Rules II on December 30, 2021. The insurance industry shall begin to implement the Rules II from the 2022 Q1 Solvency Quarterly Report. Under Rules II, the Group and its insurance subsidiaries' core solvency ratios and comprehensive solvency ratios as of June 30, 2022 decreased as compared to those as of December 31, 2021 calculated under the C-ROSS Phase I Rules, which was in line with the industry trend. See "Financial Information — Liquidity and Capital Resources — Solvency Ratios" for details;

- The Measures for Traceable Management of Insurance Sales (Draft for Comment) (保險銷售行為可回溯管理辦法(徵求意見稿)) ("**Measures for Traceable Management**") published on June 10, 2021. The Measures for Traceable Management stated that insurance institutions shall, according to the requirements for different sales activities (face-to-face sales, online sales or telesales), record and keep the key insurance sales process through audio and video, or other technical means, so as to ensure that sales activities can be replayed, and important information is accessible. In the case of any complaint or legal action filed by any customer or any other dispute, such audio-visual materials shall be retained for at least three years after the resolution of such dispute. We have adopted dual recording management measures, guidance and trainings to implement the Measures for Traceable Management without significant cost or interruption of business;

- The Administrative Measures for Individual Insurance Sales Activities Management (Draft for Comment) (人身保險銷售行為管理辦法(徵求意見稿)) ("**Administrative Measures**") issued on April 15, 2022. The Administrative Measures focus on the pre-sale, in-sale and after-sale activities related to the life and health insurance. Pursuant to the Administrative Measures, insurance institutions shall establish and implement a grading management system for sales personnel and manage them in a graded manner, enhance the integrity management of the sales personnel, and differentially authorize the products that can be sold by insurance personnel based on their grading and the classification of insurance products. The CBIRC has not yet released the official version as of the Latest Practicable Date. We plan to continually optimize our management framework and operational process in terms of grading management for salespeople, integrity management and differentiated authorization. We expect that the implementation of the Administrative Measures may have an adverse impact on the productivity of some of our individual insurance agents in the short term. However, we believe that such regulatory change will not have a material adverse impact on our business operations;

- The Regulations on the Management of Insurance Asset Management Companies (保險資產管理公司管理規定) ("**the New Regulations**") issued on July 28, 2022. The New Regulations adds a special chapter on corporate governance, puts forward specific requirements comprehensively over risk management system, improves the design of ownership structure, optimizes business principles and related requirements, and adds on supervisory measures and constraints for violations.

See "Regulatory Overview — Risk and Solvency Management — China Risk-Oriented Solvency System (C-ROSS)," "Regulatory Overview — Insurance Agents and Insurance Brokers — Management of Insurance Sales" and "Regulatory Overview — Market Behaviors — Insurance Clauses and Premium Rates" for details.

In light of the recent regulatory changes, we have implemented relevant internal control measures to ensure compliance with the aforementioned draft measures and regulations. See "Business — Potential Impact of the Recent Regulatory Changes" for details. As of the Latest Practicable Date, we had not received any inquiries, investigations or administrative penalties from relevant competent authorities in relation to the aforementioned regulatory changes.

Taking into consideration of the opinion of our PRC Legal Advisor, our Directors are of the view, which the Joint Sponsors concur, that, except for (i) the premiums from our automobile insurance business declined and the loss ratio increased and (ii) under the Rules II, our core solvency ratio and comprehensive solvency ratio as of June 30, 2022 decreased as compared to those as of December 31, 2021 calculated under the C-ROSS Phase I Rules, the aforementioned Guiding Opinions or Rules II, and the Measures for Traceable Management, Administrative Measures or the New Regulations, assuming they were applicable and have come into effect in current forms, will not have material adverse impacts on the insurance industry and our Group's operational and financial performance, on the basis that: (i) we have been closely monitoring the regulatory changes and have taken measures to modify and improve our internal procedures, and (ii) we will continue to monitor the regulatory changes and seek guidance from the relevant regulators to ensure continuous compliance with relevant regulations.

IMPACT OF THE COVID-19 PANDEMIC

Since the beginning of 2020, the COVID-19 pandemic has materially and adversely affected the global economy. To deal with the COVID-19 outbreak, the PRC government imposed measures including travel and public transportation restrictions, lockdowns, social distancing measures, restrictions on group gathering and mandatory quarantine. These measures may cause general uncertainties and short-term impacts on our offline business activities, financial condition and operational management. For example, we consider that COVID-19 may have restricted the offline activities of our individual insurance agents, which may have affected our life and health insurance business. Specifically, the first-year regular premiums ("**FYRPs**") generated through the individual insurance agent channel decreased from RMB3,974 million in 2019 to RMB2,749 million in 2021, and further to RMB1,802 million in the six months ended June 30, 2022. In terms of our property and casualty insurance business, the COVID-19 pandemic adversely affected sales in the automobile industry in the PRC, which we believe has affected our automobile insurance business to a certain extent. In 2020, 2021 and for the six months ended June 30, 2022, claims arising from products with explicit COVID-19 related liability, such as COVID-19 extended liability insurance and Personal Care Insurance (關愛保), amounted to RMB15.6 million, RMB0.84 million and RMB43.91 million, respectively, representing 0.05%, 0.003% and 0.26% of our claim expenses for the same periods. In addition, we believe that the economic turmoil and significant volatility in the PRC and international financial markets caused by the COVID-19 pandemic, coupled with lower interest rates, have put pressure on our investment performance to a certain extent.

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of the PRC, including the infections caused by the Omicron variants in early 2022. With varying levels of temporary restrictions and other measures reinstated in such regions to contain the infections, our offline management, operations and business activities in these regions may be adversely affected when these restrictive measures are in force, under which the attendance, training, business development and recruiting of our insurance agents through the individual insurance agent channel are affected. For example, a wave of infections caused by the Omicron variants emerged in Shanghai in early 2022, and a series of public policies were implemented to contain the spread. Some of our bancassurance branches and outlets in Shanghai were temporarily closed, pending the development of the COVID-19 situation which is uncertain. The development of our life and health insurance business through the bancassurance channel is also affected by the decrease in customers due to the suspension of business of some of our bancassurance branches and outlets pursuant to regulations. The emergence of such regional instances, the potential spread in other areas in which we operate and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations.

In response, we have taken prompt measures to mitigate these effects, including the top-down implementation of a Group-wide business plan based on our expectations about the pandemic, as well as remote working arrangement. We mitigated adverse impacts from the COVID-19 pandemic through online sales, operation and service offering. We have also established a corresponding pandemic management system, under which all departments collaborated and responded promptly to regional needs, provided policy and materials support, IT and technology support and secured continuous business operations. During the Track Record Period and up to the Latest Practicable Date, the COVID-19 pandemic did not have any material adverse impact on our business, financial condition and results of operations.

Despite the overall challenges posed by the COVID-19 pandemic, we believe that changes in perception and consumption habits brought about by the COVID-19 pandemic have a positive impact on our business. For example, such changes include the increasing public health awareness and demand for new insurance products (e.g., short-term health insurance covering COVID-19 liability), and the decreased number of reported automobile insurance claims due to reduced travel intentions of the general public (e.g., compared to the same period in 2019, the number of reported automobile insurance claims for the period from February to March in 2020 decreased by 40.4%). However, such changes associated with the COVID-19 pandemic may be non-recurring and non-sustainable. Our Directors are of the view that national or global economic downturns resulting from the outbreak (or any escalation of outbreak, in particular, any new variant of the coronavirus) may potentially result in declining demands for insurance consumption due to decreased income of residents. This will in turn have a negative impact on the implementation of our strategy and may materially and adversely affect our business, financial condition and results of operations. Given the abovementioned impact of the COVID-19 pandemic on our historical performance, future outbreaks may result in lower GWPs generated through the individual insurance agent channel, primarily due to restrictions on our offline sales and business activities. We may also experience increased claims for COVID-19 related insurance products. Although we cannot accurately predict the forthcoming movement of the COVID-19 pandemic, we will continuously monitor the COVID-19 situation as well as relevant regulatory and administrative measures adopted by local governments and evaluate any potential impact of the COVID-19 pandemic to adjust our precautionary measures accordingly.

FUTURE PLANS AND USE OF PROCEEDS

We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business.

See "Future Plans and Use of Proceeds."

GLOBAL OFFERING STATISTICS

The statistics in the table below are based on the assumption that the over-allotment option will not be exercised:

	Based on an Offer Price of HK$5.83	Based on an Offer Price of HK$6.45
Market Capitalization of our Shares[(1)]	HK$ 67,054 million	HK$ 74,185 million
Unaudited Pro Forma of Adjusted Consolidated Net Tangible Assets Per Share[(2)]	HK$5.77	HK$5.84

(1) The market capitalization is based on the assumption that 11,501,522,500 Shares are issued and outstanding immediately following the Global Offering.

(2) Unaudited Pro Forma of Adjusted Consolidated Net Tangible Assets Per Share is calculated after adjustment based on "Appendix II — Unaudited Pro Forma Financial Information."

DIVIDEND

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends is formulated by our Board and approved at our Shareholders' meetings. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend upon a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments of cash dividends by our subsidiaries to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

In 2019, 2020 and 2021, our Company distributed dividends of RMB828 million, RMB931 million and RMB1,242 million, respectively. In April 2022, our Company declared a dividend of RMB1,553 million. We have no plan to declare other dividend before the Listing. At our shareholders' meeting held on June 25, 2021, it was resolved that our accumulated undistributed profits before the Global Offering would be shared among our existing shareholders and future holders of H Shares. In order to balance the interests of existing shareholders and future holders of H Shares, the accumulated undistributed profit before the Global Offering and Listing will be attributable to our new and existing shareholders upon the completion of the Global Offering and Listing of H Shares in proportion to their shareholding, subject to compliance with the Articles of Association and relevant regulatory requirements. Dividends paid in previous periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size, dividends will be paid in the future.

See "Financial Information — Future Dividends."

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC and (iii) risks relating to the Global Offering. Some of the major risks we face include:

- Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to implement our growth strategy successfully;
- Certain changes or potential changes in the external environment, such as longevity risks, medical technology advancement and rising medical costs, may have a material adverse effect on the results of operations of our life and health insurance business;
- Changes in demand for automobiles and the emergence of new energy vehicles, as well as evolving changes in the PRC regulations in relation to automobile insurance, could have a material adverse effect on our business, financial condition and results of operations;
- If the actual benefits and claim results are materially different from the assumptions and estimates used in the pricing and reserves valuation for our insurance products, our financial condition and results of operations may be materially and adversely affected;
- If we fail to effectively respond to the increasingly intensified industry competition in the non-automobile insurance sector or fail to continuously improve our risk identification and pricing capabilities, the results of operations of our non-automobile insurance business may be materially and adversely affected;
- We are exposed to credit risks in connection with our insurance and investments;
- Market volatility may have an adverse effect on our asset management and investment business.

See "Risk Factors."

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE

We might be involved in legal and regulatory proceedings or disputes in our ordinary course of business. As of the Latest Practicable Date, we were not aware of any legal or regulatory proceedings or disputes that, we believe, would have a material adverse effect on our business, financial condition, results of operations or prospects.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. We had complied with all relevant laws and regulations in the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisor, our real-estate related investments are in compliance with applicable PRC laws and regulations in all material aspects. See "Regulatory Overview — Deployment of Insurance Funds — Applicable Areas — Real Estate" and "Regulatory Overview — Deployment of Insurance Funds — Ratios Oversight."

See "Business — Legal and Regulatory Proceedings and Compliance."

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB268 million, representing approximately 4.2% of the gross proceeds from the Global Offering (assuming an Offer Price of HK$6.14 per H Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option). During the Track Record Period, the listing expenses of RMB0.2 million and RMB1.4 million were reflected in our statements of profit or loss and other comprehensive income for the year ended December 31, 2021 and the six months ended June 30, 2022, respectively. After June 30, 2022, approximately RMB8.4 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB258 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses consist of approximately RMB173 million underwriting fees and approximately RMB95 million non-underwriting fees (including fees and expenses of legal advisors and the reporting accountant of approximately RMB70 million and other fees and expenses of approximately RMB25 million). The listing expenses above are the latest practicable estimates for reference only, and the actual amount may be different from this estimate. Our Directors do not expect such expenses to materially impact our results of operations in 2022.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"Business Day"	any day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"C-ROSS"	China Risk-Oriented Solvency System (中國風險導向的償付能力體系)
"C-ROSS Phase I Rules"	the Regulatory Rules on the Solvency of Insurance Companies (Nos 1-17) (《保險公司償付能力監管規則(1-17號)》) published by the CIRC in February 2015. This regulatory rules took effect in January 1, 2016 and expired from January 1, 2022
"C-ROSS Phase II Rules" or "Rules II"	the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》) published by the CBIRC in December 2021. This regulatory rules has been implemented beginning with the quarterly solvency report for the first quarter of 2022
"CAC"	Cyberspace Administration of China (國家互聯網信息辦公室)

"Capital Market Intermediaries"	Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and CCB International Capital Limited, BNP Paribas Securities (Asia) Limited, BOCOM International Securities Limited, ICBC International Capital Limited, ICBC International Securities Limited, CMB International Capital Limited, CLSA Limited, ABCI Capital Limited, ABCI Securities Company Limited, China Merchants Securities (HK) Co., Limited, Shenwan Hongyuan Securities (H.K.) Limited and Soochow Securities International Brokerage Limited
"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
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (***https://ip.ccass.com***) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request form
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"CCASS Participant"	A CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China," "PRC" or "Mainland China"	the People's Republic of China, for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China," "PRC" or "Mainland China" do not include Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), which was merged with the CBRC to form the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018

"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司), a joint stock company established on June 27, 2007 under the laws of the PRC with limited liability, and if the context requires, includes its predecessors prior to the incorporation of the Company
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended by the Standing Committee of the Thirteenth National People's Congress on October 26, 2018 and effective on the date of its promulgation, as amended, supplemented and otherwise modified from time to time
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"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
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering

"**GREEN** Application Form(s)" or "Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"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 are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$," "HKD" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus, as further described in the section headed "Structure of the Global Offering"
"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
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 29, 2022 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Overall Coordinators, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	person(s) or company(ies) which to the best of our Directors' knowledge, information and belief having made all reasonable enquires, are not connected persons of the Company
"International Offer Shares"	the 1,035,137,000 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the Over-allotment Option (subject to reallocation as described in "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States to non-US persons in offshore transactions in accordance with Regulation S as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Overall Coordinators, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 5, 2022 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering" in this prospectus
"Joint Global Coordinators"	Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and CCB International Capital Limited
"Joint Bookrunners"	Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, CCB International Capital Limited, BNP Paribas Securities (Asia) Limited, BOCOM International Securities Limited, ICBC International Capital Limited, CMB International Capital Limited, CLSA Limited, ABCI Capital Limited, China Merchants Securities (HK) Co., Limited, Shenwan Hongyuan Securities (H.K.) Limited and Soochow Securities International Brokerage Limited
"Joint Lead Managers"	Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, CCB International Capital Limited, BNP Paribas Securities (Asia) Limited, BOCOM International Securities Limited, ICBC International Securities Limited, CMB International Capital Limited, CLSA Limited, ABCI Securities Company Limited, China Merchants Securities (HK) Co., Limited, Shenwan Hongyuan Securities (H.K.) Limited and Soochow Securities International Brokerage Limited
"Joint Sponsors"	Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and CCB International Capital Limited
"Latest Practicable Date"	November 22, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

"Listing"	listing of our H Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date expected to be on or about December 9, 2022, on which dealings in our H Shares first commence on the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NBSC"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, and Stock Exchange trading fee of 0.005%) of not more than HK$6.45 and expected to be not less than HK$5.83, at which the Hong Kong Offer Shares are to be subscribed for, to be determined in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with the additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

"Overall Coordinators"	Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and CCB International Capital Limited
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 172,522,500 additional H Shares, representing up to approximately 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their organs or, where the context requires, any of them
"Price Determination Date"	the date, expected to be on or around Monday, December 5, 2022 (Hong Kong time) on which the Offer Price is determined by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us, but in any event no later than Tuesday, December 6, 2022
"province"	All provincial-level administrative regions of the PRC, including provinces, autonomous regions, municipalities directly under the Central Government and special administrative regions of the PRC
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), issued by the State Council on August 4, 1994
"Stabilizing Manager"	Huatai Financial Holdings (Hong Kong) Limited
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"state-owned enterprises" or "SOE(s)"	the solely state-owned enterprises, solely state-owned companies and companies in which the state has a controlling stake for which the State Council and the local people's governments respectively perform the functions of investors on behalf of the state, including the enterprises formed by the investments at the current level and level by level under the supervision and administration of the central and local state-owned assets supervision and administration institutions and other departments
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"Sunshine AMC"	Sunshine Asset Management Corporation Limited (陽光資產管理股份有限公司), a joint stock company established on December 4, 2012 under the laws of the PRC with limited liability, in which the Company directly and indirectly held approximately 80% equity interest as of the Latest Practicable Date
"Sunshine Life"	Sunshine Life Insurance Corporation Limited (陽光人壽保險股份有限公司), a joint stock company established on December 17, 2007 under the laws of the PRC with limited liability, in which the Company held 99.9999% equity interest as of the Latest Practicable Date
"Sunshine P&C"	Sunshine Property and Casualty Insurance Company Limited (陽光財產保險股份有限公司), a joint stock company established on July 28, 2005 under the laws of the PRC with limited liability, in which the Company directly and indirectly held approximately 100% equity interest as of the Latest Practicable Date
"Sunshine Surety"	Sunshine Surety Insurance Company Limited (陽光信用保證保險股份有限公司), formerly known as Sunshine Yurong Credit and Guarantee Insurance Company Limited (陽光渝融信用保證保險股份有限公司), a joint stock company established on January 11, 2016 under the laws of the PRC with limited liability, in which the Company held approximately 87.33% equity interest as of the Latest Practicable Date
"Sunshine Union Hospital"	Shandong Sunshine Union Hospital Co., Ltd. (山東陽光融和醫院有限責任公司) a company established on September 29, 2014 under the laws of the PRC with limited liability in which the Company indirectly held approximately 80% equity interest as of the Latest Practicable Date
"Supervisor(s)"	the member(s) of our Board of Supervisor(s)
"Track Record Period"	the period comprising the three financial years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US," "U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Investment Company Act"	the United States Investment Company Act of 1940
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$," "USD" or "US dollars"	US dollars, the lawful currency of the United States
"VAT"	tax payable by entities and individuals selling products or providing services, repairs and replacement services and importing products within China; all amounts are exclusive of value-added tax in this prospectus except indicated otherwise
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Willis Towers Watson"	Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch, an independent consulting actuarial advisor
"%"	per cent

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus relating to our business. As such, these terms and their meanings may not correspond to the standard meanings or usage in the industry.

"sideline insurance agency"	an insurance agency that, in addition to its own business, as permitted by the CBIRC, acts as an agent for insurance companies to conduct insurance business and collects insurance premiums within its authorization. Example of sideline insurance agency includes banks
"annuity"	a life insurance under which the periodic payments is conditioned upon the survival of the insured and made on pre-determined time intervals
"asset-liability management"	the continuous process of an insurance company in formulating, monitoring and improving its relevant strategies for assets and liabilities under risk appetite and other constraint conditions
"average claim per case method"	a method for estimating claim reserves based on the average amount of claim payment derived from historical claim data and adjusted by projections of future trends of claim payment amounts
"Bornhuetter-Ferguson method" or "B-F method"	a method of valuing claim reserves or ultimate loss based on a weighted combination of prior loss ratio and loss development of incurred claims
"case-by-case estimate method"	the method of determining claim reserves for reported claims. Each reported claim is assessed individually to estimate the total claim amount to be paid
"cash surrender value"	the cash amount that a policyholder may receive upon the surrender or withdrawal from insurance policy
"cede"	when an insurer reinsures its insurance risk with another insurer, it "cedes" business
"cession ratio"	the ratio of premiums ceded to reinsurers to gross written premiums

"chain ladder method"	a claim reserves valuation method that projects future claims based on historical development patterns of paid or incurred claims, where the claim data are generally organized by accident year for direct insurers
"claim"	a demand made by an insured party or the beneficiary of an insurance policy in respect of a loss which comes within the cover provided on the sum insured by the policy
"claim adjuster"	a person that determines insurance liabilities and the amount of claim payments, based on the review of claim materials
"claim reserves"	liabilities established to provide for losses and loss adjustment expenses associated with incurred but not reported claims and reported but not settled claims of the property and casualty and short-term life insurance contracts
"combined ratio"	the sum of the loss ratio and the expense ratio
"commission"	a payment to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"comprehensive solvency ratio"	the ratio of the actual capital to the minimum capital of an insurance company, which measures the overall adequacy of the capital of the insurance company
"core solvency ratio"	the ratio of the core capital to the minimum capital of an insurance company, which measures the adequacy of the high-quality capital of the insurance company
"DevOps"	a set of practice, instrument, and culture that enables process automation and integration between software developers and IT professionals. It emphasizes team empowerment, cross-team communication and collaboration and technical automation
"elderly dependency ratio"	the number of elderly people as a percentage of the working age people, indicating the number of elderly people (i.e. aged 65 and over) to be supported per 100 working age people (i.e. 15-64 years old)

"embedded value" or "EV"	a method to measure the economic value of an insurance company, which is the sum of the adjusted net worth and value of in-force business
"expense ratio"	the ratio of operating expenses (including commission and brokerage expenses), net of reinsurance commission income, to net premiums earned
"first-tier cities, new first-tier cities and second-tier cities"	According to the Ranking of Cities' Business Attractiveness (城市商業魅力排行榜) published by the Rising Lab of Yicai (第一財經•新一線城市研究所) in May, 2021, first-tier cities refer to Beijing, Shanghai, Shenzhen and Guangzhou; new first-tier cities refer to Chengdu, Hangzhou, Chongqing, Xi'an, Suzhou, Wuhan, Nanjing, Tianjin, Zhengzhou, Changsha, Dongguan, Foshan, Ningbo, Qingdao and Shenyang; second-tier cities refer to Hefei, Kunming, Wuxi, Xiamen, Jinan, Fuzhou, Wenzhou, Dalian, Harbin, Changchun, Quanzhou, Shijiazhuang, Nanning, Jinhua, Guiyang, Nanchang, Changzhou, Jiaxing, Zhuhai, Nantong, Huizhou, Taiyuan, Zhongshan, Xuzhou, Shaoxing, Taizhou, Yantai, Lanzhou, Weifang and Linyi
"first-year premiums"	premiums generated from new policies written during the first policy year
"gross written premiums" or "GWPs"	the gross written premium as set out in the accountant's report contained in Appendix I to this prospectus. Gross written premium includes all premiums for business underwritten by insurance companies for a given period
"in-force policy"	a policy that is shown on records to be in-force on a given date and that has not (i) matured by death or otherwise, (ii) been terminated by way of surrender or otherwise or (iii) been expired or suspended due to non-payment of insurance premium
"insurance density"	premiums per capita, calculated based on the resident population in a country or region
"insurance penetration"	premiums as a percentage of nominal GDP

"Integrated risk rating" or "IRR"	the evaluation of comprehensive solvency risks of an insurance company, which measures the scale of the overall solvency risks of the insurance company
"life and health insurance"	the insurance that takes the life and body of a person as the object of insurance, such as life, annuity, accident and health insurance, except where the content otherwise requires
"life insurance products"	the insurance that takes the life of a person as the object of insurance, such as term life insurance, whole life insurance, endowment life insurance and annuity
"LIMRA"	Life Insurance Marketing and Research Association
"loss adjustment expense"	the related expenses incurred in handling and settling claims, including legal and other fees and general expenses
"loss ratio"	the ratio of loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned
"morbidity rate"	incidence rates of ailment of a particular population, varying by such parameters as age, gender and duration, used in pricing and computing liabilities for health insurance
"mortality rate"	incidence rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits for insurance products
"negotiated deposits"	deposits in commercial banks for agreed periods of time at an agreed interest rate
"net premiums earned"	net written premiums less net change in unearned premium reserves during the same period
"new business margin of one year's sales"	value of one year's new business expressed as percentage of first-year premiums, which is in accordance with the basis for calculating the value of one year's new business
"NPS (Net Promoter Score)"	an index which measures the likelihood that a customer will recommend a company or service to others

"Original Premiums Income" or "OPI"	unless specified otherwise in this prospectus, Original Premiums Income refers to all premiums from policies directly underwritten by the insurance company
"reinsurance"	the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another issuer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued
"retention amounts"	the amount of insurance coverage that the primary insurer assumes for its own account, exclusive of any amount ceded to a reinsurer
"solvency"	the ability of an insurance company to fulfill its obligation to pay indemnity to the policyholders
"solvency ratio"	the ratio of actual capital to minimum capital of an insurance company
"surrender"	the termination of an insurance contract according to the request of the policyholder after which the policyholder receives the cash value (if any) of the contract
"underwriting"	a concept in the insurance industry, the process of examining and classifying insurance risks, in order to decide whether to accept such risks and the conditions on which the risks should be accepted
"unearned premium reserves"	liabilities provided for unexpired insurance obligations of P&C insurance contracts and short-term life insurance contracts to reflect the portion of premiums written relating to the unexpired periods
"value of in-force business"	the present value of projected after-tax distributable profits emerging in the future from the in-force life and health insurance business at the valuation date
"value of one year's new business" or "VNB"	the present value, measured at the point of sale, of projected after-tax distributable profits emerging in the future from life and health insurance business sales in the 12 months prior to the valuation date

"whole life insurance"	life insurance under which the payment of benefits is conditioned upon death, with a policy duration of the insured's entire life
"withdrawal"	surrender in part. Some insurance products permit the insured party to withdraw a portion of the cash surrender value of the contract. Future benefits are reduced accordingly

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the PRC;
- our business prospects and our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the insurance industry and markets in which we operate or into which we intend to expand;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the insurance industry and markets in which we operate;
- various business opportunities that we may pursue; and
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the H Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the H Shares could significantly decrease due to any of these risks, and you may lose part or even all of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which in some respects may differ from regulatory systems prevailing in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, see "Regulatory Overview," "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to implement our growth strategy successfully.

We recorded net profit attributable to equity owners of the parent of RMB5,086 million, RMB5,619 million, RMB5,883 million, RMB1,772 million and RMB1,727 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. However, there can be no assurance that we will continue to achieve business growth in the future. Furthermore, we are committed to implementing our business strategies to promote business growth. The implementation of our business strategies has placed, and will continue to place, significant demands on our managerial, operational and capital resources. The expansion of our business activities poses various challenges to us, including, but not limited to:

- meeting the demand of capital replenishment and higher requirements for asset-liability controls to satisfy the minimum solvency ratio requirements stipulated by the CBIRC and other capital needs;

- strengthening and enhancing our risk management capabilities and information technology systems to effectively manage risks associated with existing and new lines of insurance products and services, and increased marketing and sales activities;

- developing adequate underwriting and claim settlement capabilities;

- recruiting, training and retaining management, technical personnel and salespeople with sufficient experience and knowledge;

- managing our rapidly growing insurance assets;

- developing new sales channels;
- introducing new product offerings;
- strengthening and enhancing our pricing capabilities; and
- maintaining and improving our brand and reputation.

As part of our overall strategy, we may undertake investments, acquire certain businesses, assets and technologies, as well as develop new business lines, products and sales channels, any of which may not be successful. These investments, acquisitions and business initiatives could require our management to develop expertise in new areas, manage new business relationships, attract new types of customers, and divert their attention and resources, all of which could have a material adverse effect on our ability to manage our business. These investments, acquisitions and business initiatives may also expose us to additional risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from our existing business and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. We may have limited or no experience in relation to certain new product and service offerings, and our expansion into these new product and service offerings may not achieve broad acceptance among our customers or cater to ever-evolving customer needs and preferences. We may not be able to recruit, effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of our business. Expansion of our business may also put pressure on our efforts to centralize our management effectively and develop our information technology systems. We may face challenges in implementing our business strategies, including, but not limited to, the complex and uncertain macroeconomic and political environment, increasingly stringent regulatory requirements, and increasingly intense market competition. Inability to effectively address such challenges may hinder our efforts in implementing our business strategies. Furthermore, we may need to adjust business strategies in view of the evolving regulatory environment, increasingly intense competition and rapidly changing market conditions. If we are not able to implement our growth strategy successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Certain changes or potential changes in the external environment, such as longevity risks, medical technology advancement and rising medical costs, may have a material adverse effect on the results of operations of our life and health insurance business.

With the development of human society, the level of medical and health care has improved as science and technology have advanced, which, coupled with the improvement of people's quality of life, has seen their life expectancy continue to increase. In addition, the aging demographics of the population in China pose increasingly significant longevity risks, mainly reflected in the differences between the estimated life expectancy based on empirical data and the actual life expectancy based on current projections, with the former potentially underestimating the life span of human beings to a significant extent. However, if we cannot effectively mitigate longevity risks as people's life span extends, our annuity payment obligations may increase significantly.

As medical technology improves and physical examinations and disease screening become more popular, there has been a trend of high detection rate, early detection and high cure rate with regard to critical illness. Meanwhile, the increase in life expectancy, the increasing incidence of chronic diseases and the continuously rising demand for medical treatment have contributed to a significant increase in medical costs. If the incidence rate of critical illness and medical costs continue to rise in the future, there will be greater pressure in terms of our critical illness claim settlement and pricing of certain commercial medical insurance.

The combined ratio of Sunshine P&C's insurance business increased during the Track Record Period. Our ability to continuously improve our profitability depends on our ability to effectively manage the combined ratio as we continue to develop our business.

The combined ratio, which is the sum of the loss ratio and the expense ratio, of our Sunshine P&C's insurance business was 100.0%, 100.7%, 105.1% and 98.8%, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022. The increase in the combined ratio was due to the increase in the loss ratio, which was 56.8%, 58.4%, 66.6% and 64.3%, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022. Our capability to effectively manage the combined ratio and improve our profitability depends on factors that are not entirely within our control, such as regulatory changes and natural disasters, which can materially and adversely affect the performance of our products. For example, from 2019 to 2021, the increase in our automobile insurance products' combined ratio was first due to the nationwide implementation of the unified personal injury compensation standard for urban and rural residents, resulting in a significant increase in claim payments for in-force insurance policies. Secondly, the loss ratio of our automobile insurance experienced a significant increase during the Track Record Period mainly because (i) the impact of the comprehensive reform of automobile insurance industry launched by the CBIRC in September 2020, which led to lower premium per unit, but contributed to a significant improvement on the degree and scope of risk protection for automobile insurance customers; and (ii) the enlarged losses and claims caused by the catastrophic floods in Henan Province in 2021. Therefore, we may not be able to continuously and effectively manage our combined ratio and fluctuations in the combined ratio may materially and adversely affect on our business, financial condition and results of operations.

Changes in demand for automobiles and the emergence of new energy vehicles, as well as evolving changes in the PRC regulations in relation to automobile insurance, could have a material adverse effect on our business, financial condition and results of operations.

The emergence and growing popularity of new energy vehicles in recent years have also imposed challenges with regard to the pricing and development of relevant automobile insurance products. In particular, the relatively small scale of premiums of our new energy vehicle insurance and the limited accumulated data relating to new energy vehicles may affect our product development capabilities and profitability. Additionally, the high frequency of claims of new energy vehicle insurance compared with that of traditional automobile insurance, the difficulty in assessment of potential losses and the high maintenance costs, as well as the rapid technological change in the new energy vehicle industry could all impede our ability to accurately price new energy vehicle insurance products.

In 2019, 2020, 2021 and the six months ended June 30, 2022, we derived 28.0%, 26.0%, 22.7% and 19.9%, respectively, of our GWPs from automobile insurance products. The contribution to our GWPs from automobile insurance products in recent years has been largely driven by the rapid growth in consumer demand for automobiles in the PRC. However, there can be no assurance that such growth in consumer demand for automobiles will continue in the future. Any adverse changes in such demand and any unfavorable change of government policies that could affect such demand may have a material adverse effect on our business, financial condition, results of operations and prospects. For example, the demand for automobiles was adversely affected by the COVID-19 pandemic, which, in turn, adversely affected our automobile insurance business in 2020 and 2021. In the global market, the COVID-19 pandemic has created certain problems in the industry chain, which could affect the future supply of automobiles to some extent.

The growth of our automobile insurance business in terms of GWPs also depends, to a large extent, on the relevant PRC regulations covering automobile insurance businesses. See "Regulatory Overview — Market Behaviors — Insurance Clauses and Premium Rates." Any potential further regulatory changes affecting automobile insurance in the PRC could have a material adverse effect on our business, financial condition and results of operations.

If the actual benefits and claim results are materially different from the assumptions and estimates used in the pricing and reserves valuation for our insurance products, our financial condition and results of operations may be materially and adversely affected.

Our earnings depend significantly on the level of consistency between our actual benefits and claim results, and the assumptions and estimates we use in our pricing and reserves valuation. We price and establish reserves for life and health insurance products based on various assumptions and estimates, including those regarding discount rates/investment yield, mortality rates, morbidity rates, surrender rates, expenses and policy dividend. These estimates are based on our previous experience, statutory requirements, industry practice and management judgment. We price our property and casualty insurance products based on our estimates of probability of loss, various costs and the judgment of our management. For our property and casualty insurance products, we establish claim reserves and unearned premium reserves in accordance with industry practice and accounting and regulatory requirements. These estimates are based on actuarial and statistical projections as well as our predictions of variable factors based on the facts and circumstances known at the time when the estimates are made. Our estimates may be revised as additional experience and other data become available, as new or improved methodologies are developed, as loss trends and claim inflation impact future payments, or as current laws or their interpretation change.

For pricing, unfavorable differences between actual conditions and the assumptions and estimates used may materially and adversely affect the profitability of our products. For reserve valuation, if the reserves originally established prove to be inadequate, any additional reserves required may adversely affect our profitability, results of operations and financial condition.

If we fail to effectively respond to the increasingly intensified industry competition in the non-automobile insurance sector or fail to continuously improve our risk identification and pricing capabilities, the results of operations of our non-automobile insurance business may be materially and adversely affected.

In recent years, the non-automobile insurance segment has become an important component of the PRC property and casualty insurance industry, which has led to intense competition. We have taken various measures to strengthen our non-automobile insurance business. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI generated from non-automobile insurance products of Sunshine P&C accounted for 37.7%, 35.3%, 42.8% and 40.0% of its total OPI, respectively. Nevertheless, if we fail to effectively respond to the increasingly intense market competition in the non-automobile insurance sector, the growth rate of the premiums from our non-automobile insurance may decline, and the results of operations of our non-automobile insurance business may be materially and adversely affected.

In addition, in view of the characteristics of the non-automobile insurance business, such as high complexity of pricing mechanism, difficulty in risk control and fast launch of new insurance products, if we fail to continuously improve our risk identification and pricing capability in the non-automobile insurance sector, the results of operations of our non-automobile insurance business could be materially and adversely affected.

We are exposed to credit risks in connection with our insurance and investments.

We are exposed to the risks that our counterparties of insurance businesses (including our customers and sales partners) may not perform their obligations. Our investment counterparties, including issuers of the securities we hold, commercial banks where we have placed deposits, debtors and investees of private equity funds, as well as our customers and sales partners, may be unable to perform their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. We are also exposed to the risk that we may not be able to enforce our rights to our counterparties in all circumstances.

The social credit system in the PRC is still under improvement and the guarantee insurance business in the PRC are still under gradual normalization. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from guarantee insurance of Sunshine P&C and Sunshine Surety accounted for 10.0%, 6.1%, 7.3% and 5.1% of our total OPI, respectively. However, we may not have adequate risk control capabilities to effectively identify and control potential credit risks relating to our guarantee insurance business. For example, we incurred underwriting loss from the Sunshine Surety business that offers loan credit guarantee insurance to individual customers who provided real estate collateral during the Track Record Period, see

"Business – Property and Casualty Insurance – Sunshine Surety – Ye Dai Bao Business of Sunshine Surety." If the loss ratio of our guarantee insurance business is higher than expected, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks in connection with our investments. As of June 30, 2022, our Group's bond investments amounted to RMB192,465 million, accounting for 46.2% of our Group's total investment assets. The exchange-traded bonds investments that we hold at fair value are priced based on: (i) the quoted market prices at the close of business on each balance sheet date; (ii) the estimated market prices published by the China Central Depositary & Clearing Co., Ltd; and (iii) the estimated market prices published by China Securities Index Co., Ltd. While the majority of the corporate bonds we own have a credit rating of AAA, these domestic rating agencies may not use the same methodologies as internationally recognized rating agencies, such as Standard & Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. Consequently, domestic credit ratings, even with the same rating symbols, may not reflect the same creditworthiness as ratings used by an internationally recognized rating agency, and we may be subject to greater credit risks with respect to our investments in debt securities than we believe. This could lead to a decrease in the fair value of our debt securities, thereby resulting in impairment losses. Although we attempt to minimize these risks by diversifying our investments, improving our credit analysis skills and staying informed on the changes of interest rates, we cannot assure you that we can identify and mitigate credit risks successfully. In addition, while in certain cases we are permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral we are entitled to receive and the value of the collateral assets. As a result, the potential fair value losses or realized losses on our investments and the significant downgrading of our bonds could have a material adverse effect on our business, financial condition, results of operations and prospects.

Fair value changes on financial assets and financial liabilities may significantly affect our financial position and results of operations, and are subject to uncertainties.

Fair value estimation is made based on certain judgments, estimates and assumptions which are subject to various inherent uncertainties. The fair value change on financial assets or financial liabilities may significantly affect our financial position and results of operations. As of December 31, 2019, 2020, 2021 and June 30, 2022, our financial assets at fair value through profit or loss amounted to RMB24,190 million, RMB24,141 million, RMB12,161 million and RMB19,717 million, respectively, representing approximately 7.3%, 5.9%, 2.8% and 4.2% of our total assets as of the same respective dates. As of December 31, 2019, 2020, 2021 and June 30, 2022, our available-for-sale financial assets at fair value amounted to RMB65,656 million, RMB94,757 million, RMB140,529 million and RMB140,863 million, respectively, representing approximately 19.7%, 23.3%, 31.8% and 29.7% of our total assets as of the same respective dates. As of December 31, 2019, 2020, 2021 and June 30, 2022, our financial liabilities at fair value through profit or loss amounted to RMB381 million, RMB537 million, RMB2,432 million and RMB2,546 million, respectively, representing approximately 0.1%, 0.2%, 0.6% and 0.6% of our total liabilities as of the same respective dates. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets or financial liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong. All of these could materially and adversely affect our financial condition and results of operations.

Market volatility may have an adverse effect on our asset management and investment business.

As of June 30, 2022, approximately 16.8%, or RMB70,291 million, of our total investment assets was invested in equity financial assets, approximately 46.8%, or RMB32,926 million, of which were invested in stocks listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Stock markets are subject to volatility for a variety of reasons, including political, economic and social conditions, among other things, which may, in turn, reduce the value of our investment portfolio, affect our profitability, financial position and dispositions of equity securities and equity-linked assets. A decline in stock markets may lead to a reduction of unrealized gains in such assets or result in unrealized or realized losses, impairments and a reduction of realized gains upon the disposition of such assets, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that we would not suffer significant impairments or other losses on our investments in the future.

As of June 30, 2022, 71.0%, or RMB295,305 million, of our total investment assets were invested in fixed-income financial assets, of which approximately 35.0%, or RMB103,388 million, were government bonds, 12.6%, or RMB37,195 million, were finance bonds; and 5.4%, or RMB15,987 million, were bonds issued by non-financial institutions. Debt securities markets are also subject to volatility. A significant decline in debt securities markets in the PRC or elsewhere could adversely affect the value of our debt securities and have a material adverse effect on our business, financial condition, results of operations and prospects.

Capital market volatility may also affect the value of our investment assets. Recently, the international financial markets have become more volatile and the downside risk of the global economy has been increasing. The high volatility, uncertainty and complexity of the current capital markets have posed significant challenges to the asset management and investment sector.

In addition, our investments involve various businesses, such as transportation, infrastructure, industrial manufacturing, real estate, energy and power as well as business services. For example, as of December 31, 2019, 2020, 2021 and June 30, 2022, property investments, excluding land, construction in progress, self-use real estate, elderly care communities and hotels, accounted for 4.2%, 4.7%, 5.3% and 4.9% of our total assets. Our investment performance could be affected by the cyclical fluctuations of such industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn or unfavorable economic and market conditions, we may experience a decrease in our investment returns related to such industry, as well as the deterioration in quality of our assets, which may, in turn, materially and adversely affect our financial condition and results of operations.

Changes in interest rates may adversely affect our profitability and investment return.

As the duration of life and health insurance liabilities is longer than that of investment assets, a limited supply of long-duration investment assets in the domestic market may make it difficult for us to effectively manage our asset-liability matching. In particular, reinvestments of matured assets and new investments in a low interest rate environment may result in a lower interest spread. In view of the growth in the life and health insurance business and increasingly intense market competition, we may face additional challenges in effectively managing our asset-liability matching, which may adversely affect our liquidity and solvency.

The profitability of some of our products and our returns on investment are also highly sensitive to interest rate fluctuations. Changes in prevailing interest rates (including changes in the difference between the prevailing short-term and long-term rates) could reduce our investment returns and interest spread, and may thus materially and adversely affect our insurance businesses and investment returns, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and prospects.

A decline in interest rates could result in reduced returns on investment from our newly-added assets and affect the interest spread of our Group's life and health insurance business. When actual return on investment of insurance funds decreases due to changes in interest rates, the difference between the actual investment returns of our insurance products' reserves and the assumed pricing rates of our insurance products also decreases, namely, the decrease in interest spread. This will adversely affect the profitability and solvency of our Group's life and health insurance business. If the interest rate rises sharply, many policyholders may surrender or withdraw their insurance policies as they seek to purchase products that they believe to have higher returns, thus resulting in our Group's need for asset liquidity, which, together with a decline in the fair value of fixed-income investments, will adversely affect our Group's results of operations and financial condition.

Interest rates are highly sensitive to many factors, including monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. The PRC government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuation in Renminbi exchange rates may have a materially adverse effect on our results of operations, investment results and financial condition, and may reduce the value of dividends payable, or foreign currency-denominated H Shares.

During the Track Record Period, substantially all of our revenue and expenses were denominated in Renminbi, which is currently not a freely convertible currency. A portion of our revenue must be converted into other currencies in order to meet our foreign currency-denominated obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on H Shares.

The exchange rates of the Renminbi against the US dollar, the Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. Due to these factors and any future changes in monetary policy, the exchange rate may fluctuate, which may result in an appreciation or a depreciation of the Renminbi against the US dollar, the Hong Kong dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our cash flows, revenue, earnings, investment results and financial condition, and any dividends payable to holders of H Shares. It is difficult to predict how market forces and the PRC government's policies will continue to impact the Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC government may announce further changes to the exchange rate system, and there can be no assurance that the Renminbi will not appreciate or depreciate significantly in value against the US dollar, the Hong Kong dollar or other foreign currencies.

The fluctuation in the exchange rates of the Renminbi may also affect the performance of our offshore investments. We invest in assets denominated in foreign currencies such as the US dollar and the Hong Kong dollar. During the Track Record Period, the assets denominated in foreign currencies that we invested in accounted for 5.9%, 6.2%, 5.7% and 5.0% of our total investment assets in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Such assets are subject to exchange rate fluctuations, which would reduce their value, and the sharp depreciation of the US dollar and the Hong Kong dollar will affect our investment performance. If our offshore investment business grows and exchange rate fluctuations increase, we may encounter certain difficulties in effectively managing exchange rate risks, which may have a negative impact on our profitability, financial condition and solvency.

Our embedded value and the value of one year's new business of Sunshine Life are calculated based on a number of assumptions and the results may change significantly due to changes in relevant assumptions.

The information contained in the section "Embedded Value" includes estimates on the embedded value of our Group and Sunshine Life (excluding any value attributed to future new business) and estimates on the value of one year's new business of Sunshine Life, and such information has been reviewed by Willis Towers Watson, an independent firm of consulting actuaries. See Appendix III to this prospectus. The calculation of these values involves a number of assumptions, such as risk discount rate, investment returns, policy liabilities and required capital standards, taxation, mortality rates, morbidity rates, lapse and surrender rates, fees and commissions. These assumptions are derived based on our historical experience and future expectation, industry performance, market conditions and relevant regulatory requirements, many of which are subject to uncertainties. Any significant deviation from the assumptions and estimates used in such calculations may materially affect our embedded value and the value of one year's new business of Sunshine Life.

Adverse market conditions could limit our access to liquidity and increase the cost of capital. Failure to manage our liquidity and cash flows may materially and adversely affect our financial conditions and results of operations.

Our ability to access liquidity may be limited to our future financial performance as well as a number of factors outside of our control, such as government regulatory changes, general market conditions for capital raising activities, the availability of bank liquidity in general and the economic and political environment in and outside of the PRC. If fundings are not available to us on a regular basis, on reasonable term, or at all, we may be required to reduce or suspend our business activities. In the event that we have to downsize our operating scale due to lack of cash flows, our financial condition, results of operations and liquidity position would be materially and adversely affected.

If unfavorable changes happen to our sales channels, our product sales may be materially and adversely affected.

We promote and sell insurance products through diversified sales channels. For life and health insurance products, the individual insurance agent channel is one of our main sales channels. In 2019, 2020, 2021 and the six months ended June 30, 2022, GWPs from the individual insurance agent channel accounted for 31.1%, 28.7%, 24.8% and 20.1% of GWPs from Sunshine Life's insurance business, respectively, of which first-year premiums ("**FYPs**") accounted for 31.1%, 26.5%, 22.1% and 24.9%, respectively, and renewal premiums accounted for 68.9%, 73.5%, 77.9% and 75.1%, respectively. In recent years, the number of insurance agents in the industry has been decreasing, which calls for a transformation of insurance agents. If the transformation and development of our agent team fail to meet our expectations, the sales of our life and health insurance products may be adversely affected.

Meanwhile, the bancassurance channel is also an important sales channel for our life and health insurance products. In 2019, 2020, 2021 and the six months ended June 30, 2022, GWPs from the bancassurance channel accounted for 54.6%, 58.9%, 64.2% and 70.2% of GWPs from Sunshine Life's insurance business, respectively, of which FYPs accounted for 84.7%, 77.7%, 71.3% and 65.8%, respectively, and renewal premiums accounted for 15.3%, 22.3%, 28.7% and 34.2%, respectively. We may not be able to maintain our current arrangements of the bancassurance channel on acceptable terms upon their expiration, and we may not be able to secure new bancassurance partners, which will materially and adversely affect our competitiveness and profitability. Furthermore, regulatory changes affecting the bancassurance business and sales of bancassurance products could materially and adversely affect our relationship and arrangements with these banks, or restrict our ability to further expand our bancassurance arrangements. In addition, the representatives at the bank outlets may lack experience in promoting our life and health insurance products. As the bancassurance market becomes increasingly competitive, banks could also demand higher commission rates, which would increase our costs of sales and materially reduce our profitability.

For property and casualty insurance products, automobile dealership is an important sales channel. As of June 30, 2022, Sunshine P&C had established collaborative relationships with more than 10,000 automobile 4S stores.

If we are unable to maintain our position in the aforementioned sales channels, for example, by losing top life insurance agents or relationships with automobile dealerships and automobile 4S stores, our product sales may be materially and adversely affected.

Meanwhile, we will put more effort into developing our online sales channel and enter into collaborative contracts with internet sales platforms to expand the reach of our property and casualty insurance products. We also market our products through our apps, official websites and WeCom account. Although we continually establish and develop our online sales channels, we face intensified competition brought about by internet platforms. Our inability to successfully apply new technologies in our digital sales, capitalize on the business opportunities presented by growing demand for digital insurance products, or develop new products for digital sales may adversely affect our future product sales, which may, in turn, materially and adversely affect our business, financial condition and results of operations.

Accordingly, any termination of, disruption to, or any other adverse change to, our relationship with the agents, banks, automobile dealerships, automobile 4S stores, digital sales platforms and other relevant parties in our sales channels, or the formation of any exclusive collaborative relationships between these parties and any of our competitors, could significantly reduce our product sales and our growth opportunities. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Adverse changes in the reinsurance markets could have a material adverse effect on our business, financial condition, results of operations and prospects, and we are exposed to the risk that our reinsurers may not perform their obligations.

We may cede a portion of our business we underwrite to domestic and international reinsurance companies to reduce our underwriting risk. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, Sunshine Life ceded RMB997 million, RMB886 million, RMB1,295 million, RMB821 million and RMB1,283 million, respectively, accounting for 2.1%, 1.6%, 2.1%, 2.5% and 3.1%, respectively, of its GWPs. During the same period, Sunshine P&C ceded RMB1,294 million, RMB1,769 million, RMB2,109 million, RMB1,191 million and RMB1,029 million (which accounted for 3.3%, 4.7%, 5.2%, 5.5% and 4.9% of its GWPs of property and casualty insurance business of Sunshine P&C, respectively) of its GWPs, respectively. Even though we carefully determine the proportion of insured risks to retain and to cede in accordance with relevant PRC insurance laws and regulations, the assessment of our risk exposure and potential losses may not be entirely consistent with our actual losses.

The availability and price of reinsurance are determined by many factors, such as the availability of reinsurance capacity and the losses suffered by the reinsurance market in the previous period. In addition, the business of reinsurance is carried out at a global scale. Therefore, the availability, amount and cost of reinsurance are subject to general market conditions and may vary significantly at different periods of time. Currently, the market price of reinsurance has been increasing worldwide. As a result, we may be unable to (i) maintain our current reinsurance coverage, (ii) obtain additional reinsurance coverage in the event that our current reinsurance coverage is exhausted by a catastrophic event, or (iii) obtain other reinsurance coverage in adequate amounts at acceptable rates. We cannot assure you that we will be able to obtain sufficient reinsurance to cover losses in the future, or that we will be able to obtain the reinsurance we require in a timely or cost-effective manner. Any decrease in the amount of reinsurance will increase our risk of loss, and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our profits. Accordingly, although we seek to adopt various measures to reduce the costs of our reinsurance, we may still be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms. This could materially limit our ability to underwrite future business, or even result in the assumption of more risk with respect to the retention amounts under those policies we issue.

Reinsurance may not protect us completely against losses due to credit default risks with reinsurance companies. Although a reinsurer is liable to us to the extent of the risks reinsured, we remain liable for those transferred risks if the reinsurer is unable to perform its contractual obligations. Our reinsurers may default on their obligations to us due to various reasons such as bankruptcy, lack of liquidity, downturns in the economy, operational failure, or fraud, etc. We are also subject to the risk that our rights against our reinsurers may not be enforceable in all circumstances. As a result, although we seek reinsurance arrangements only with reputable and creditworthy reinsurers, a default by a reinsurer who assumes significant underwriting risks from us could expose us to significant losses and therefore have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in market conditions and intensified competition may adversely affect our business.

We face intense competition from both domestic and international insurance companies. Our primary competitors are large life and health insurance and property and casualty insurance companies. On September 30, 2019, the State Council revised the Regulations of the PRC on the Administration of Foreign-invested Insurance Companies and renounced certain preconditions for the establishment of a foreign-invested insurance company (namely, the precondition to have 30 years of operation history of insurance business and a representative office in the PRC for at least two years). The regulations also allow foreign-invested insurance groups to invest in and establish foreign-invested insurance companies in the PRC and allow foreign financial institutions to invest in foreign-invested insurance companies in the PRC. On December 6, 2019, the General Office of the CBIRC promulgated the Notice of the Point in Time of Explicitly Lifting Restrictions on Foreign Ownership Ratio in Joint-venture Life Insurance Companies, officially removing the restrictions on foreign companies' shareholding in life and health insurance companies. From January 1, 2020, owners of foreign-invested companies are allowed to own 100.0% equity interest in life and health insurance companies. In March 2021, the CBIRC issued the Decision to Amend the Detailed Rules for the Implementation of the Regulation on the Administration of Foreign-invested Insurance Companies of the PRC, which clarified the conditions of access for foreign insurance group companies and financial institutions, improved shareholder changes and access requirements, maintained system consistency and abolished the restrictive requirements on the foreign shareholding. Competition has intensified because of the opening-up of the PRC insurance market and the growing number of insurance companies.

The competitiveness of an insurance company is determined by many factors, such as product offering, brand recognition, reputation, coverage of sales network, service quality, financial strength, staff quality and information technology systems. In addition, internet companies in the PRC have experienced rapid development in the past few decades and have demonstrated strong capabilities in customer-centric and efficiency-oriented business development and innovation. These companies may also have more resources to enter into the insurance industry. In view of the competitive advantages of China's major internet companies in terms of data and strong technology development capabilities, we believe that the business development process and growth cycle of these internet companies may be much shorter than ours. Therefore, we may face intensified competition from these potential competitors in the near future.

In light of the market competition, we may have to lower the prices of our products and services to remain competitive, which could affect our profitability and slow down our business growth and, in turn, materially and adversely affect our business, results of operations and prospects.

Concentrated policy surrenders in our insurance businesses may cause us to dispose of our investment assets, and the illiquidity of certain investment assets could prevent us from selling them at commercially reasonable prices in a timely manner, which could have a material adverse effect on our cash flow, financial condition, results of operations and prospects.

It is generally possible for insurance companies to anticipate the overall level of policy surrenders in a given period. However, the occurrence of unusual events that have significant or lasting impacts, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in applicable government policies, or loss of customer confidence in the insurance industry due to severe or perceived weakening of the financial strength of one or more insurance companies, may trigger concentrated surrenders of insurance policies. If this were to occur, we would have to dispose of investment assets to cover the significant amount of surrender payments. However, our investment portfolio is subject to liquidity risk, which may require us to dispose of our investment assets at a discounted price or decrease the value of our investment portfolio. For example, some of our investment assets, such as equity investments in private companies, have low liquidity, and we may experience reduced liquidity for other investment assets which are typically liquid, if concentrated surrenders occur during a market downturn. We may be unable to sell our investment assets at commercially reasonable prices or in a timely manner to cover the significant level of surrender payments. In respect of the publicly traded shares and fixed-income products, the liquidity of these investment assets is affected by many factors that are beyond our control. If we sell our investment assets when there is an acute lack of liquidity in the financial market, we may have to sell those assets at a price lower than the costs. Furthermore, we hold a certain amount of non-current assets, including private equity funds, unlisted equities and trust assets. In view of the lack of market transactions for these assets, if we intend to liquidate these assets in a short period of time, we may only be able to sell these assets at a significant discount, which could have a material adverse effect on our cash flow, financial condition, results of operations and prospects.

Our business is subject to extensive regulations and exposed to compliance risks. Changes in laws, regulations and regulatory policies from time to time could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to extensive regulations by PRC regulatory authorities. The CBIRC is the regulatory authority of the PRC insurance industry and has the authority to impose regulatory sanctions on non-compliant insurance companies. The PRC Insurance Law, promulgated in 1995 and last revised in 2015, also affords increasing protections to policyholders. The terms and premium rates of certain insurance products are also subject to regulations. See "Regulatory Overview — Market Behaviors — Insurance Clauses and Premium Rates." Changes in these regulations may affect the profitability of the relevant insurance products. In addition, the CBIRC provisions require insurance companies to meet the requirements of minimum solvency ratios. The qualifications of shareholders investing in PRC insurance companies are also regulated. See "Regulatory Overview — Corporate Governance — Equity Management of Insurance Companies." The complexity in the applicable regulatory frameworks increases our compliance risk exposure. If we violate relevant laws, regulations or regulatory requirements, regulatory authorities may impose penalties or other regulatory measures on us, or release negative reports or opinions about us, which may materially and adversely affect our reputation and business.

Furthermore, regulatory authorities may review the existing laws and regulations applicable to insurance companies and their products and services from time to time. Recent development in the PRC regulations in relation to the insurance industry includes (i) the Guiding Opinions on the Implementation of the Comprehensive Reform of Automobile Insurance (關於實施車險綜合改革的指導意見) promulgated by the CBIRC on September 2, 2020 and implemented on September 19, 2020; (ii) the Regulatory Rules on the Solvency of Insurance Companies (II) (保險公司償付能力監管規則(II)) issued on December 30, 2021; (iii) the Measures for Traceable Management of Insurance Sales (Draft for Comment) (保險銷售行為可回溯管理辦法(徵求意見稿)) published on June 10, 2021; (iv) the Administrative Measures for Individual Insurance Sales Activities Management (Draft for Comment) (人身保險銷售行為管理辦法(徵求意見稿)) issued on April 15, 2022; and (v) the Regulations on the Management of Insurance Asset Management Companies (保險資產管理公司管理規定) issued on July 28, 2022. See "Business — Potential Impact of the Recent Regulatory Changes" for details. Changes to the interpretation or scope of application of such laws and regulations may also substantially increase our compliance costs and other expenses, which may materially and adversely affect our business, results of operations and financial condition. See "Regulatory Overview — Market Behaviors — Insurance Business."

If catastrophic events occur, our profits and cash flows may be significantly reduced.

Our insurance business faces risks of catastrophic events. Catastrophic events may arise out of natural causes, such as earthquakes, typhoons, floods, droughts, storms, and other causes, such as industrial accidents, fires, explosions, and major diseases or virus outbreaks. For risks relating to the COVID-19 pandemic, see "— Risks Relating to Our Business and Industry — Our business operations may be affected by the COVID-19 pandemic." The frequency and severity of catastrophic events are inherently unpredictable and may directly affect insurance claims. In July 2021, Henan Province and other regions were hit by heavy rains, causing heavy casualties and property losses and resulting in a substantial increase in automobile insurance claims, which had a significant adverse impact on the profitability of our property and casualty insurance business for the year. Specifically, the Henan branch of Sunshine P&C experienced a year-on-year increase of 39% in the number of reported automobile insurance claims in July 2021.

We have made assessments of potential losses from catastrophic events within the coverage of our insurance products and established reserves accordingly. However, such reserves may not be sufficient to pay for all related claims. While we have certain reinsurance arrangements in place to reduce our risks associated with catastrophic events, reinsurance may be insufficient due to limitations in the underwriting capacity of reinsurance companies, the terms and conditions of the reinsurance policies, as well as risk assessment difficulties. As a result, one or more catastrophic events may significantly reduce our profits and cash flows, thereby materially and adversely affecting our financial condition and results of operations.

If we encounter difficulties in meeting the statutory solvency requirements, we may be subject to regulatory measures, and our financial condition, results of operations and prospects may be adversely affected.

Our Group and each of our insurance subsidiaries must meet the solvency requirements as stipulated by PRC regulatory authorities. Accordingly, solvency sufficiency is a core component of the management's focus.

According to the Regulations on the Solvency Management of Insurance Companies (2021), the comprehensive solvency ratio of an insurance company shall not be less than 100%, and the core solvency ratio shall not be less than 50%. Under the C-ROSS Phase I Rules, as of December 31, 2019, 2020 and 2021, our Group's comprehensive solvency ratio was 235%, 229% and 223%, respectively, and our Group's core solvency ratio was 208%, 205% and 197%, respectively. As of the same dates, the comprehensive solvency ratio of Sunshine Life was 215%, 206% and 189%, respectively, and its core solvency ratio was 195%, 188% and 175%. As of the same dates, the comprehensive solvency ratio of Sunshine P&C was 227%, 248% and 267%, respectively, and its core solvency ratio was 173%, 194% and 181%. As of the same dates, the comprehensive solvency ratio of Sunshine Surety was 1,172%, 389% and 760%, respectively, and its core solvency ratio was 1,172%, 389% and 760%.

On December 30, 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》) ("**Rules II**"), which provides that the insurance industry shall implement Rules II from the preparation of the quarterly solvency report for the first quarter of 2022. For insurance companies whose core solvency ratio or comprehensive solvency ratio has fallen significantly, or has fallen below a threshold that triggers regulatory action as a result of Rules II, the CBIRC would set the transitional policies according to the actual situation, allowing some regulatory rules to be put into practice step by step and fully implemented by 2025 at the latest. Rules II further improves the solvency supervision standards for insurance companies, including: (i) the establishment of prudential regulation of insurance groups; (ii) refining the definition and measurement standard of capital, consolidating the capital quality; (iii) enhancing the standards and principles of the "look-through" approach for market risk and credit risk; and (iv) improving the measurement standards of minimum capital for market risk, credit risk and insurance risk, among other things. Under the C-ROSS Phase II Rules, as of June 30, 2022, our Group's comprehensive solvency ratio and core solvency ratio were 200% and 144%. As of the same date, Sunshine Life's comprehensive solvency ratio and core solvency ratio were 172% and 120%; Sunshine P&C's comprehensive solvency ratio and core solvency ratio were 242% and 157%; and Sunshine Surety's comprehensive solvency ratio and core solvency ratio were 287% and 287%.

During the Track Record Period, we and each of our insurance subsidiaries all met the requirements of minimum solvency ratios. Our solvency ratios are influenced by available capital, business development, allocation of assets, and profitability. If (i) our capital and profit cannot continue to support the growth of our business in the future, (ii) the required statutory solvency ratios become more stringent, (iii) our financial condition or results of operations deteriorate, or (iv) for other reasons we fail to meet the relevant minimum solvency ratio requirements, the CBIRC may adopt regulatory measures against us depending on the different circumstances, such as ordering us to increase capital, restricting the distribution of dividends to shareholders, prohibiting setting up new branches, restricting our current business scope, restricting development of new business and restricting the remuneration level of senior management. In addition, in the second quarter of 2022, Sunshine Surety had an integrated risk rating of Category C under the Rules II. Based on No. 11 of the Regulatory Rules on the Solvency of Insurance Companies: Integrated Risk Rating (Classified Supervision) published by the CBIRC in December 2021, relevant regulatory authorities may adopt differentiated regulatory measures against Sunshine Surety, such as risk warning, regulatory talks, requirement to rectify problems within the specified period, special on-site inspection, requirement to submit and implement plans to prevent solvency inadequacy or improve its risk management or other related regulatory measures. Up to now, Sunshine Surety has not been subject to the above regulatory measures for having an integrated risk rating of Category C. See "Regulatory Overview — Risk and Solvency Management — Solvency Supervision of the CBIRC." As a result, we may need to raise additional capital, which is subject to a number of uncertain factors, including general market conditions, regulatory approvals and our credit rating. If we are unable to raise capital in a timely manner, our financial condition, results of operations and prospects may be adversely affected.

The changes of the rules have a certain impact on the solvency ratios of us and our insurance subsidiaries, but the relevant indicators are still higher than the minimum regulatory requirements, see "Financial Information — Liquidity and Capital Resources — Solvency Ratios" for details. In view of the fact that the newly promulgated Rules II and the transitional policy are in the preliminary implementation stage, there may be uncertainties in supervision and implementation, and we may be subject to certain regulatory restrictions, so we cannot assure you that they will not adversely affect our financial condition, results of operations or prospects.

New accounting standards that have been promulgated but not yet implemented may have a significant impact on our financial statements in future years, and may have a significant impact on our revenue, profit and shareholders' equity.

We prepare our financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). In July 2014, the International Accounting Standards Board (the "**IASB**") issued the final version of IFRS 9 Financial Instruments (new standard for financial instruments) to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard for financial instruments is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

In May 2017, the IASB issued IFRS 17 Insurance Contracts (new standard for insurance contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short-duration non-life insurance contracts. In June 2020, the IASB decided to postpone the effective date of the new standard for insurance contracts to annual reporting periods beginning on or after January 1, 2023, and also decided to allow insurance companies to defer the adoption of the new standard for financial instruments, meaning that the two standards can be applied for the first time for annual periods beginning on or after January 1, 2023.

In accordance with the requirements of the IASB, we expect to apply IFRS 9 and IFRS 17 for annual reporting periods beginning on January 1, 2023, and are currently preparing for the implementation of the new accounting standards. In view of the complexity of the new accounting standards, it is difficult for us to assess the exact impact of the new accounting standards on financial reports before completing the implementation of the standards.

The new accounting standards have changed the previous standards and methods for the classification and measurement, presentation and disclosure of insurers' financial assets and insurance liabilities. Full implementation may have a significant impact on the Company's financial statements for the future years. We expect that IFRS 17 and IFRS 9 will have a significant impact on our consolidated financial statements and result in important changes to the accounting policies for our insurance contract liabilities and financial assets. It is also likely to have a significant impact on our profit or loss, total equity, financial statement presentation and disclosures. For example, profit will be recognized differently and insurance revenue will no longer be measured by premium, but by provision of insurance services to policyholders throughout the term of the insurance contract. In addition, IFRS 17 introduces a new presentation format for the statement of comprehensive income and requires more extensive disclosure. These changes could have a material adverse effect on our financial performance and condition. See "Financial Information – Critical Accounting Policies, Judgments and Estimates – The Impact of IFRS 9 and IFRS 17" for more information. In addition, the new accounting standards may or may not affect our embedded value. If the new accounting standards lead to changes in new or revised calculation standards or other calculation rules that affect the data results on which the evaluation of embedded value depends, our embedded value may produce different conclusions.

The development of new businesses and expansion into new markets may expose us to new risks and challenges.

We will continue developing new businesses and expanding into new markets within the scope permitted by regulatory authorities, which may expose us to new risks and challenges, including, but not limited to:

- ***regulatory risks*****:** we may face unfamiliar regulatory environments when developing new businesses and expanding into new markets;

- ***competition risks*****:** there may be intense competition in the markets of our new businesses, and our returns may be lower than expected; and

- ***strategic and operational risks*****:** our experience, expertise and/or skills in developing new businesses may not be sufficient, and new products and services may need time to gain market recognition; we may also encounter difficulties in recruiting sufficient qualified personnel, strengthening our management capabilities and improving information technology systems.

We may not be able to effectively implement centralized management and supervision over our subsidiaries and branches, or ensure that our strategies and policies are implemented consistently within our Group. We are also exposed to risks relating to our investments in associates and joint ventures, which might affect our results of operations.

Our insurance, asset management and other businesses are conducted by our subsidiaries and through our branches, associates and equity investment companies. As of June 30, 2022, Sunshine Life had 938 branches and service outlets, while Sunshine P&C had established 1,917 branches and service outlets as well as 2,083 exclusive agency ("**EA**") outlets. Our subsidiaries and branches are geographically dispersed, and their business operations and management have certain flexibility under the group management framework. We may not be able to ensure that our various policies can be effectively, uniformly and consistently implemented across all subsidiaries and branches. In addition, due to limitations of the information system and other factors, we cannot constantly identify or prevent the operational or managerial problems of these subsidiaries and branches in an effective and timely manner. If we cannot effectively implement centralized management and supervision over our subsidiaries and branches, or cannot implement policies consistently across the company, our business, results of operations and financial condition may be materially and adversely affected.

In addition, our results of operations might be affected by the share of results of associates and joint ventures. We have in the past and may in the future invest in other businesses. As of December 31, 2019, 2020, 2021 and June 30, 2022, our investments in associates and joint ventures were RMB32,494 million, RMB32,470 million, RMB28,795 million and RMB29,958 million, respectively. We may experience financial losses if our associates or joint ventures make losses. Also, our investments in associates and joint ventures are subject to liquidity risk given that we are unable to receive any cash inflow until we receive dividend from the relevant associates and joint ventures and some of these investments are not as liquid as other investment products.

If our risk management and internal control framework become ineffective, our business, financial condition and results of operations may be materially and adversely affected.

We have established, and will continue to improve, our comprehensive risk management and internal control framework. See “Business — Risk Management.” However, due to the inherent limitations in the design and implementation of such framework, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication, our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or against all types of risks. In addition, the methods and assumptions used in our risk management and internal control framework are highly dependent on historical results and data. Therefore, such framework may not be able to sufficiently and accurately identify all risks. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophic events or other matters that are publicly available or otherwise accessible to us. Such information may not be accurate, complete or properly evaluated. Moreover, the information and experience data that we rely on may quickly become obsolete as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future. In addition, insurance companies typically utilize various financial instruments to manage risks associated with their businesses. The current state of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate risk. See “Regulatory Overview — Deployment of Insurance Funds.” The risk management tools available to us are limited, which may limit our risk management capability and effectiveness. As a result, our risk management methods and techniques may not be effective, and we may be unable to take timely and appropriate measures to manage our risks.

Furthermore, we are mainly in the business of being paid to accept certain risks and provide relevant protection. Our employees and agents who conduct our business, including management, professional staff and salespeople, among others, do so in part by making decisions that expose us to risks. These decisions include setting underwriting guidelines and standards, product design and pricing, investment decisions and pursuit of business opportunities, among other things. In addition, our employees and agents may make decisions beyond their scope of authority that expose us to excessive risks. Although we have put in place rigorous systems and procedures to control and prevent possible misconduct by employees, we may not be able to completely eliminate such risks, including concealment of risks, execution of unauthorized transactions, breach of confidentiality and negligence of duties. There can be no assurance that our risk controls and procedures designed to monitor the business decisions of our employees and agents and prevent them from taking excessive risks are always effective, in light of the large size of our operations and the widespread geographical distribution of such subsidiaries and branch offices. Furthermore, we may fail to promptly and completely detect, control and prevent fraud, mis-selling, money laundering, illegal fundraising and other misconduct carried out by employees, policyholders, insured persons, agents, business partners and other related parties, which may cause us to face litigation and regulatory penalties, and further damage our reputation, business and financial condition. If our employees and agents take excessive risks or make intentional or unintentional mistakes, the impact of those risks or mistakes could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business, financial condition and results of operations could be affected by malfunctions or inadequacies of information systems or breaches of data security. Our business and operating results may be adversely affected by disruptions to services offered on our apps and websites, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.

Our business is highly dependent on our information system to promptly record and process operational and financial data and provide reliable services. The reliability and security of our information system are therefore crucial to our business. In the event of any partial or total failure of the information system, including, but not limited to, hardware failures, software program errors, cyberattacks and network disturbances, there may be significant disruptions to our business activities. Despite the regular backups of business data we conduct on our information system, the emergency disaster recovery center we established, the robust structure spanning from the back-end infrastructure to front-end services we set up, aiming to continuously enhance the level of security and protection of our information system through information security management and technical measures, we may still face risks of losing critical business data resulting from system reliability or security issues, damaged backup data or improper data recovery procedures, which may, in turn, adversely affect our business.

We update information technology systems and introduce new information technology systems from time to time. However, delays, system failures or other accidents may occur during system upgrades or transition to new systems. In addition, the upgraded or new information technology systems may not be able to achieve the projected processing capacity or scalability or meet the needs of our business in the future. Failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could lead to severe disruptions to our business activities, prolonged delays in performing critical business operational functions, loss of key business data, or even failure to comply with regulatory requirements. Any of the foregoing could have a material adverse effect on our business operations, customer service and risk management, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our information technology systems, such as malfunctions in software or network disruption. The problems and defects may cause delays for some of our customers and may adversely affect the experience of our customers with us. We may encounter problems when upgrading our systems or services and may fail to detect programming errors, which could adversely affect our system performance and as above.

Privacy and data protection have gradually become the priority of governments worldwide in recent years. The PRC government, in particular, has enacted a series of laws and regulations on personal data protection in the past few years. See "Regulatory Overview — Internet Information Security and Privacy Protection." During our business operations, we may be required to obtain certain information of our end-user customers/customers and end-users and are therefore subject to relevant laws and regulations on privacy and data protection. We are required to collect, store, use, process, disclose and transfer customer data (such as customer identity, address, contact information and policy details) in compliance with the PRC laws, regulations, regulatory requirements and guidelines. Although we seek to strictly implement our data protection policies and procedures, improper use or leakage of customer data may still occur. Any accidental or willful security breaches or other unauthorized access to our system could cause confidential personal data to be stolen and used for illegitimate purposes, and could also expose us to liability related to the loss of information, time-consuming and expensive litigation and negative publicity. If we fail to protect our customer data, we may breach relevant laws and regulations. Such breach may expose us to risks, such as customer complaints, regulatory penalties and litigations, which may adversely affect our reputation, business development, financial condition and results of operations. In addition, we are subject to legal risks in the event of any changes to the relevant laws, regulations and policies.

The Cybersecurity law may also affect our business, financial condition and results of operations.

Given that (i) the Cybersecurity Review Measures (《網絡安全審查辦法(2021)》) were published recently and (ii) the Regulations on the Administration of Cyber Data Security (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》) (the "Draft Administration Regulations") has not been released as of the Latest Practicable Date, it is uncertain as to whether issuers going public in Hong Kong will be required to apply to the CAC for review on data security and other related matters. We cannot assure you whether we will be required to apply for the cybersecurity review before the Listing on the Hong Kong Stock Exchange or, if required, whether we will be able to complete the cybersecurity review process in a timely manner or not. Assuming that the official draft requires us to complete the cybersecurity review and comply with other requirements for approval, we face uncertainty as to whether we will be able to obtain such approval in time or at all. Furthermore, we may be subject to enhanced cybersecurity reviews or investigations required by relevant PRC regulatory authorities in the future. Failure to complete or delay in completing the cybersecurity review process or any other violations of relevant laws and regulations may result in fines or other penalties, as well as damage to our reputation or legal proceedings or government enforcement actions. However, as advised by our PRC Legal Advisor, we are of the view that a) the Cybersecurity Review Measures will not have a substantial and material adverse impact on our business or the proposed listing in Hong Kong on the basis that (i) based on our consultation with China Cybersecurity Review Technology and Certification Center, we have no obligation to proactively file for the cybersecurity review because Hong Kong is not a "foreign country"; (ii) as of the Latest Practicable Date, we were not identified as a critical information infrastructure operator ("**CIIO**") by relevant competent authorities or regulatory bodies, and (iii) substantial uncertainties exist with respect to the interpretation and implementation of the cybersecurity law and regulation, especially the detailed interpretation of the standard for determining whether a listing in Hong Kong "affects or may affect national security," b) the Draft Administration Regulations will not have any immediate material impact on the proposed Listing, on the following basis (i) this is a draft regulation for comment and not currently in effect, (ii) this draft does not contain retrospective provisions that would have a material impact on the proposed Listing of our Company, and (iii) as of the Latest Practicable Date, we have not been involved in review or investigation by the CAC or other authorities with respect to the Draft Administration Regulations or related to the proposed listing in Hong Kong.

We are subject to an evolving set of ESG-related laws and regulations and exposed to transition risks. Change in ESG-related laws, regulations and regulatory policies from time to time could have a material adverse effect on our business, financial condition and results of operations.

Our business operations are subject to ESG-related laws and regulations promulgated by competent authorities. We have established our ESG committee and adopted relevant policies and procedures to ensure our compliance with applicable laws and regulations. See "Business – Environmental, Social and Governance Matters." As of the Latest Practicable Date, no material fines or penalties have been imposed on us for any non-compliance with health, work safety, social or environmental regulations. However, ESG-related laws and regulations are evolving and are subject to potentially differing interpretations. We cannot assure you that we will fully comply with the evolving laws and regulations. Any changes in laws and regulations or any change of interpretation thereof may substantially increase our compliance costs. Furthermore, any non-compliance with relevant laws and regulations may subject us to fines, penalties and other legal liabilities, and have a negative impact on our reputation and creditability, further materially and adversely affecting our business, financial condition and results of operations.

In addition, potential transition risks may result from the increasingly demanding ESG-related regulations and policy. We may be required to invest significantly in transforming our business and operations. Failure to adapt to the new rules in a timely manner or at all may cause us to lose market share and business opportunities to our competitors, and our business, financial condition and results of operations may be materially and adversely affected.

We may be involved in legal and other proceedings arising from our business and may accordingly be subject to material liabilities or incur additional costs, and the regulatory actions and legal procedures against us may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in legal and other proceedings in the ordinary course of business, which may result in reputational damage, business disruptions and extra costs. In addition, our senior management, employees and agents may also be involved in litigation and/or other legal proceedings or investigations that may harm our reputation and adversely affect our business and results of operations. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be costly and time-consuming, and could divert our management's attention. In extreme circumstances, our reserves for such matters may be inadequate. In addition, any unfavorable final resolution of any such litigation or proceedings could have a material adverse effect on our business, results of operations and financial condition. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material adverse effect on our prospects and future growth. Any legal proceeding or investigation that involves us may negatively impact our prospects and competitiveness, as well as result in substantial costs, damage to our reputation or business disruptions.

We may also face regulatory actions from time to time. A material legal liability or material regulatory enforcement could have an adverse effect on us or cause damage to our reputation, which may harm our business prospects. We are subject to periodic inspections by PRC regulatory authorities, which may impose fines and other punishments on us. In 2019, 2020, 2021, the six months ended June 30, 2022 and up to the Latest Practicable Date, as a result of violations of PRC laws and regulations, we were subject to 238 administrative penalties imposed by the CBIRC, the PBOC, the SAT and other regulatory authorities and were fined a total of approximately RMB10.04 million, RMB10.48 million, RMB18.70 million, RMB2.86 million and RMB2.23 million, respectively. The CBIRC and its local branches imposed 172 administrative penalties, with aggregated penalties of approximately RMB33.55 million. The PBOC and its branches imposed 15 administrative penalties, of an aggregate of approximately RMB7.57 million. The taxation department imposed 34 administrative penalties, of an aggregate of approximately RMB0.53 million. other regulatory authorities imposed 17 administrative penalties, of an aggregate of approximately RMB2.66 million. See "Business — Legal and Regulatory Proceedings and Compliance." Due to the complexity of the policies in relation to social insurance and housing provident funds, as well as the varying standards of policy implementation among regions, we may also be exposed to the risk of repayment of social insurance and housing provident fund contributions requested by the relevant regulatory authorities. While these penalties, fines or other punishments have not had a material adverse effect on our business, results of operations or financial condition, we cannot assure you that future inspections by PRC regulatory authorities would not result in penalties, fines or other punishments, or the issuance of negative reports or opinions, that could materially and adversely affect our reputation, business, results of operations or financial condition.

For discussions on the material pending litigation and regulatory matters affecting us, and the resultant risks to our business, see "Business — Legal and Regulatory Proceedings and Compliance."

The success of our business depends on our ability to attract and retain our senior management, key employees and sales agents, and the loss of their services could have a material adverse effect on our business, financial condition, results of operations and prospects.

The success of our business to a large extent depends on the continued service of our senior management and various key professionals and specialists, including actuaries, information technology specialists, investment managers and finance professionals, legal professionals, risk management specialists, underwriting and claim settlement personnel and salespeople, as well as our individual sales agents. As a result of ever-increasing market competition, the market demand and competition for experienced management personnel and insurance professionals and specialists has intensified. Our business and financial condition could suffer if we are unable to retain our senior management or otherwise timely replace them with appropriate candidates upon their departure, including the senior management and executive management of our Company and our principal subsidiaries or other high-quality personnel, including management in departments of business, finance, investment and information technology of our Company and principal subsidiaries. Moreover, we may be required to substantially increase the number of such personnel in connection with any future growth plans, and we may face difficulties in doing so due to the intense competition in the PRC insurance industry for such personnel. Our failure to retain or replace competent personnel could materially impair our ability to implement any plan for growth and expansion. Competition for such personnel among insurance companies and other business institutions may also require us to increase compensation for employees and commission for individual sales agents, which would increase our operating costs and reduce our profitability.

All of our insurance agencies and brokers are required to obtain the Insurance Qualification Certificates and be registered. If a substantial number of our insurance agencies and brokers fail to meet these qualification and registration requirements, our business may be materially and adversely affected.

Institutional insurance agencies and insurance brokers are required under the PRC insurance laws to register with the administration of industry and commerce, and obtain the Insurance Qualification Certificates issued by the CBIRC. The PRC insurance laws also require sideline insurance agencies to obtain registrations with the administration of industry and commerce with the permits issued by the CBIRC. There can be no assurance that all of our institutional insurance agencies would obtain the relevant certificates. If a substantial number of our institutional insurance agencies entrusted by us and insurance brokers that we work with fail to meet these qualification and registration requirements, such failure may result in policyholders canceling their policies with us or otherwise adversely affect the composition or the effectiveness of our sales of insurance products, which may, in turn, materially and adversely affect our business.

We face possible infringement of our intellectual property rights and may inadvertently infringe upon third-party intellectual property rights.

Our insurance and asset management businesses rely on some of our intellectual property rights, including trademarks, domain names, patents and software copyrights. Although we endeavor to protect our intellectual property rights, third parties may infringe upon or misappropriate these rights. We may need to resort to litigation or other proceedings to protect our intellectual property rights. This could result in substantial costs and diversion of resources and could materially disrupt our business and reduce our profitability. Our efforts to protect our intellectual property rights may not be successful, which could have a material adverse effect on our prospects and ability to compete.

We may be subject to claims brought by third parties for infringement of their intellectual property rights from time to time. Any such claims and resultant litigations or other proceedings could result in significant expenses and liability for damages as well as an adverse impact on our reputation. If we were found to have infringed or misappropriated third-party intellectual property rights, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes or software programs. Alternatively, we could be required to enter into costly licensing arrangements with third parties or incur significant costs to implement alternative arrangements. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our ability to pay dividends and meet other obligations depends on dividends and other payments from our subsidiaries, which are subject to contractual and other obligations.

As a holding company, with the exception of certain investment activities, our Company does not conduct any significant business operations on its own. As a result, we depend upon dividends and other distributions from our operating subsidiaries for substantially all of our cash flows. Most of our assets are held by these subsidiaries. The liquidity of our funds and our ability to pay interest and expenses, meet our obligations and pay dividends are dependent upon the inflow of funds from these subsidiaries. There can be no assurance that these subsidiaries will generate sufficient funds to support the dividend payments and other distributions in an amount sufficient to meet our cash requirements and pay dividends.

Our ability to pay dividends or make other payments may be further restricted by covenants contained in agreements governing our current or future debts. In addition, our subsidiaries may incur debts to third parties, the terms of which may restrict our ability to obtain dividend payments or other distributions from the relevant subsidiaries. Our and our subsidiaries' ability to pay dividends may also be restricted by regulatory authorities. See "Regulatory Overview — Risk and Solvency Management — Solvency Supervision of the CBIRC."

We have not obtained title certificates of some of the properties we own, and the owners of some of our leased properties do not have, or have not presented us with, appropriate title certificates, and most of our leased properties have not yet been registered, which may adversely affect our right to use such properties.

As of the Latest Practicable Date, we had not obtained the official building ownership certificates for 722 properties with a total gross floor area ("**GFA**") of approximately 484,953.7 sq.m., representing 29.5% of the total GFA of owned properties. These owned properties with title defects are primarily used as premises for offices, business operations and for rental. See "Business — Properties."

As of the same date, we leased 2,656 properties in the PRC with an aggregate GFA of 866,081.94 sq.m. We use these leased properties primarily for our offices and operating premises. As of the same date, among such leased properties, our landlords had not provided us with the building ownership certificates or, where the lessor is different from the holder of the building ownership certificate, the lessor had not provided the document proving the subletting is agreed by the holder of such building ownership certificate, for 969 properties with a GFA of approximately 285,795.25 sq.m., representing approximately 33.0% of the aggregate GFA of the properties we leased. See "Business — Properties."

If our landlords do not have or cannot obtain the proper building ownership certificates for such properties, our rights in relation to such properties might not be entirely protected.

Any claim or dispute related to the title of the properties owned or leased by us may result in the relocation of our operating premises and offices. We cannot guarantee that the legality of our use and occupation of the relevant land and buildings will not be challenged, or that we will be able to secure alternative properties for our business if we are required to relocate. If we or our landlords cannot obtain the relevant building ownership certificates and land use rights certificates in a timely manner and our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, incur additional relocation costs, or our business operations may be disrupted. Any of the foregoing may have an adverse effect on our business, financial condition and results of operations.

Our business operations may be affected by the COVID-19 pandemic.

Since early 2020, a growing number of countries and regions around the world, including the PRC, have encountered outbreaks of COVID-19, a highly contagious disease known to cause respiratory illness. On March 11, 2020, the World Health Organization made the assessment that COVID-19 can be characterized as a pandemic. COVID-19 has subsequently spread to more than 200 countries and territories globally, and the death toll and number of infected cases are continuing to rise. The COVID-19 pandemic has not only led to a sudden halt of a large number of economic activities, but also caused a sharp tightening of global financial conditions and a significant deterioration in the economic outlook since its outbreak. Given the uncertainty surrounding the impact of the COVID-19 pandemic on the economy, the volatility of the capital markets continues to soar. The volatility of stocks, bonds and interest rate markets in many countries has reached a comparable level to that during the global financial crisis. As volatility soared, market liquidity deteriorated significantly. At the same time, responding to the COVID-19 pandemic, governments of various countries have adopted more stringent and lasting preventive and control measures. Such measures have directly affected traditional international travel and normal international economic and trade cooperation. The COVID-19 pandemic has had an adverse impact on the livelihood of people in, and the economy of, the PRC. In response to the COVID-19 pandemic, various measures have been implemented by the government of the PRC, including restrictions on travel and public transport, prolonged closures of workplaces and public places, social distancing measures and mandatory quarantines, which have led to a noticeable reduction in regional and national economic activities during the affected periods.

In particular, the traditional offline model of life and health insurance business was hindered, including product sales, agent recruitment and agency force management. With respect to the property and casualty insurance business, the COVID-19 pandemic has adversely affected the vehicle sales volume of the PRC automobile industry, and, in turn, the automobile insurance business. Meanwhile, COVID-19 may have also brought extra pressure to the claims of certain types of our property and casualty insurance products. Moreover, the COVID-19 pandemic has brought disruptions to economic activities and resulted in significant volatilities in the capital markets, which have, together with the lower interest rates, put pressure on our investment results.

There remains uncertainty with regard to the continued development of the COVID-19 pandemic and its implications. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, exposing our business to unforeseen damages, and materially and adversely affect our business, financial condition and results of operations.

We may be subject to the risks associated with geopolitics, international sanctions and trade protection measures.

Recent international trade disputes and the uncertainties created by such disputes may disrupt the transnational flow of goods and significantly undermine the stability of the global and Chinese economy, thereby harming our business.

The US administration has taken various steps towards imposing restrictions on business dealings and trade with China, which might adversely affect some of our business partners. We believe the immediate and direct impacts on our business resulting from such restrictions are limited, because our transactions with such entities have represented a negligible portion of our results of operations. Nonetheless, such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. In addition, China may further retaliate in response to new trade policies implemented by the US government. Such retaliation measures may further escalate the tensions between the two countries, which may have a negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. As a result of any major economic downturn, our business, financial condition and results of operations could be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business is highly dependent on the macroeconomic environment in the PRC and the development of the PRC insurance market.

During the Track Record Period, substantially all of our revenue was derived from the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for approximately four decades, the PRC government still exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. We may not in all cases be able to capitalize on such measures, and we may be adversely affected in some cases.

In particular, our business is highly dependent on the macroeconomic environment. Factors such as a slowdown in economic growth, rising inflation, geopolitical issues, high unemployment rate, declining consumer confidence and asset value, capital market volatility and liquidity issues may result in unfavorable operating conditions. A slowdown in economic growth, an economic downturn or other adverse events may lead to an increase in the unemployment rate and a reduction in household income, business profits, business investments and consumer consumption, which may significantly reduce the demand for our products and services and increase surrenders. Meanwhile, adverse economic conditions, capital market volatility and credit defaults may reduce our investment returns. All of the foregoing may materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, the growth of the PRC insurance market may slow down due to unforeseen changes in the macroeconomic and political landscape, despite rapid growth in recent years and significant growth potential in insurance penetration and insurance density compared to that of developed countries. The development and growth of our businesses may be adversely affected as a result.

Inflation in PRC could negatively affect our profitability and growth.

The PRC government may take measures in response to future inflationary pressures. Persistent inflation without the PRC government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. There can be no assurance that we will be able to pass on any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activities, which may affect future demand for insurance products and the deployment of insurance funds, and, in turn, materially and adversely affect our business, financial condition and results of operations.

Governmental control of currency conversion may limit our ability to use capital effectively.

The PRC government imposes, in certain cases, controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. Substantially all of our revenue was denominated in Renminbi during the Track Record Period. Under our current structure, we derive income primarily from dividend payments made by our PRC subsidiaries. Shortages in the availability of foreign currency may restrict our ability to satisfy foreign currency-denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demand, we may not be able to pay dividends in foreign currencies to our holders of H Shares.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our ability to obtain foreign exchange through debt or equity financing.

The legal protections available to investors under the PRC legal system may be limited.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Although there were prior guiding cases published by the court, they were different from those of the common law system and the precedent cases may have limited precedential value. The PRC government has promulgated laws and regulations dealing with economic matters, such as issuing and dealing in securities, shareholders' rights, foreign investments, corporate structure and governance, commerce, taxation and trade, for the purpose of developing a comprehensive system of commercial law. However, because these laws and regulations are relatively new, and because of the fast-evolving products, investments and risk management tools of the PRC insurance industry and the changing external environment, the impacts of these laws and regulations on the rights and obligations of relevant parties involve uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.

We are incorporated under the laws of the PRC, with most of our business and operations located in the PRC. In addition, a substantial majority of our directors, supervisors and senior management reside in the PRC, and so are substantially all of their assets. As a result, it may be difficult or even impossible to effect service of process elsewhere outside the PRC upon us or most of our directors, supervisors and senior management. Further, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. It may not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not explicitly agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgment," "specific legal relationship" and "written form." A final judgment that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court.

Further, on January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been entered into, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement. We therefore cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individual holders of H Shares are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposal of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares of the Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No.

897) (國稅函[2008]897號), promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. There are uncertainties as to the interpretation and implementation of relevant laws and regulations by the PRC tax authorities, including whether and how enterprise income tax on gains derived from the sale or other disposal of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

Payment of dividends is subject to restrictions under PRC laws and regulations.

Under PRC laws and our Articles of Association, dividends may only be paid out of distributable profits. Our profit distribution plan is subject to approval by a Shareholders' general meeting. Distributable profits are after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses, allocations to statutory reserve, risk reserve and discretionary surplus reserve fund that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Payment of dividends by us is also regulated by relevant PRC insurance laws and regulations. The CBIRC may restrict any insurance company that has a core solvency ratio lower than 50% or a comprehensive solvency ratio lower than 100% from paying dividends. See "Regulatory Overview — Risk and Solvency Management — Solvency Supervision of the CBIRC."

RISKS RELATING TO THE GLOBAL OFFERING

No prior public market for our H Shares exists, an active trading market for our H Shares may not develop and their trading prices may fluctuate significantly. The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

Prior to the Global Offering, there was no public market for our H Shares. There can be no assurance that an active trading market for our H Shares will develop and be sustained following the Global Offering. In addition, the initial Offer Price of our H Shares is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and us and may not be indicative of the market price of our H Shares following the completion of the Global Offering. Moreover, the trading volume and the price of our H Shares may be affected by various factors, including the research reports yet to be released about us prepared by securities and industries analysts or a reduction of their ratings for our H Shares. If an active public market for our H Shares does not develop after the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices and demand for our products or services could cause large and sudden changes in the volume and price at which our H Shares will be traded. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our H Shares.

Future sales or perceived sales of a substantial number of our Shares in public markets could adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings to the extent that we will issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Dividends distributed in the past may not be indicative of the amount of dividends that we may distribute in the future.

The amount of dividends we have distributed in the past is not indicative of our future performance or the amount of dividends that may be paid in the future. Any future declaration of dividends will be proposed by our Board, and the amount of any dividends will depend on various factors, including our financial condition, results of operations, prospects, capital adequacy levels and other factors that our Board may determine to be important. For details of our distributed dividends during the Track Record Period, see "Financial Information — Future Dividends." There can be no assurance as to if and when we will pay dividends in the future.

If the Offer Price of our H Shares is higher than our net tangible asset value per Share, you will experience immediate dilution upon the purchase of these Shares.

The initial public offering price of our H Shares may be higher than the net tangible asset value per Share of the outstanding Shares of our then-existing Shareholders as of June 30, 2022. Therefore, purchasers of our H Shares in the Global Offering may experience an immediate dilution in the pro forma adjusted net tangible assets per Share, and our existing Shareholders may receive an increase in the pro forma adjusted net tangible assets per Share of their Shares. In addition, holders of our H Shares may experience a further dilution of their shareholding percentage if the Over-allotment Option is exercised or if we obtain additional capital in the future through equity offerings.

Since there will be a gap of days between pricing and trading of our H Shares, the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse development that could occur between the time of sale and the time trading begins.

Any possible conversion of Domestic Shares into H Shares could increase the supply of H Shares in the market, which will negatively impact the market price of H Shares.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may adversely affect the trading price of H Shares.

Certain facts and statistics contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those in the sections headed "Business" and "Industry Overview" relating to the PRC, the PRC economy and the PRC insurance industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. No independent verification has been carried out on the information from official government sources by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. You should not place undue reliance on such forward-looking statements and information.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior or subsequent to the publication of this prospectus, there may have been or may be press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this prospectus, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this prospectus and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the Offer Shares.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our core business and operations are substantially based and conducted in the PRC and most of the Company's assets are located in the PRC. Further, all of the Company's executive Directors are based in the PRC, as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company's operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures in order to achieve regular communication with the Stock Exchange:

(a) The Company has appointed Mr. Peng Jihai, our Director, and Mr. Dong Yingqiu, one of the joint company secretaries of the Company, as the authorized representatives ("**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as the Company's principal channel of communication with the Stock Exchange. Each of them has confirmed that he can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in the Company's authorized representatives. Mr. Peng Jihai and Mr. Dong Yingqiu have confirmed that they will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) Our Authorized Representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matters;

(c) All the Directors who are not ordinarily resident in Hong Kong are able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice. In addition, each of our Directors has provided his/her contact details, including office phone numbers (if any), mobile phone numbers, email addresses and fax numbers (if any), to the Authorized Representatives and to the Hong Kong Stock Exchange. In the event that any of our Directors expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives, so that the Authorized Representatives would be able to contact all our Directors (including the independent non-executive Directors) promptly at all times if and when the Hong Kong Stock Exchange wishes to contact our Directors; and

(d) Our Company has appointed Huatai Financial Holdings (Hong Kong) Limited as its compliance advisor (the "**Compliance Advisor**") in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide our Company with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations, including the SFO, Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to Guidance Letter HKEX-GL108-20, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of listing (the "**Waiver Period**") and on the following conditions; (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

We have appointed Mr. Dong Yingqiu and Mr. Lau Kwok Yin, as the joint company secretaries of our Company. Mr. Dong Yingqiu is currently the secretary to the Board of the Company, who has extensive experience in corporate governance matters, as well as a thorough understanding of the daily operations, internal administration and financial management of our Group. By virtue of Mr. Dong Yingqiu's experience in serving the Group and his familiarity with our Group, our Company believes Mr. Dong Yingqiu is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company.

Further, given that our main operation is in the PRC, we believe that it would be in the best interest of our Company and our corporate governance to have Mr. Dong Yingqiu, with his relevant background and experience in the PRC, to act as our joint company secretary. Mr. Dong Yingqiu presently does not possess the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on his own. Therefore, our Company has appointed Mr. Lau Kwok Yin, a fellow member of Hong Kong Chartered Governance Institute (previously known as The Hong Kong Institute of Chartered Secretaries), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary and provide assistance to Mr. Dong Yingqiu for an initial period of three years from the Listing Date. For further details about Mr. Dong Yingqiu's and Mr. Lau Kwok Yin's qualifications and experience, see "Directors, Supervisors and Senior Management" in this prospectus.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

(a) Mr. Dong Yingqiu will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules, which will be organized by our Hong Kong legal advisors on an invitation basis, and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Both Mr. Dong Yingqiu and Mr. Lau Kwok Yin have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(c) Mr. Lau Kwok Yin will assist Mr. Dong Yingqiu to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

(d) Mr. Dong Yingqiu will communicate regularly with Mr. Lau Kwok Yin on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. Lau Kwok Yin will work closely with, and provide assistance for, Mr. Dong Yingqiu in the discharge of his duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;

(e) Upon expiry of Mr. Dong Yingqiu's initial term of appointment as the company secretary of our Company, our Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether ongoing assistance should be arranged so that Mr. Dong Yingqiu's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;

(f) The Company has appointed Huatai Financial Holdings (Hong Kong) Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company and Mr. Dong Yingqiu as to the compliance with the Listing Rules and all other applicable laws and regulations; and

(g) The waiver may be revoked immediately if Mr. Lau Kwok Yin ceases to provide such assistance or if the Company commits a material breach of the Listing Rules.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that, having had the benefit of Mr. Lau Kwok Yin's assistance for three years, Mr. Dong Yingqiu would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for the Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — Non-Exempt Continuing Connected Transaction." For more information, see "Connected Transactions."

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Based on the minimum Offer Price of HK$5.83 per H Share and assuming that the Over-allotment Option is not exercised, the Company expects that its market capitalization at the time of the Listing will be significantly higher than HK$10 billion and that the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules to reduce the minimum public float of the Company to the higher of (a) 10.00% of the total issued share capital of the Company; and (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering, as increased by the H Shares to be issued upon any exercise of the Over-allotment Option, subject to the following: the Company will (a) make appropriate disclosure of the lower percentage of the public float in this prospectus; (b) announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company; (c) confirm the sufficiency of its public float in successive annual reports after its listing; and (d) the Company will convene relevant board and shareholders' meetings within four months after the Listing and will, upon obtaining relevant approvals, apply to relevant PRC regulatory authorities for conversion of 600,000,000 or more Domestic Shares into H Shares. In case where the aforementioned approval from shareholders' meeting is not obtained, the Company will re-convene a shareholders' meeting every three months thereafter to seek relevant approval from its shareholders.

The Company will implement appropriate measures and mechanisms to ensure continual maintenance of a 10.00% public float of H Shares (or such higher percentage upon the completion of any exercise of the Over-allotment Option). In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make this prospectus or any statement in this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on October 11, 2022 for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting its approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 115,015,500 H Shares and the International Offering of initially 1,035,137,000 H Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus).

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and CCB International Capital Limited as the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions that the Offer Price is agreed between the Overall Coordinators, on behalf of the Hong Kong Underwriters, and us. The International Offering is managed by the Overall Coordinators and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between the Company and the Overall Coordinators, on behalf of the Hong Kong Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Overall Coordinators, on behalf of the Hong Kong Underwriters on or before the Price Determination Date, or such later date or time as may be agreed between the Overall Coordinators (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which the Overall Coordinators (on behalf of the Hong Kong Underwriters) and the Company will determine on or around Monday, December 5, 2022, and in any event no later than on or before Tuesday, December 6, 2022.

If the Overall Coordinators (on behalf of the Hong Kong Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, or such later date or time as may be agreed between the Overall Coordinators (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, agents, affiliates or advisors or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering", "How to Apply for Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Offer Shares to be issued pursuant to the Global Offering, including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Our Domestic Shares may be converted to H Shares upon the approval of the CSRC or the authorized approval of authorities of the State Council.

Save as disclosed herein, no part of the Shares or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Friday, December 9, 2022. Except for the Company's pending application to the Hong Kong Stock Exchange for permission to list and to deal in the H Shares, no part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 500 H Shares. The stock code of the H Shares is 6963.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotments made in respect of any applications will be invalid if the listing of, and permission to deal in, the Offer Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Hong Kong Stock Exchange.

COMPLIANCE WITH LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Listing Rules or such other undertakings which may have been given by us in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancelation or disciplinary proceedings in accordance with the Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holders unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making of an application or purchase, to have represented that they are not Associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members to be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. We will maintain the Company's principal register of members at our current registered office in the PRC.

Dealings in our H Shares registered in the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. See "Appendix IV — Taxation and Foreign Exchange" for further details.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of any transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in our H Shares or exercising rights attached to them. None of the Company, the Underwriters, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of their respective directors, supervisors, officers, employees, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, our H Shares.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, the Stabilizing Manager (on behalf of the International Underwriters) or any persons acting for it may over-allot shares or effect any other transactions with a view to prevent a decline in the market price of our H Shares for a limited period after the issue date. However, there is no obligation on the Stabilizing Manager or any person acting for it to do this. Such stabilization action, if taken, may be discontinued at any time and is required to end after a limited period. In Hong Kong and certain other jurisdictions, activities aimed at reducing the market price are prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) for up to 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 172,522,500 additional H Shares, representing approximately 15% of the total number of H Shares initially available for subscription under the Global Offering, in connection with over-allocations in the Global Offering, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Structure of the Global Offering" of this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included herein for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any tables or charts between the total shown and the sums of the amounts listed are due to rounding.

MARKET SHARE DATA

The statistical and market share information contained in this prospectus has been derived from official government publications, market data providers and other independent third-party sources. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. Our Directors have reproduced the data and statistics extracted from such official government publications and other sources in a reasonably cautious manner.

CURRENCY TRANSLATIONS

Solely for your convenience, certain translations among amounts in RMB, HK$ or US$ are contained in this prospectus. None should be regarded as and be interpreted as an amount in one currency that can be on the relevant dates or any other dates actually converted into that in another currency at the rates below or cannot be converted at all. Unless otherwise specified:

(i) all amounts in RMB are translated into HK$ at an exchange rate of RMB0.9082 to HK$1.00, being the middle exchange rate set by the PBOC prevailing on November 18, 2022;

(ii) all amounts in RMB are translated into US$ at an exchange rate of RMB7.1091 to US$1.00, being the middle exchange rate set by the PBOC prevailing on November 18, 2022; and

(iii) all amounts in HK$ are translated into US$ at an exchange rate of HK$7.8229 to US$1.00, being the exchange rate as set forth in the H.10 weekly statistical release of the Federal Reserve Board as prevailing on November 18, 2022.

Further information on exchange rates is set forth in "Appendix IV — Taxation and Foreign Exchange" in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. ZHANG Weigong (張維功)	16 Langya Road Gulou District Nanjing City Jiangsu Province, PRC	Chinese
Mr. ZHAO Zongren (趙宗仁)	Room 402, Unit 3, Building 5 28 Chaoyang Road Tianqiao District Jinan City Shandong Province, PRC	Chinese
Mr. LI Ke (李科)	Room 1102, Unit 2, Building 15 Xiajiayuan Chaoyang District Beijing, PRC	Chinese
Mr. PENG Jihai (彭吉海)	Room 8, Gate 5, Building 11 Mingguangcun Xiaoqu Haidian District Beijing, PRC	Chinese
Mr. WANG Yongwen (王永文)	Room 1803, Gate 1, Building 3 Yard No. 15 Jianguo Road Chaoyang District Beijing, PRC	Chinese
Non-executive Directors		
Mr. WANG Jingwei (王京偉)	28 Zhongxin First Street Nanbanbi Village Liqiao Town Shunyi District Beijing, PRC	Chinese
Mr. YUAN Mouzhen (袁謀真)	Room 12, Unit 58 8 Fucheng Road Haidian District Beijing, PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. MA Guangyuan (馬光遠)	Room 802, Gate 3, Building 19 17 Xicui Road Haidian District Beijing, PRC	Chinese
Mr. LIU Zhanqing (劉湛清)	Room 301, Unit 1, Building 9 Linfeng Jiayuan North Haidian District Beijing, PRC	Chinese
Mr. WANG Jianxin (王建新)	Room 601, Unit 97 8 Fucheng Road Haidian District Beijing, PRC	Chinese
Mr. GAO Bin (高濱)	Flat A, 45/F Branksome Crest 3A Tregunter Path Hong Kong	Chinese
Ms. JIA Ning (賈寧)	8-1-701 Shuangqingyuan Tsinghua University Haidian District Beijing, PRC	United States

SUPERVISORS

Name	Address	Nationality
Mr. ZHUANG Liang (莊良)	Room 2004, No. 7 Yijing Garden Gulou District Nanjing City Jiangsu Province, PRC	Chinese

Ms. ZHANG Di (張迪)	Room 332, Building 6 Songzhouyuan Xiaoqu Gangtie West Street Hongshan District Chifeng City Inner Mongolia Autonomous Region, PRC	Chinese
Ms. WANG Zhe (王哲)	109-3-502, Jindu Hangcheng, Baiziwan Xili Chaoyang District Beijing, PRC	Chinese

For the biographies and other relevant information of the Directors and Supervisors, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS Securities Hong Kong Limited 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
Overall Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Global Coordinators

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ICBC International Capital Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Soochow Securities International Brokerage Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ICBC International Securities Limited
37/F ICBC Tower
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Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Soochow Securities International Brokerage Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Capital Market Intermediaries

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
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ICBC International Securities Limited
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ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Soochow Securities International Brokerage Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Legal Advisors to the Company

As to Hong Kong and United States laws:
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Hong Kong

As to PRC laws:
Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No.1 Jianguomenwai Avenue
Chaoyang District
Beijing, PRC

Legal Advisors to the Joint Sponsors and Underwriters	*As to Hong Kong and United States laws:* **Linklaters** 11th Floor, Alexandra House Chater Road Central Hong Kong *As to PRC laws:* **King & Wood Mallesons** 18th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC
Reporting Accountant and Auditor	**Ernst & Young** Certified Public Accountants Registered Public Interest Entity Auditor 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong
Actuarial Consultants	**Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch** Unit 2927-2929 and 2917 South Tower, Kerry Centre No. 1 Guang Hua Road Chaoyang District Beijing, PRC
Compliance Advisor	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Bank of Communications Co., Ltd.
Hong Kong Branch
Unit B B/F & G/F, Unit C G/F, 1-3/F
16/F Room 01 & 18/F
Wheelock House
20 Pedder Street
Central
Hong Kong

CMB Wing Lung Bank Limited
16/F, CMB Wing Lung Bank Building
45 Des Voeux Road
Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Ltd.
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

Registered Offices	17th Floor, Block A, First World Plaza No. 7002, Hongli West Road Futian District Shenzhen, PRC
General Contact Address	17th Floor, Block A, First World Plaza No. 7002, Hongli West Road Futian District Shenzhen, PRC Sunshine Financial Center Building 1, Yard 33, Jinghui Street Chaoyang District Beijing, PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Company's Website	**https://www.sinosig.com** *(This website and the information contained on this website do not form part of this prospectus.)*
Joint Company Secretaries	Mr. DONG Yingqiu Sunshine Financial Center Building 1, Yard 33, Jinghui Street Chaoyang District Beijing, PRC Mr. LAU Kwok Yin *(member of the Hong Kong Institute of Certified Public Accountants, and senior fellow of each of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong

Authorized Representatives	Mr. PENG Jihai Room 8, Gate 5, Building 11 Mingguangcun Xiaoqu Haidian District Beijing, PRC Mr. DONG Yingqiu Sunshine Financial Center Building 1, Yard 33, Jinghui Street Chaoyang District Beijing, PRC
Strategy and Investment Decision Committee	Mr. LI Ke *(Chairman)* Mr. MA Guangyuan Mr. PENG Jihai
Risk Management Committee	Mr. ZHAO Zongren *(Chairman)* Mr. PENG Jihai Ms. JIA Ning
Audit Committee	Mr. WANG Jianxin *(Chairman)* Mr. GAO Bin Mr. WANG Jingwei
Nomination and Remuneration Committee	Mr. MA Guangyuan *(Chairman)* Mr. LIU Zhanqing Mr. GAO Bin
Related Party Transactions Control Committee	Mr. LIU Zhanqing *(Chairman)* Mr. GAO Bin Mr. WANG Jianxin
Consumer Rights Protection Committee	Mr. LI Ke *(Chairman)* Mr. WANG Yongwen Mr. WANG Jingwei
ESG (Environment, Social Responsibility and Corporate Governance) Committee	Mr. PENG Jihai *(Chairman)* Mr. LIU Zhanqing Mr. GAO Bin

H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	**Industrial and Commercial Bank of China Limited** **Beijing Jintai Road Branch** Ground floor, Annex Building of the People's Daily New Media Tower No. 2 Jintai West Road Chaoyang District Beijing, PRC
	China Merchants Bank Co., Ltd. **Beijing Shuangyushu Branch** 1st floor, Institute of Science and Technology Building No. 9 Zhongguancun South Street Haidian District Beijing, PRC

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various official government and other publicly available sources, and from the Sigma Reports. The Sigma Reports are research reports on developments in the insurance industry published by Swiss Re Institute, the research arm of Swiss Reinsurance Company Ltd. Historical data provided by the Sigma Reports are collected independently from various public information sources, including national supervisory authorities, insurance associations, International Financial Statistics of the IMF, Oxford Economics and IHS Markit. No independent verification has been carried out on the information from official government sources by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy.

THE PRC INSURANCE INDUSTRY OVERVIEW

According to the Sigma Reports[1], the PRC insurance market was the largest in Asia and the second largest in the world in terms of total premiums in 2021. According to data published by the CBIRC, the total OPI in the PRC reached RMB4,490.0 billion in 2021, of which RMB3,322.9 billion was from life and health insurance business (comprising life insurance, health insurance and accident insurance) and the remaining RMB1,167.1 billion was from property and casualty insurance business.

According to the Sigma Reports, the PRC insurance market has experienced rapid development in recent years and is one of the fastest-growing insurance markets in the world. According to data published by the CBIRC, from 2016 to 2021, the OPI of the PRC insurance market grew at a CAGR of approximately 7.7%, of which life and health insurance business grew at a CAGR of 8.4%, while property and casualty insurance business grew at a CAGR of 6.0%.

Key favorable factors that have driven the rapid expansion of the PRC insurance market include rapid economic growth and urbanization of the PRC, continued social wealth accumulation, favorable government policies, as well as an aging population and technology innovation and application.

1 Life and non-life business areas in these Sigma studies (as "Sigma Reports above") are categorized according to standard European Union and Organization for Economic Co-operation and Development conventions: health insurance is allocated to non-life insurance, even if it is classified differently in the individual countries.

HISTORY AND DEVELOPMENT OF THE PRC INSURANCE INDUSTRY

In October 1949, The People's Insurance Company of China (中國人民保險公司) was established upon the approval of the Government Administration Council of the PRC, engaging in various insurance businesses nationwide. The People's Insurance Company of China ceased its domestic insurance business and focused on insurance business concerning foreign interests from 1959 to 1979 and gradually resumed its domestic insurance business beginning in 1979. The modern insurance industry in the PRC has been developing rapidly since 1979, with the establishment of commercial insurance companies which were then under the PBOC's supervision. In 1983, the State Council promulgated the PRC Regulations on Property Insurance Contracts (中華人民共和國財產保險合同條例), which was the first regulation on property and casualty insurance contracts in the PRC. In 1985, the State Council promulgated the Provisional Regulations Governing the Administration of Insurance Enterprises (保險企業管理暫行條例), which was the first overall regulation on the PRC insurance industry.

The PRC Insurance Law (中華人民共和國保險法) was promulgated in 1995, setting out the legal framework for the PRC insurance regulation. In 1998, the former CIRC was established and succeeded the PBOC as the insurance regulator. There have been four amendments to the PRC Insurance Law since 2002, which further improved the regulatory regime of the PRC insurance industry. Established by a merger of the former CBRC and former CIRC in 2018, the CBIRC is the principal regulatory authority for the supervision and regulation of China's banking and insurance industry currently.

CURRENT CONDITION OF THE PRC INSURANCE MARKET

Market Size and Growth Rate

In recent years, the PRC insurance market has experienced rapid growth and is one of the most important growth engines of the global insurance market. According to the Sigma Reports, global total premiums increased from US$4,732.19 billion in 2016 to US$6,860.60 billion in 2021, representing a CAGR of 7.7% over the same period. Meanwhile, PRC total premiums increased from US$466.13 billion in 2016 to US$696.13 billion in 2021, representing a CAGR of 8.4% and contributing to 10.8% of the growth of global total premiums over the same period. According to the Sigma Reports, the PRC's global insurance market share rose from 9.9% in 2016 to 10.1% in 2021, ranking it the largest in Asia and the second largest in the world in terms of total premiums.

According to the Sigma Reports, the premiums of the PRC life insurance business grew at a CAGR of 6.8% from US$262.62 billion in 2016 to US$365.46 billion in 2021, while those of the global life insurance business grew at a CAGR of 2.8% from US$2,617.02 billion in 2016 to US$2,997.57 billion in 2021.

According to the Sigma Reports, the premiums of the PRC non-life insurance business grew at a CAGR of 10.2% from US$203.52 billion in 2016 to US$330.67 billion in 2021, while those of the global non-life insurance business grew at a CAGR of 12.8% from US$2,115.17 billion in 2016 to US$3,863.03 billion in 2021.

Level of Development

According to the Sigma Reports, despite the considerable growth over the period from 2016 to 2021, China's insurance penetration and insurance density remain lower than its respective global averages. In 2021, the PRC insurance penetration was 3.9%, which was lower than global insurance penetration by 3.0 percentage points, while the PRC insurance density was US$482 per capita, which was 44.9% lower than that of global insurance. In the same year, the PRC life insurance penetration and non-life insurance penetration were 2.1% and 1.9%, which were lower than global life insurance penetration and non-life insurance penetration by 0.9 percentage points and 2.0 percentage points, respectively. While the PRC life insurance density and non-life insurance density were US$253 per capita and US$229 per capita, which were lower than global life insurance density and non-life insurance density by 33.8% and 53.5%, respectively.

The table below sets forth the insurance penetration and insurance density for the PRC and the world from 2016 to 2021:

	Life insurance[1]						Non-life insurance[2]					
	Insurance penetration			Insurance density			Insurance penetration			Insurance density		
Markets	2016	2021	Percentage change from 2016 to 2021	2016	2021	CAGR from 2016 to 2021	2016	2021	Percentage change from 2016 to 2021	2016	2021	CAGR from 2016 to 2021
	(%)	*(%)*	*(ppt)*	*(US$)*	*(US$)*	*(%)*	*(%)*	*(%)*	*(ppt)*	*(US$)*	*(US$)*	*(%)*
Mainland China	2.3	2.1	-0.2	190	253	5.9%	1.8	1.9	0.1	147	229	9.2%
Global	3.5	3.0	-0.5	353	382	1.6%	2.8	3.9	1.1	285	492	11.5%

Source: the Sigma Reports

(1) Not including accident and health insurance.

(2) Including accident and health insurance.

According to the Sigma Reports, the insurance penetration and insurance density of the PRC insurance market were lower than those in countries with mature insurance markets, indicating that the PRC insurance industry is still at an early stage of development and has significant growth potential.

The table below sets forth the economic indicators, total premiums, insurance penetration and insurance density of the world's major insurance markets in 2021:

	Economic indicators			Life insurance[2]			Non-life insurance[3]		
Markets[1]	Nominal GDP	Nominal GDP per capita	(% real change from 2020 to 2021)	Total premiums	Insurance penetration	Insurance density	Total premiums	Insurance penetration	Insurance density
	(US$ billion)	*(US$)*	*(%)*	*(US$ million)*	*(%)*	*(US$ per capita)*	*(US$ million)*	*(%)*	*(US$ per capita)*
United States	23,252	70,078	5.8	609,642	2.6	1,837	2,109,057	9.1	6,356
Mainland China	17,731	12,273	8.8	365,456	2.1	253	330,672	1.9	229
Japan	4,824	38,286	1.8	295,850	6.1	2,347	107,741	2.2	855
Germany	4,238	50,938	3.1	109,961	2.6	1,321	165,818	3.9	1,992
United Kingdom	3,188	47,511	8.3	284,284	8.9	4,234	114,858	2.2	1,039
India	3,026	2,169	8.5	96,679	3.2	69	30,296	1.0	22
France	2,953	43,619	7.4	185,445	6.1	2,654	110,935	3.4	1,486
Italy	2,111	35,659	7.0	146,001	6.9	2,467	46,480	2.2	785
Canada	1,991	52,120	4.8	64,917	3.3	1,697	96,372	4.8	2,520
Russia	1,774	12,159	4.8	7,131	0.4	49	16,169	0.9	111
Global	98,618	12,568	6.0	2,997,569	3.0	382	3,863,029	3.9	492

Source: the Sigma Reports

(1) The table includes the top ten countries with the highest nominal GDP in 2021.

(2) Not including accident and health insurance.

(3) Including accident and health insurance.

Principal Participants and Competition Landscape

According to data published by the CBIRC, there were 91 life and health insurance companies and 87 property and casualty insurance companies operating in the PRC in 2020. The PRC insurance market is dominated by a few large companies. According to data published by the CBIRC and the Insurance Association of China, the top three life and health insurance companies in the PRC had a combined market share of 40.9% in 2020 in terms of OPI, while the top three property and casualty insurance companies in the PRC had a combined market share of 63.7% in 2020 in terms of OPI. See "Business — Competition."

The table below sets forth the relevant market shares of the top 15 life and health insurance companies in the PRC in terms of OPI in 2020:

Rank	Company	OPI	Market Share
		(RMB billion)	*(%)*
1	China Life Insurance Company Limited (中國人壽保險股份有限公司)	612.3	19.3
2	Ping An Life Insurance Company of China Limited (中國平安人壽保險股份有限公司)	476.1	15.0
3	China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司)	208.5	6.6
4	New China Life Insurance Co., Ltd. (新華人壽保險股份有限公司)	159.5	5.0
5	Taiping Life Insurance Co., Ltd. (太平人壽保險有限公司)	144.4	4.6
6	Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司)	144.0	4.5
7	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)	96.2	3.0
8	China Post Life Insurance Company Limited (中郵人壽保險股份有限公司)	82.0	2.6
9	Qian Hai Life Insurance Co., Ltd. (前海人壽保險股份有限公司)	78.4	2.5
10	Fude Sino Life Insurance Co., Ltd. (富德生命人壽保險股份有限公司)	63.9	2.0
11	Evergrande Life Assurance Co., Ltd. (恒大人壽保險有限公司)	60.3	1.9
12	***Sunshine Life Insurance Co., Ltd. (陽光人壽保險股份有限公司)***	55.1	1.7
13	Aeon Life Insurance Co., Ltd. (百年人壽保險股份有限公司)	53.9	1.7
14	ICBC-AXA Assurance Co., Ltd. (工銀安盛人壽保險有限公司)	46.0	1.5
15	Sinatay Life Insurance Co., Ltd. (信泰人壽保險股份有限公司)	45.5	1.4
	Subtotal	2,325.8	73.4
	Others	841.6	26.6
	Total	**3,167.4**	**100.0**

Source: Public data from the CBIRC and the Insurance Association of China

The table below sets forth the relevant market shares of the top 15 property and casualty insurance companies in the PRC in terms of OPI in 2020:

Rank	Company	OPI	Market Share
		(RMB billion)	*(%)*
1	PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司)	432.0	31.8
2	Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司)	285.9	21.0
3	China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司)	148.1	10.9
4	China Life Property & Casualty Insurance Company Limited (中國人壽財產保險股份有限公司)	86.4	6.4
5	China United Property Insurance Company Limited (中華聯合財產保險股份有限公司)	52.7	3.9
6	China Continent Property & Casualty Insurance Co., Ltd. (中國大地財產保險股份有限公司)	47.8	3.5
7	***Sunshine Property and Casualty Insurance Co., Ltd. (陽光財產保險股份有限公司)***	37.3	2.7
8	Taiping General Insurance Company Limited (太平財產保險有限公司)	28.1	2.1
9	ZhongAn Online P&C Insurance Co., Ltd. (眾安在線財產保險股份有限公司)	16.7	1.2
10	Hua An Property Insurance Co., Ltd. (華安財產保險股份有限公司)	14.8	1.1
11	Yong An Property Insurance Co., Ltd. (永安財產保險股份有限公司)	10.6	0.8
12	Tk.cn Insurance Co., Ltd. (泰康在線財產保險股份有限公司)	9.4	0.7
13	Yingda Taihe Property Insurance Co., Ltd. (英大泰和財產保險股份有限公司)	9.1	0.7
14	Zking Property & Casualty Insurance Co., Ltd. (紫金財產保險股份有限公司)	7.7	0.6
15	Hua Tai Property Insurance Co., Ltd. (華泰財產保險股份有限公司)	6.9	0.5
	Subtotal	1,193.3	87.8
	Others	165.1	12.2
	Total	**1,358.4**	**100.0**

Source: Public data from the CBIRC and the Insurance Association of China

Entry Barriers

Increasingly sophisticated product and service offerings: Faced with higher expectations and demands from customers, PRC insurance companies have become increasingly sophisticated in their product and service offerings in recent years. In order to gain better market position, insurance companies have begun to take a customer-oriented approach by tailoring their product and service offerings to different segments of their customer base, such as customers belonging to different age groups or income levels. The increasing competition has driven insurance companies to have higher standards of products and services as well as business operation and management skills. As a result, the variety of insurance products as well as the quality of insurance services have continued to improve over time. It is onerous and time-consuming for new entrants to accumulate know-how, identify and gain insights into the critical elements of the business operation in the PRC insurance industry.

Diversified sales network: Insurance companies rely heavily on their provincial-level branches, city-level sub-branches and sales outlets to reach customers. In order to satisfy increasing demands for diversification in products and services, PRC insurance companies have sought to continue to develop and explore their sales channels to establish diversified sales network. In addition to the continuous efforts in exerting the advantages of traditional sales channels such as individual insurance agents, direct sales, bancassurance and telephone sales, alternative sales models such as online and digital sales that accord with the consumption habits of younger generations have also been explored and rapidly developed. Different sales channels have complemented each other and developed together. It is difficult for new entrants to establish a comprehensive and mature sales network in a short time.

Technological innovation: The rapid development of technologies including artificial intelligence, cloud computing, big data analytics and genetic biotechnology has accelerated the innovation and development of China's insurance industry. Technological applications mainly focus on digital distribution, precise pricing, intelligent underwriting and claims settlement. The traditional offline marketing of insurance companies was limited during the COVID-19 pandemic, which brought some immediate pressure to the new business growth. Meanwhile, insurance companies are speeding up digital transformation and optimising online customer experience during the pandemic, which would benefit the long-term development of the business. Increased integration of technologies and insurance is expected to enhance the operational efficiency and the consumer experience, lower transaction costs, and increase the availability of insurance products. This disruption to traditional products and distribution channels is expected to accelerate the transformation of China's insurance industry. It is relatively challenging for new entrants, whose working capital is usually limited, to achieve the same level of technological innovation in a short term.

Market Challenges

The shortage of talent in the agency channel may pose threat to the growth of premiums: Consumers of insurance products in the PRC have become more sophisticated. They increasingly focus on an insurance company's ability to provide integrated and consistent end-to-end services from sales to claims payment. In addition, as insurance companies seek to differentiate themselves in the intensified market competition by offering value-added products and integrated services, they need competent sales forces who are able to identify and offer customized products to their customers. However, as insurance companies may find it hard to recruit qualified insurance agents, especially in large cities and fast-developing urban centers, the shortage of qualified insurance agents might lead to slower growth of premiums.

Small and medium insurers in the PRC face great challenges, while the comprehensive reform of automobile insurance industry brings more intensified market competition: Small and medium insurers in the PRC are generally facing intense competition from large size market players that tend to capitalize on economies of scale to lower average operational costs and expense ratio. In addition, the PRC government has launched a comprehensive reform of the automobile insurance industry in 2020, covering pricing, fee structures, product coverage among other things. The reform may to lead to higher market volatility and price competition in the short term. However, the long-term outcomes may be considerably better for both consumers and insurers: consumers may benefit from lower policy prices, more choices and better protection, while insurance companies may see higher-quality premium growth. New products such as electric vehicle insurance and usage-based insurance could also thrive going forward. Facing with the intensified market competition, for small and medium insurers, the key to their success in the next few years rests on whether they are able to maximize their strengths such as a shorter decision-making process and faster response and execution, to actively develop niche markets and products that leverage their strength, and to break out of the old cycle of homogeneous products and services in the industry.

The low interest rate environment has forced PRC insurers to develop investment strategies focusing more on effective asset-liability matching: Changes in short-term interest rates increased the volatility of asset values while the downward trend in long-term interest rates would bring risks of loss from interest spread and reinvestment, and a more volatile equity market might directly affect the investment return of insurance funds. In the long run, the downward trend of the medium- and long-term interest rate may pose several challenges to insurance companies, including (i) the resulting increase in insurance reserves may have a negative impact on solvency and profits; and (ii) the risk of reinvestment and loss may be heightened. PRC insurance companies will need to further strengthen interest rate risk management by adopting effective asset-liability matching, while focusing on the main business of insurance and remaining vigilant of risks on the asset side.

Geographic Variation

There are considerable differences in the OPI, insurance penetration and insurance density across different regions in the PRC. According to data published by the CBIRC, the top ten provinces and municipalities combined contributed 58.9%, 60.2% and 55.1% of the PRC total OPI, life and health OPI and property and casualty OPI in 2021, respectively.

The table below sets forth the top ten provinces and municipalities in the PRC in terms of OPI in 2021:

		Life and health insurance		Property and casualty insurance		Total	
Rank	**Province/municipality**	**OPI**	**market share**	**OPI**	**market share**	**OPI**	**market share**
		(RMB billion)	*(%)*	*(RMB billion)*	*(%)*	*(RMB billion)*	*(%)*
1	Guangdong	313.4	9.4	101.9	8.7	415.3	9.2
2	Jiangsu	304.9	9.2	100.2	8.6	405.1	9.0
3	Shandong	214.8	6.5	66.8	5.7	281.6	6.3
4	Beijing	208.4	6.3	44.3	3.8	252.7	5.6
5	Zhejiang	174.0	5.2	74.5	6.4	248.5	5.5
6	Henan	181.0	5.4	55.0	4.7	236.0	5.3
7	Sichuan	164.8	5.0	55.7	4.8	220.5	4.9
8	Hebei	145.0	4.4	54.5	4.7	199.5	4.4
9	Shanghai	144.7	4.4	52.4	4.5	197.1	4.4
10	Hubei	149.8	4.5	38.0	3.3	187.8	4.2
Total		**2,000.7**	**60.2**	**643.3**	**55.1**	**2,644.1**	**58.9**

Source: the CBIRC

The table below sets forth the top ten provinces and municipalities in the PRC in terms of insurance penetration[(1)] in 2021:

Rank	Province/municipality	Life and health insurance penetration	Property and casualty insurance penetration	Total insurance penetration
		(%)	*(%)*	*(%)*
1	Heilongjiang	5.4	1.3	6.7
2	Beijing	5.2	1.1	6.3
3	Jilin	3.9	1.3	5.2
4	Hebei	3.6	1.3	4.9
5	Gansu	3.5	1.3	4.8
6	Ningxia	3.2	1.4	4.7
7	Shanghai	3.3	1.2	4.6
8	Shanxi	3.4	1.0	4.4
9	Xinjiang	2.9	1.4	4.3
10	Tianjin	3.2	1.0	4.2

(1) Insurance penetration equals OPI for the year 2021 of the province divided by GDP for the year 2021 of the province.

Source: the CBIRC and the NBSC

The table below sets forth the top ten provinces and municipalities in the PRC in terms of insurance density[(1)] in 2021:

Rank	Province/municipality	Life and health insurance density	Property and casualty insurance density	Total insurance density
			(RMB yuan)	
1	Beijing	9,518	2,026	11,544
2	Shanghai	5,814	2,105	7,918
3	Tianjin	3,688	1,122	4,810
4	Jiangsu	3,585	1,178	4,763
5	Zhejiang	2,660	1,139	3,799
6	Guangdong	2,471	804	3,274
7	Hubei	2,570	651	3,221
8	Heilongjiang	2,550	635	3,186
9	Chongqing	2,340	665	3,006
10	Ningxia	2,011	901	2,912

Insurance density equals OPI for the year 2021 of the province divided by permanent resident population for the year 2021 of the province.

Source: the CBIRC and the NBSC

Composition of PRC Insurance Industry

The table below sets forth the proportion of the different insurance businesses in the PRC insurance market in terms of OPI from 2016 to 2021:

	Life and health insurance			Property and casualty insurance
Year	**Life insurance**	**Health insurance**	**Accident insurance**	
	(%)	*(%)*	*(%)*	*(%)*
2016	56.3	13.1	2.4	28.2
2017	58.7	12.0	2.5	26.9
2018	54.5	14.3	2.8	28.3
2019	53.4	16.6	2.8	27.3
2020	53.0	18.1	2.6	26.4
2021	52.5	18.8	2.7	26.0

Source: the CBIRC

Main product structure of insurance company in PRC

The table below sets forth the main product structure of life and health insurance companies in the PRC in terms of OPI in 2021:

Insurance	**OPI**	**Share**
	(RMB billion)	*(%)*
Life insurance	2,357.2	75.5
Health insurance	706.9	22.6
Accident insurance	58.3	1.9
Total	**3,122.4**	**100.0**

Source: the CBIRC

The table below sets forth the main product structure of property and casualty insurance companies in the PRC in terms of OPI in 2021:

Insurance	OPI	Share
	(RMB billion)	*(%)*
Automobile insurance	777.3	56.8
Health insurance	137.8	10.1
Liability insurance	101.8	7.4
Agricultural insurance	97.6	7.1
Accident insurance	62.7	4.6
Guarantee insurance	52.1	3.8
Commercial property insurance	52.0	3.8
Engineering insurance	14.4	1.1
Homeowner insurance	9.8	0.7
Others	62.1	4.5
Total	**1,367.6**	**100.0**

Source: the CBIRC

Insurance Fund Investment

According to data published by the CBIRC, the balance of insurance funds in the PRC increased from RMB13,391.1 billion as of December 31, 2016 to RMB23,228.0 billion as of December 31, 2021, representing a CAGR of 11.6% over the same period.

The table below sets forth the balance of insurance funds in the PRC between 2016 and 2021:

Year	Balance of insurance funds
	(RMB billion)
2016	13,391.1
2017	14,920.6
2018	16,408.8
2019	18,527.1
2020	21,680.1
2021	23,228.0

Source: the CBIRC

In recent years, the Chinese government has gradually relaxed the restrictions on investment channels for insurance funds. The investment channels currently include bank deposits, bonds, stocks, securities investment funds, real estate and private equity funds. According to data published by the CBIRC, as of December 31, 2021, insurance fund investments in bank deposits, bonds, stocks and securities investment funds, and other investments amounted to RMB2.62 trillion, RMB9.07 trillion, RMB2.95 trillion and RMB8.59 trillion, respectively, accounting for 11.3%, 39.0%, 12.7% and 37.0%, respectively, of the balance of insurance funds.

Reinsurance

After the compulsory reinsurance regime was abolished in 2006, the PRC reinsurance industry has experienced a rapid development and has played an increasingly significant role in the PRC insurance market in recent years, diversifying product portfolios and enhancing insurers' service capabilities. The State Council promulgated the Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (國務院關於加快發展現代保險服務業的若干意見) in 2014, which called for an acceleration in the development of the reinsurance market and an increase in the number of market participants.

Key Drivers for the Development of the PRC Insurance Industry

Increased demand for insurance arising from the accumulation of social wealth and the expansion of middle-income groups

The long-term stable development of the PRC economy has driven the increase in per capita GDP and the continuous accumulation of residents' wealth, which has promoted the growth of demand for insurance products such as life and health insurance. According to data published by the NBSC, the PRC's per capita GDP exceeded US$3,000 for the first time in 2008 and exceeded US$12,000 in 2021. With the continual upgrading of the consumption structure available to Chinese residents, the consumption demand related to improving quality of life, such as elderly care, healthcare, culture and education, has increased significantly, and demand for various consumer products closely related to the insurance industry has also grown robustly. In addition, the accumulation of wealth of rural residents in recent years has further boosted their demand for life and health protection, providing strong support for the rapid growth of the PRC life and health insurance market.

According to data published by the NBSC, the proportion of urban population in the PRC has risen from 58.8% to 64.7% between 2016 and 2021. The continuous advance of urbanization has, on the one hand, enabled urban residents with higher per capita disposable income to play a greater role in economic development, whilst on the other hand, it has accelerated the migration of the rural population into urban areas. As a result of the accelerated urbanization process, the increasing population with insurance purchasing power has brought new development opportunities for the urban and county insurance industry. With the steady growth of the PRC economy, the per capita income of Chinese residents continues to grow, while middle-income groups continue to expand. According to data published by the NBSC, the per capita disposable income of urban residents in the PRC increased from RMB33,616 in

2016 to RMB47,412 in 2021, representing a CAGR of 7.1%; the per capita disposable income of rural residents increased from RMB12,363 to RMB18,931 during the same period, representing a CAGR of 8.9%. According to data published by the NDRC, the middle-income groups in the PRC expanded rapidly from 7.4 million in 2002 to approximately 400 million in 2021. Middle-income groups tend to have larger demand for asset protection of real estate, automobiles and other assets, along with demand and payment capacity for life and health insurance, property insurance and accident insurance. The growing awareness of asset allocation among the middle-income groups has also led to rising demand for insurance products, which are considered an important part of asset allocation. The expansion of middle-income groups have been continuously driving the growth of insurance consumption and the development of the PRC insurance industry. The insurance penetration in the PRC grew from 3.0% in 2002 to 3.9% in 2021, and the insurance density in the PRC grew from US$29 to US$482 during the same period. We believe that, with the steady and rapid growth of per capita disposable income of urban and rural residents in the PRC, the potential insured population represented by the middle-income groups will continue to expand, the demand for high-value and diversified commercial insurance products will continue to increase, specific demands relating to insurance product design such as sum assured and premiums in individual insurance products will continue to grow, the coverage rate and depth of commercial insurance will continue to increase and the demand for medical, pension and other insurance services will also become increasingly prominent.

Rapid development of the PRC economy constitutes the underlying driving force for the development of the insurance industry

As the world's second largest economy, the economy of the PRC has maintained steady and rapid growth in recent years. According to data published by the NBSC, the CAGR of nominal GDP of the PRC from 2016 to 2021 is 8.9%, which is higher than the average CAGR of global nominal GDP published by the International Monetary Fund during the same period. In line with the PRC's vision of achieving socialist modernization and per capita GDP reaching the level of moderately developed countries by 2035, the economy of the PRC will maintain medium- to long-term stable and rapid growth in the future, which forms the fundamental driving force for the development of the insurance industry.

According to data published by the NBSC, from 2016 to 2021, total fixed assets investment in the PRC exceeded RMB50 trillion. The continued rapid growth of fixed assets investment has given rise to the demand for various property insurance products, including commercial property insurance, engineering insurance and liability insurance. From 2016 to 2021 the total assets of industrial enterprises above a designated size in the PRC increased from RMB108.6 trillion to RMB141.3 trillion, representing a CAGR of 5.4%. The steady increase in the number of enterprises and the scale of assets continues to drive demand for insurance products such as commercial property insurance and liability insurance. From 2016 to 2021 the PRC's private car ownership increased from 160 million to 260 million, representing a CAGR of 10.0%, and according to data published by the NBSC, for the year 2021, the sales volumes of new energy automobiles in the PRC increased by approximately 160% year-on-year, both directly driving demand for traditional automobile insurance products and future emerging automobile insurance products.

In recent years, foreign trade and domestic consumption of the PRC have also grown rapidly. According to data published by the NBSC, from 2016 to 2021, the total imports and exports of the PRC increased from RMB24.3 trillion to RMB39.1 trillion, representing a CAGR of 9.9%. The continuous growth of import and export trade has promoted the demand for various property insurance products, including cargo insurance, hull insurance and credit insurance. During the same period, total retail sales in the PRC increased from RMB31.6 trillion to RMB44.1 trillion, representing a CAGR of 6.9%. The upgrading of resident consumption and rising e-commerce have promoted the development of consumer insurance products closely related to consumption scenarios such as return freight insurance and guarantee insurance. According to data published by the NBSC, from 2017 to 2020, the per capita consumer loan balance of the PRC increased from RMB23,000 to RMB35,000 and the PRC total inclusive loans to micro- and small enterprises increased from RMB6.8 trillion to RMB15.1 trillion, representing a CAGR of 15.7% and 30.6%, respectively. The development of consumer loans and inclusive finance has directly driven the demand for guarantee insurance and other related products.

Aging population and changes in family structure have driven demand for protection insurance products

The aging population, together with the transformation of demographic and family structures, has increased the willingness among Chinese residents to purchase protection insurance products. According to data published by the NBSC, as of December 31, 2021, the total number of the population aged 65 or above in the PRC has reached 200 million, accounting for 14.2% of the total population in the PRC. And the elderly dependency ratio has increased from 11.9% in 2010 to 20.8% in 2021. In the future, a relatively small working-age population might need to support a growing aging population. The aging population and changes in household size and structure have led to fewer children per family, which increases the burden of social support for the elderly population and generates greater demand for risk protection solutions such as insurance products, pension funds or retirement plans. Furthermore, because of increasing rates of disability and chronic disease, the demand for health services is expected to increase with the growing aging population. Such trend has promoted the long-term and continuous growth of life and health insurance products such as life insurance, health insurance, and pension insurance. Insurance products targeting senior citizens will continue to diversify.

Increased demands on professionalism of the mainstream insured population promote the reform of insurance sales channels as well as products and services

With the natural changes in the age structure and family structure of the PRC population, those born in 1980 and thereafter have gradually become the mainstream insured population in the country. As the overall education level of this generation has increased significantly, there has been a rising public awareness of insurance as an effective tool for long-term financial planning and risk protection in recent years. Therefore, this generation has a deeper understanding of insurance products and services, as well as making higher demands on the professionalism and sophistication of insurance companies' products and services. In addition, as "Generation Z," which refers to the generation that was born between 1997-2012, has gradually become the main force of social production and insurance purchase in recent years, there have been stronger demands for innovative channels, insurance products, and diversified and differentiated insurance services. Such changes have promoted the rapid transformation of the insurance agent teams and the development of the internet sales channels, and have further stimulated product and service innovation in the insurance industry. Through continuously improving the insurance ecosystem, insurance companies compete to provide core customers with increasingly diversified value-added services such as health, healthcare, elderly care, education and wealth management.

The increasing role of insurance in wealth management in the PRC

With the continuous development of the economy, social wealth and residents' investable assets have rapidly increased in the PRC. According to data published by the NBSC, as of December 31, 2021, the balance of personal deposits in the PRC financial institutions reached RMB103.3 trillion, representing a year-on-year increase of 10.6%. Residents' demand for wealth management has increased significantly in the PRC. With the decline in Chinese residents' expectations of real estate appreciation, the increasing diversification and maturity of domestic financial products and the continued impact of the low-interest-rate environment, the demand of Chinese residents for asset allocation in stocks, funds and insurance products has gradually increased in recent years. As an important wealth management provider and participant, commercial insurance has both protection and savings investment attributes, which fully meets residents' requirements for wealth management in terms of comprehensiveness, medium- and long-term risk protection, asset preservation and appreciation, financial planning and family wealth inheritance in the new era.

In respect of risk protection, insurance companies can provide products with better risk protection based on consumers' risk appetite, serving as a supplement to other traditional financial instruments and diversifying the wealth management solutions available. For example, life insurance products can last for a period of several decades or even a whole life and simultaneously provide wealth management plans covering the entire life cycle to effectively mitigate the impact of economic cycle fluctuations.

In respect of asset preservation and appreciation, insurance companies can provide insurance products with the nature of savings and investment based on consumers' income expectations to reduce their exposure to interest rate and reinvestment risks. For example, participating insurance products have not only protection functions but also features of flexible payment and sharing of investment income, which meet the needs of Chinese consumers for wealth management and have become one of the important tools for family wealth management in the PRC.

In respect of financial planning, the payment and redemption features of insurance products enable full-cycle financial management for consumers to facilitate their cash flow needs. For example, pension insurance products not only achieve the preservation and appreciation of pension funds, but also plan in advance the cash flow throughout the insured's estimated life cycle to ensure a reasonable arrangement of personal wealth throughout the individual's lifetime.

In respect of family wealth inheritance, insurance can provide families with comprehensive wealth management planning, including education, healthcare, elderly care, property preservation and wealth appreciation, and use tax incentives to maximize family wealth inheritance between generations. For example, insurance products such as whole life insurance have gradually become an important tool for family wealth management and inheritance in the PRC.

The Chinese government emphasizes and supports the development of the insurance industry through favorable policies and increased government expenditure

The Chinese government attaches great importance to the development of the insurance industry. In August 2014, the State Council issued the Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (《國務院關於加快發展現代保險服務業的若干意見》), which sets out ten specific opinions on the insurance industry (the "**New Ten State Rules**"). The "New Ten State Rules" clearly state that it is necessary to encourage the development of insurance sectors, including pension insurance, commercial health insurance, liability insurance, catastrophe insurance and agriculture insurance. The "New Ten State Rules" also provide distinct instructions on improving the policies supporting the development of the modern insurance service industry. In November 2020, the Central Committee of the Communist Party of China promulgated the Proposals for Formulating the 14th Five-Year Plan (2021-2025) for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035 (《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議》). These proposals set out several goals for the PRC insurance industry, including developing agriculture insurance, commercial medical insurance and catastrophe insurance. In recent years, the Chinese government has successively issued a series of guiding opinions and implementation measures to increase support for specific insurance types, accelerate the development of commercial insurance, establish a sustainable multi-level social security system and achieve further benefits these policies provide to the insurance industry.

In respect of commercial health insurance, in November 2014, the General Office of the State Council issued the Several Opinions on Accelerating the Development of Commercial Health Insurance (《關於加快發展商業健康保險的若干意見》), setting out the development direction of commercial health insurance; in April 2017, the MOF, the SAT and the former CIRC jointly issued the Notice on Promoting Nationwide the Pilot Policies for Individual Income Tax on Commercial Health Insurance (《關於將商業健康保險個人所得稅試點政策推廣到全國範圍實施的通知》) to promote the pilot policy implemented in 31 cities to the whole country. In January 2020, 13 departments, including the CBIRC, jointly issued the Opinions on

Promoting the Development of Commercial Insurance in the Field of Social Services (《關於促進社會服務領域商業保險發展的意見》), striving to achieve a market size of more than RMB2 trillion for the PRC commercial health insurance industry by 2025. The commercial health insurance business ushers in huge development opportunities.

In respect of commercial pension insurance, in July 2017, the General Office of the State Council issued the Several Opinions on Accelerating the Development of Commercial Pension Insurance (《關於加快發展商業養老保險的若干意見》), encouraging and supporting commercial insurance institutions to develop diversified commercial pension insurance products, actively participate in the pilot project of personal tax-deferred commercial pension insurance and provide personalized and differentiated elderly care security for individuals and families. In May 2018, four ministries and commissions, including the CBIRC, issued the Guidelines for the Development of Personal Tax-deferred Commercial Pension Insurance Products (《個人稅收遞延型商業養老保險產品開發指引》) to regulate the development and design of personal tax-deferred commercial pension insurance products of insurance companies and promote the healthy development of pilot projects. In May 2021, the CBIRC issued the Notice on Launching Exclusive Commercial Pension Insurance Pilot Program (《關於開展專屬商業養老保險試點的通知》) to accelerate the development of commercial pension insurance.

In respect of agricultural insurance, in December 2016, the MOF issued the Administrative Measures on Agriculture Insurance Premium Subsidies from the Central Government (《中央財政農業保險保險費補貼管理辦法》), which provides policy support such as certain insurance premium subsidies to agricultural insurance, responding to the agricultural industry policy and the local development needs of "agriculture, rural areas and farmers (三農)." Insurance premium subsidies cover farming, breeding, forests, natural rubber and other agricultural fields. In October 2019, the CBIRC issued the Guiding Opinions on Accelerating the High-quality Development of Agriculture Insurance (《關於加快農業保險高質量發展的指導意見》) to further improve agriculture insurance policies, improve agriculture insurance service capabilities, optimize agriculture insurance operating mechanisms and promote the high-quality development of agricultural insurance. In February 2021, the State Council issued the Opinions on Comprehensively Promoting Rural Revitalization and Accelerating the Modernization of Agriculture and Rural Areas (《關於全面推進鄉村振興加快農業農村現代化的意見》), once again clearly proposing to expand the scope of food crop insurance pilots, support qualified provinces to reduce the proportion of subsidies for agricultural insurance premiums for the three major food crops in major grain-producing counties, improve the agricultural reinsurance system and accelerate the modernization of agriculture.

In addition, in recent years, as the Chinese government's fiscal revenue has continued to grow rapidly, fiscal investment closely related to specific insurance types has also grown rapidly, which has promoted the stable, orderly and balanced development of the insurance industry. According to data published by the NBSC, the PRC's fiscal revenue increased from RMB16.0 trillion in 2016 to RMB20.3 trillion in 2021, representing a CAGR of 4.9%. From 2016 to 2021, the PRC's national fiscal expenditure for healthcare (including family planning) increased from RMB1.3 trillion to RMB1.9 trillion, representing a CAGR of 7.9%. At the same time, the central and local governments have further increased their investment in support of "agriculture, rural areas and farmers (三農)," strengthened policies to support and benefit agriculture and improve rural production and life. In 2021, the central government's agricultural insurance premium subsidies were RMB33.4 billion, up 16.8% year-on-year.

Insurance regulatory regime has been gradually improved, promoting healthy and sustainable development of the insurance industry

In recent years, the CBIRC has continued to promote the reform of the insurance industry's regulatory system and improve the regulatory regimes in various segments. In January 2020, the CBIRC issued the Guiding Opinions of the China Banking and Insurance Regulatory Commission on Promoting the High-Quality Development of the Banking and Insurance Industries (《中國銀保監會關於推動銀行業和保險業高質量發展的指導意見》) to further guide the direction of high-quality development of the insurance industry from the perspective of serving needs of the people, preventing risks, improving the system, optimizing liberation and strengthening supervision.

In respect of the supervision of life and health insurance, in March 2016, September 2016 and May 2017, the former CIRC successively issued the Notice on Regulating Matters Related to Short- and Medium-Duration Life and Health Products (《關於規範中短存續期人身保險產品有關事項的通知》), the Notice on Further Improving Matters Related to Life and Health Actuarial System (《關於進一步完善人身保險精算制度有關事項的通知》) and the Notice on Regulating the Product Development and Design of Life Insurance Companies (《關於規範人身保險公司產品開發設計行為的通知》) to regulate the orderly development of life insurance business. In August 2019, the CBIRC issued the Notice on Improving the Liability Reserve Assessment Interest Rate Formation Mechanism and Adjustment of the Liability Reserve Assessment Interest Rate for the Life Insurance Industry (《關於完善人身保險業責任準備金評估利率形成機制及調整責任準備金評估利率有關事項的通知》) to further improve the liability reserve assessment interest rate adjustment mechanism. In February 2020, the CBIRC issued the Notice on Strengthening Actuarial Supervision of Life Insurance (《關於強化人身保險精算監管有關事項的通知》) to further strengthen actuarial supervision of life insurance, improve the life insurance supervision indicator system and promote the high-quality development of the life insurance market.

In respect of the supervision of automobile insurance, in February 2015, the former CIRC issued the Opinions on Deepening the Reform of the Commercial Automobile Insurance Clause Rate Management System (《關於深化商業車險條款費率管理制度改革的意見》), giving property and casualty insurance companies a certain degree of autonomy in determining commercial automobile insurance rates and implementing the Opinions in three batches in different pilot provinces. In June 2017, the former CIRC issued the Notice on Matters Concerning the Adjustment and Management of Commercial Automobile Insurance Rates (《關於商業車險費率調整及管理等有關問題的通知》), announcing the expansion of property and casualty insurance companies' pricing autonomy across the country and lowering the lower limit of the floating coefficient of commercial automobile insurance rates. In March 2018, the former CIRC issued the Notice on Adjusting the Scope of Independent Pricing of Commercial Auto Insurance in Certain Regions (《關於調整部分地區商業車險自主定價範圍的通知》), further lifting the restrictions on the pricing scope for commercial automobile insurance in certain regions. In February 2020, the CBIRC issued the Notice on Further Strengthening and Improving the Supervision of Products of Property Insurance Companies (《關於進一步加強和改進財產保險公司產品監管有關問題的通知》) to deepen the reform of "delegation, management and service (放管服)" and improve the product quality of the property insurance industry. In September 2020, the CBIRC issued the Guiding Opinions on the Implementation of the Comprehensive Reform of Automobile Insurance (《關於實施車險綜合改革的指導意見》), which aims to improve the formation mechanism of market-oriented clause and rate and promote the high-quality development of automobile insurance.

In respect of the supervision of non-automobile insurance, in December 2017, three ministries and commissions, including the former CIRC, jointly issued the Measures for the Implementation of Production Safety Liability Insurance (《安全生產責任保險實施辦法》), which clearly requires the establishment and improvement of a production safety liability insurance system, further regulating production safety liability insurance and effectively leveraging the role of insurance institutions in accident prevention, risk evaluation and control. In December 2020, the CBIRC issued the Measures for the Supervision of Liability Insurance Business (《責任保險業務監管辦法》) to further regulate liability insurance operations and promote the sustainable and healthy development of the industry. In May 2020, the CBIRC issued the Measures for the Supervision of Credit Insurance and Guarantee Insurance Business (《信用保險和保證保險業務監管辦法》) to further strengthen the supervision of credit and guarantee insurance to prevent and resolve risks.

In respect of the supervision of the use of funds, the CBIRC promulgated the Interim Measures for the Management of Insurance Asset Management Products (《保險資產管理產品管理暫行辦法》) in March 2020 and issued a number of insurance asset management product rules in September 2020 to appropriately broaden the scope of allocation of insurance asset management products and the use of funds and improve insurance asset management capabilities. In July 2020, the CBIRC issued the Notice on Optimizing the Supervision of Insurance Companies' Equity Asset Allocation (《關於優化保險公司權益類資產配置監管有關事項的通知》) to further deepen the market-oriented reform of the use of insurance funds and implement differentiated prudential supervision. In December 2021, the CBIRC issued the Notice on Amending Some Normative Documents on the Use of Insurance Funds (《關於修改保險資金運用領域部分規範性文件的通知》), further relaxing the restrictions on the use of insurance funds in private equity funds and simplifying the decision-making process of insurance companies investing in private equity funds.

In respect of the supervision of corporate governance, the former CIRC revised and promulgated the Measures for the Management of Equity Interests of Insurance Companies (《保險公司股權管理辦法》) in March 2018, clarifying specific requirements on shareholder qualifications, equity structure and capital authenticity. In June 2021, the CBIRC issued the Guidelines for Corporate Governance of Banking and Insurance Institutions (《銀行保險機構

公司治理準則》), clarifying the responsibilities of various governance bodies in banking and insurance institutions to strengthen the standardization and orderliness of the operation of insurance companies' governance mechanisms.

In respect of the supervision of solvency, the former CIRC formally implemented the C-ROSS in January 2016. Its core aim is to introduce risk-oriented capital requirements, which not only take into account the quantitative capital requirements for insurance risk, market risk and credit risk, but also require insurance companies to evaluate risk factors that are difficult to quantify, such as operational risk, reputational risk, strategic risk and liquidity risk. The former CIRC issued the Construction Plan for the Second Phase of the C-ROSS (《償二代二期工程建設方案》) in September 2017, officially initiating the second phase of the "C-ROSS" project to further improve the regulatory system. On December 30, 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》) ("**Rules II**"), which provides that the insurance industry shall implement Rules II from the preparation of the quarterly solvency report for the first quarter of 2022. For insurance companies whose core solvency ratio or comprehensive solvency ratio has fallen significantly, or has fallen below a threshold that triggers regulatory action as a result of Rules II, the CBIRC would set the transitional policies according to the actual situation, allowing some regulatory rules to be put into practice step by step and fully implemented by 2025 at the latest. The "C-ROSS" system not only puts forward higher requirements on the risk management of insurance companies, but also effectively guides and promotes insurance companies to strengthen risk management, internal controls and corporate governance, which will benefit the healthy and sustainable development of the insurance industry in the long term.

Technological innovation and technology application bring new development opportunities to the PRC insurance industry

In recent years, the rapid development of technology, including artificial intelligence, blockchain, cloud computing, big data analysis, and the Internet of Things has accelerated the innovation and development of the PRC insurance industry.

In respect of business model and operating procedures, the continual adoption of technological innovation and technology applications in insurance business scenarios is accelerating changes in traditional insurance sales, underwriting and claim settlement procedures. On the sales side, with the rapid development of mobile Internet and platform-based application scenarios, scenario-based and platform-based insurance products and services are growing rapidly, and the Internet traffic has become one of the important customer acquisition channels in the insurance industry. On the underwriting side, on the one hand, insurance companies can use artificial intelligence and big data analysis technology to design differentiated products and services based on the characteristics and needs of the customer group, whilst, on the other hand, the automated and intelligent online underwriting process is gradually becoming a key tool of traditional insurance companies to achieve efficient customer expansion, in-depth service and management of customers throughout the life cycle. On the claim settlement side, insurance technology and anti-fraud technology based on multiple technology applications have been combined with manual claim settlement procedures, greatly simplifying the claim settlement process, and improving the efficiency of claim settlement and the risk management capacities of insurance companies.

In respect of customer service and product development, with the widely adopted technological innovation and the continual iteration of insured types, customers' demand for insurance products and services is increasingly shifting from basic claim compensation to diversified, exclusive, convenient and comprehensive value-added services. In terms of life and health insurance, in addition to risk protection services, insurance companies are providing customers with next-generation insurance products and services through interactive experience devices and full-cycle service models based on technologies such as big data analysis, genetic biotechnology and the Internet of Things. In terms of property and casualty insurance, with the disruptive trends in the automotive industry such as diverse mobility, autonomous driving, electrification and connectivity, the development of automated factories and smart homes, as well as rapid extensive application and rapid upgrades of various technologies and widespread use of technological innovation, insurance companies are accelerating product innovation, and developing insurance policies suitable for new and differentiated scenarios through fundamental changes in risk pricing basis, bringing new development opportunities for property and casualty insurance.

PRC REGULATORY OVERVIEW

The insurance industry in the PRC is subject to various regulatory provisions and guidelines formulated by the PRC regulatory authorities, including but not limited to the CBIRC, the State Administration for Market Regulation, the SAT and their respective local offices. The legal provisions constituting the legal framework for supervising and regulating insurance activities in the PRC mainly include the PRC Insurance Law (《中華人民共和國保險法》) and the administrative rules, regulations and other regulatory documents formulated pursuant to the PRC Insurance Law.

Principal Regulatory Authority – CBIRC and Its Local Branches

The CBIRC is established by merging the former CBRC and the former CIRC on March 17, 2018 according to the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》). The CBIRC is a public institution directly under the State Council, and is now the principal regulatory authority for the insurance industry in China, responsible for the supervision and regulation of insurance institutions and practitioners operating in China.

According to the Provisions on the Functions, Structure and Staffing of the China Banking and Insurance Regulatory Commission (《中國銀行保險監督管理委員會職能配置、內設機構和人員編制規定》) promulgated by the General Office of the CPC Central Committee and the General Office of the State Council on August 14, 2018, the primary regulatory functions and measures of the CBIRC and its local branches over the insurance industry include:

- implementing unified regulation of the insurance industry across the country according to the laws and regulations, maintaining the legal and steady operation of the insurance industry, and implementing vertical leadership of the local branches;

- conducting systematic research on the reform and opening up of the insurance industry and the effectiveness of regulation; participating in the drafting of the important laws and regulations on the insurance industry, and the basic rules on prudential regulation and protection of financial consumers; drafting other laws and regulations on the insurance industry, and offering suggestions for the development and revision thereof;

- implementing access management of insurance institutions and their business scope according to the laws and regulations, and examining the qualifications of senior executives and formulating code of conduct for practitioners in the insurance industry;

- supervising corporate governance, risk management, internal control, capital adequacy, solvency, business conduct and information disclosure of insurance institutions;

- conducting on-site inspections and off-site supervision of insurance institutions, conducting risk and compliance assessments, protecting the legitimate rights and interests of financial consumers, and investigate and imposing punishment on violations of laws and regulations in accordance with the law;

- being responsible for the preparation of the unified regulatory data reports of the insurance industry across the country, issuing them according to the relevant provisions of the state, and performing the functions relevant to the comprehensive statistics of the financial industry;

- establishing a risk monitoring, evaluation and early warning system for the insurance industry, and conducting follow-up analysis on, monitoring and forecast of the operation of the insurance industry;

- putting forward and organizing the implementation of the opinions and suggestions on the emergency risk handling of insurance institutions in conjunction with the appropriate departments; and

- cracking down on illegal financial activities according to the laws and regulations, and being responsible for the identification, investigation and suppression of illegal fund-raising and the organization and coordination thereof.

Regulatory and Legal Framework

The PRC Insurance Law is the most important law in the regulatory and legal framework for the PRC insurance industry. The PRC Insurance Law was passed on June 30, 1995, implemented on October 1, 1995 and amended in 2002, 2009, 2014 and 2015, respectively.

The PRC Insurance Law covers general principles, insurance contracts, insurance companies, insurance operational rules, supervision and regulation of the insurance industry, insurance agencies and insurance brokers, legal liabilities and supplementary provisions.

In 2015, the PRC Insurance Law was amended for the fourth time. Major amendments include: (1) deleting the requirement that the establishment of an offshore representative office by an insurance company shall be subject to the approval of the insurance regulatory authority of the State Council; (2) deleting the requirement that the individuals who are engaged in insurance sales for an insurance company shall obtain the qualification certificates issued by the insurance regulatory authority of the State Council, and instead it only stipulates that the aforesaid individuals should be of good character and have the professional competence required for insurance sales; (3) deleting the requirement that individual insurance agents, agency practitioners of insurance agencies and brokerage practitioners of insurance brokers shall obtain the qualification certificates issued by the insurance regulatory authority of the State Council, and instead it only stipulates that the aforesaid individuals should be of good character and have professional competence required for insurance agencies and insurance brokerage businesses; (4) deleting the requirement that the division and merger, any change of the corporate structure, establishment of branches and dissolution of insurance agencies and insurance brokerages shall be subject to the approval of the insurance regulatory authority of the State Council.

Since the promulgation of the PRC Insurance Law in 1995, the insurance supervision and regulatory authority has promulgated a series of departmental rules and regulations and other regulatory documents based on the PRC Insurance Law, which cover almost all aspects of insurance operations, thereby establishing a preliminary regulatory framework with three parallel pillars, supervision of corporate governance, supervision of market conduct and supervision of solvency.

Supervision of corporate governance includes laws and regulations on the establishment, equity management, directors, supervisors and senior management, and related party transactions of insurance companies. The governance structure of insurance companies is constantly improved to prevent their operating risks fundamentally and enhance the efficiency of insurance supervision. Supervision of market conduct includes laws and regulations on the businesses of insurance companies, reinsurance business, personnel and use of insurance funds in the insurance industry. The insurance supervision authorities gradually establish and improve the codes of market conduct to impose penalties for non-compliance and promote legal operation and fair competition, driving the normative development of the insurance industry. Supervision of solvency includes laws and regulations on the China Risk-Oriented Solvency System (C-ROSS), capital supplementary bonds and subordinated debts, etc.

ESTABLISHMENT OF INSURANCE COMPANIES

Requirements for Establishment of Insurance Companies

The PRC insurance laws and regulations set out different requirements on establishment and business operation qualification for different types of entities engaged in insurance business, including insurance group (holding) companies, insurance companies, insurance intermediaries and insurance asset management companies.

For the establishment of insurance companies, in addition to the PRC Insurance Law, important laws and regulations also include the Administrative Regulations for Insurance Companies (《保險公司管理規定》) implemented on October 1, 2009 and amended on October 19, 2015. The Administrative Regulations for Insurance Companies regulates the organisation structuring of insurance companies, branch establishment, change in organization structure, dissolution and deregistration of organisation, branch management, insurance operation and supervision and management.

Under the PRC Insurance Law, the minimum registered capital for the establishment of an insurance company is RMB200 million, all of which must be paid-in monetary capital.

Under the Administrative Regulations for Insurance Companies, insurance companies that are established with the minimum registered capital of RMB200 million must increase their registered capital by RMB20 million for each branch they apply for initial establishment in each province, autonomous region or directly-administered municipality of the PRC outside their domicile. An insurance company may apply for establishment of a provincial level branch without increasing its registered capital as required if its registered capital already reaches the minimal capital amount required for setting up branches. Insurance companies with a registered capital of RMB500 million or more may set up provincial level branches without increasing their registered capital as long as they have adequate solvency.

Under the PRC Insurance Law and the Administrative Regulations for Insurance Companies, the establishment of an insurance company shall be subject to the approval by the insurance regulatory authority of the State Council. The establishment of an insurance institution is divided into two stages, namely preparation for establishment and commencement of business.

An applicant who satisfies the conditions on the establishment of an insurance company shall submit an application for the preparation for establishment to the insurance regulatory authority of the State Council, which may make the decision on the approval of the preparation for establishment after confirming that the conditions have been indeed satisfied. Within one year after receipt of the notice on approval for the preparation for establishment, the applicant shall complete the preparation work and submit an application for the commencement of business to the insurance regulatory authority of the State Council, which will issue an insurance business permit to the applicant if it makes a decision on the approval of the commencement of business after review. The insurance company may engage in business operation after obtaining the approval on commencement of business and the insurance business permit and completing registration formalities with other registration authorities.

Branches

Under the PRC Insurance Law, the establishment of a branch within the PRC by an insurance company shall be subject to the approval by the insurance regulatory authority of the State Council. Under the Administrative Regulations for Insurance Companies, the levels of branches under an insurance company shall be provincial level branches, city-level sub-branches, country-level sub-branches, business department and sales outlets successively. An insurance company is not required to establish branches level by level, but shall first establish a provincial level branch before carrying out business in each province, autonomous region or directly-administered municipality of the PRC outside of its domicile. The establishment of a branch by an insurance company shall also undergo the two stages of preparation for establishment and commencement of business. For those that have satisfied the relevant requirements, the insurance regulatory authority of the State Council will carry out inspection in respect of the commencement of business for a branch, and issue an insurance business permit to the branch if it makes a decision on approval. The branch of the insurance company whose establishment has been approved shall commence business after completing registration formalities with the industrial and commercial administrative departments and obtaining the business license with the approval documents and the branch's insurance business permit.

Management of Insurance Group Companies

Pursuant to the Measures for Supervision and Administration of Insurance Group Companies (《保險集團公司監督管理辦法》) issued by the CBIRC on November 24, 2021, an insurance group company refers to a company registered in accordance with the law and formed upon the approval of the CBIRC with the words "insurance group" or "insurance holding" in its name, which exerts control, joint control or significant influence over the members of the insurance group.

The establishment of an insurance group company shall be subject to approval of the CBIRC and shall meet the following conditions:

(1) having investors that meet the qualifications for shareholders of an insurance company as prescribed by the CBIRC, have appropriate equity structure and jointly control more than 50% of the equity of at least two domestic insurance companies;

(2) having members who satisfy the requirements under Article 6 of the Measures;

(3) having a minimum registered capital of RMB2 billion;

(4) having directors, supervisors and senior management who satisfy the eligibility requirements as prescribed by the CBIRC;

(5) having a sound corporate governance structure, integrated organizational structure, and effective risk management and internal control management systems;

(6) having business premises, office equipment and information systems commensurate with its operation and management; and

(7) other conditions as specified by laws, administrative regulations and the CBIRC.

Where it involves mitigating risks, the aforementioned conditions may be appropriately relaxed upon the approval of the CBIRC.

The main business of insurance group companies is equity investment and management. Insurance group companies shall use their own funds to make significant equity investments. An insurance group company may invest in the following insurance-related enterprises: (1) insurance companies; (2) insurance asset management institutions; (3) specialized insurance agencies, insurance brokers and insurance loss adjusting institutions; and (4) other insurance-related enterprises established under the approval of the CBIRC. Insurance group companies may also invest in non-insurance financial enterprises. The aggregate book value of significant equity investments in foreign entities by insurance group companies and their domestic subsidiaries shall not exceed 10% of the group's consolidated net assets as of the end of the previous year; the book value of an investment in a single foreign non-financial entity shall not exceed 5% of the group's consolidated net assets as of the end of the previous year.

Under the Measures for Supervision and Administration of Insurance Group Companies, insurance group companies and their subsidiaries shall be included in the scope of consolidated supervision. The CBIRC may carry out its supervision directly or indirectly on the basis of consolidated supervision and conduct comprehensive monitoring on the risks of all the members of the insurance group through insurance group companies or other regulated members in accordance with the law and take corresponding measures as necessary.

An annual information disclosure report shall be published by the insurance group company before April 30 every year. The insurance group company shall post the basic information, material matters and annual information disclosure report of the Company and the Group as a whole on the Company's website. In the event of any changes to the basic information, the insurance group company shall update the information within ten working days from the date of such change. If a significant event takes place, the insurance group company shall issue a temporary information disclosure announcement within 15 working days from the date of such significant event.

Insurance Asset Management Company

Pursuant to the Administrative Provisions on Insurance Asset Management Companies(《保險資產管理公司管理規定》), which was promulgated by CBIRC on July 28, 2022 and implemented on September 1, 2022, the insurance asset management company refers to a financial institution established in PRC upon approval by the CBIRC to carry out asset management business and other businesses permitted by the financial regulatory departments of the State Council in such form as accepting entrustment by insurance group (holding) companies, insurance companies or other qualified investors and issuance of insurance asset management products, to materialise long-term preservation and appreciation of asset value.

The main promoters, controlling shareholders and actual controllers of insurance asset management companies shall uphold the concept of long-term investment and undertake in writing to hold equity interests in insurance asset management companies for not less than five years, and shall not pledge their equity interests or establish trusts during the shareholding period, except as otherwise provided by CBIRC. The insurance asset management companies shall set up professional committees under the board of directors for compliance and risk control, auditing, management of related-party transactions, nomination and remuneration and appraisal according to the regulatory requirements and actual needs, and clearly stipulate the composition and duty of each professional committee in the company's articles of association. Insurance asset management companies should follow the principles of prudence and stability, risk diversification, lawfulness and fairness in the use of their own funds to ensure the safety and liquidity of their own funds.

Shareholders' Qualification

The main promoter shall be the insurance group (holding) company or the insurance company when establishing an insurance asset management company, and the main promoters shall satisfy the following conditions in addition to the requirements stipulated in Article 9 of the Regulations on the Management of Insurance Asset Management Companies:

- operating continuously for more than 5 years;
- having no record of material violation of laws and regulations in the past 3 years;
- has sound financial conditions and has made profits in the last three consecutive fiscal years;

- the total assets of the main promoters and shareholders of other insurance companies of the insurance asset management company at the end of the latest year shall not be less than RMB50 billion or equivalent in freely convertible currencies;
- the comprehensive solvency ratio is not less than 150% for the latest four quarters;
- other prudential conditions as prescribed by the CBIRC.

The aggregate shareholding percentage of domestic and overseas insurance group (holding) companies and insurance companies in an insurance asset management company shall exceed 50%.

Registered Capital

The registered capital of an insurance asset management company shall not be less than RMB100 million or an equivalent amount in a freely convertible currency, and its registered capital shall be paid-in monetary capital.

The business scope of an insurance asset management company includes the following:

- being entrusted to manage insurance funds and various assets formed therefrom;
- being entrusted to manage other funds and various assets formed therefrom;
- managing and utilising self-possessed funds in RMB or foreign currency;
- conducting the insurance asset management product business, asset securitization business and insurance private equity fund business;
- carrying out investment advising, investment consulting, and providing professional services such as operation, accounting and risk management related to asset management business;
- other business approved by the CBIRC;
- business approved by other authorities of the State Council.

Establishment and Qualification

To establish an insurance asset management company, the applicant shall submit complete application documents to the CBIRC for a preliminary review and a decision as to whether or not to grant an approval. If the establishment is approved, the applicant shall complete the preparation within six months after receiving the approval from the CBIRC, and submit an application for business commencement to the CBIRC. If the CBIRC approves the operation, a business permit shall be issued.

The establishment of a branch by an insurance asset management company shall also go through two stages, namely preparation for establishment and application for business commencement.

Supervision and Regulation

An insurance asset management company shall establish a comprehensive risk management system. It shall specify the division of risk management duties among the shareholders' (general) meeting, board of directors, board of supervisors or supervisors, senior management, business departments, risk management department and internal audit department, and establish a risk management organizational structure with mutual connection, mutual checks and balances and coordinated operation.

An insurance asset management company shall entrust an external audit agency to conduct the internal control audit of the asset management business at least once a year, timely take rectification measures in view of the problems found in the external audit, and report to the CBIRC as required.When carrying out entrusted fund management business and insurance asset management product business, an insurance asset management company shall establish a risk reserve system,including the accrual of risk reserve in its annual financial report and submit to the CBIRC as required.

Asset Management Product Business

In accordance with the Administrative Measures for the Use of Insurance Funds (《保險資金運用管理辦法》) promulgated by the former CIRC on January 24, 2018 and implemented on April 1, 2018, an insurance asset management institution may, subject to the requirements of the insurance regulatory authority of the State Council, conduct the insurance asset management product business by using the investment products involved in the use of insurance funds as fundamental assets. When engaging in the insurance asset management product business, an insurance asset management institution shall carry out issuance, registration, custody, trading, settlement, information disclosure, relevant credit enhancement, collateral financing and other business on an asset registration platform recognized by the insurance regulatory authority of the State Council. The insurance asset management products issued by or launched through promotion by an insurance asset management institution shall be subject to confirmation, recordation or registration management.

In accordance with the Interim Measures for the Management of Insurance Asset Management Products (《保險資產管理產品管理暫行辦法》) promulgated by the CBIRC on March 18, 2020 and with effect from May 1, 2020, insurance asset management institutions may provide services on insurance asset management products, where they are entrusted by investors to establish insurance asset management products and serves as the manager to make investment with and manage the entrusted assets of the investor in accordance with laws, regulations and the provisions of the relevant contract. Insurance asset management products include debt investment plans, equity investment plans, portfolio products and other products prescribed by the CBIRC.

An insurance asset management institution engaging in insurance asset management product business shall satisfy the following requirements:

- It has sound corporate governance and good market reputation and satisfies the requirements of the CBIRC in terms of its investment management capability;

- it has sound operating procedures, internal control mechanism, risk management and auditing rules, and has set up the mechanism for fair trading and risk isolation;

- it has set up professional posts such as product development, investment research, investment management, risk control, and performance assessment;

- it has a stable investment management team and the number of relevant professionals is not less than that required;

- it has not committed any serious violations of laws and regulations in the recent three years, or has not committed any serious violations of laws and regulations since the date of establishment if it has been established for less than three years; and

- other prudential conditions as prescribed by the CBIRC.

An insurance asset management institution providing the services on insurance asset management products shall engage a commercial bank or any other financial institution that is in compliance with the provisions of the CBIRC and qualified for the custody of insurance assets to serve as the custodian.

Insurance asset management products shall, based on the nature of investment, be divided into fixed-income products, equity products, commodity and financial derivative products, and mixed products. For fixed-income products, the proportion of investment in debt assets shall not be less than 80%. For equity products, the proportion of investment in equity assets shall not be less than 80%. For commodity or financial derivative products, the proportion of investment in commodity or financial derivatives shall not be less than 80%. For mixed products, the proportion of investment in any of these three types of assets shall not reach the standards for the aforesaid three types of products.

The insurance asset management products issued by an insurance asset management institution shall undergo registration and other statutory procedures at an institution recognized by the CBIRC. An insurance asset management institution shall fully disclose such information as use of fund, investment scope and transaction structure when undergoing product registration and other procedures.

The scope of investment made with insurance funds in insurance asset management products shall comply with the provisions on the supervision and administration of use of insurance funds.

Grading arrangements, upper limit of debt ratio, investment limit management of non-standard debt assets, and maturity matching requirements regarding an insurance asset management product shall conform to the relevant provisions of the financial administrative department. The balance of investment in non-standard debt assets for all portfolio products managed by the same insurance asset management institution shall at no time exceed 35% of net assets of all portfolio products under its management. No insurance asset management product may directly invest in the credit assets of any commercial bank, except for the asset securitization business conducted in accordance with the rules issued by the financial administrative authorities. No insurance asset management product may invest directly or indirectly in any industry or field in which debt or equity investment is prohibited by any law, regulation or national policy.

Foreign-Invested Insurance Companies

Under the Regulations of the PRC on the Administration of Foreign-Invested Insurance Companies (《中華人民共和國外資保險公司管理條例》), which was implemented on February 1, 2002 and last amended on September 30, 2019, and the Detailed Rules for the Implementation of the Regulations of the PRC on the Administration of Foreign-funded Insurance Companies (《中華人民共和國外資保險公司管理條例實施細則》), which was implemented on June 15, 2004, and last amended on March 10, 2021, a foreign-invested insurance company means (1) an insurance company established in the PRC as joint venture by a foreign insurance company and a PRC company or enterprise ("Joint Venture Insurance Company"); (2) an insurance company invested and operated in the PRC by a foreign insurance company ("Wholly Foreign-Owned Insurance Company"); or (3) a branch of a foreign insurance company in the PRC ("Branch of Foreign Insurance Company").

Proportion of Foreign Investment

Under the Regulations of the PRC on the Administration of Foreign-Invested Insurance Companies, which was amended and implemented by the State Council on September 30, 2019, foreign insurance companies are allowed to establish Wholly Foreign-Owned Insurance Company, Branch of Foreign Insurance Company and Joint Venture Insurance Company in the PRC. Under the Notice of the General Office of CBIRC on the Time to Clearly Cancel the Restriction on the Foreign Shareholding in Joint Venture Life Insurance Companies (《中國銀保監會辦公廳關於明確取消合資壽險公司外資股比限制時點的通知》) announced and implemented by the CBIRC on December 6, 2019, the restrictions on foreign shareholding of joint venture insurance Companies engaging in life insurance business shall be officially cancelled, effective from January 1, 2020, and foreign investors are permitted to hold up to 100% of ownership in a joint venture life insurance company. In addition, pursuant to the Announcement on Permitting Foreign Insurance Brokerage Companies to Establish Wholly Foreign-owned Insurance Brokerage Companies (《關於允許外國保險經紀公司設立外商獨資保險經紀公司的公告》) promulgated by the former CIRC on December 11, 2006, foreign insurance brokerage companies are allowed to officially establish wholly foreign-owned insurance brokerage companies without any restriction other than those on conditions for establishment and business scope.

Conditions for Establishment

- The applicant company's total assets as of the end of the year prior to the application for establishment shall be not less than USD5 billion;

- The country or region in which the foreign insurance company is based shall have a sound system for the regulation of insurance business and the foreign insurance company concerned has been under the effective supervision of the relevant authority in that country or region;

- It shall satisfy the solvency standards applicable in the relevant country or region;

- It shall have obtained approval for its application from the relevant authority in the country or region concerned; and

- any other prudent conditions required by the insurance regulatory authority of the State Council.

The minimum registered capital of a Joint Venture Insurance Company or Wholly Foreign-Owned Insurance Company is RMB200 million or an equivalent amount in other freely convertible currencies. The minimum registered capital must be paid-in monetary capital. A Branch of Foreign Insurance Company must be able to obtain at least RMB200 million or an equivalent amount in other freely convertible currencies at nil consideration from its parent company as its working capital.

Business Scope

According to the business scope verified by the insurance regulatory authority of the State Council, a foreign-invested insurance company may legally operate all or any of the following categories of insurance business: (1) property insurance, including property loss insurance, liability insurance, credit insurance, etc.; or (2) personal insurance, including life insurance, health insurance, accidental injury insurance, etc. A foreign-invested insurance company may, on the basis of verification of the insurance regulatory authority of the State Council in accordance with relevant provisions, engage in major commercial risk insurance, all-inclusive policy insurance, etc. within the scope of its permitted business activities. A foreign-invested insurance company may also engage in the reinsurance of the following types of insurance business specified in (1) and (2) above: (1) outward reinsurance; and (2) inward reinsurance. The specific scope of business, geographic area of business and range of clients of a foreign invested insurance company shall be subject to verification by the insurance regulatory authority of the State Council in accordance with the relevant provisions. A foreign-invested insurance company may engage in insurance business only within its permitted scope of business.

CORPORATE GOVERNANCE

Governance of Insurance Companies

Pursuant to the PRC Company Law (《中華人民共和國公司法》) amended and implemented on October 26, 2018 and the Measures for the Administration of Independent Directors of Insurance Institutions (《保險機構獨立董事管理辦法》) amended on February 4, 2020, insurance companies are required to hold shareholders' meetings (general shareholders' meetings) and establish the board of directors, the board of supervisors and the management, and to allocate and classify the powers of the same in the articles of association and relevant internal governance documents. The board of directors of insurance companies must have at least three independent directors and the proportion of independent directors must account for not less than one third of the members of the board of directors.

Pursuant to the Corporate Governance Guidelines for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) promulgated by the CBIRC and implemented on June 2, 2021, insurance companies shall, in accordance with laws and regulations, regulatory provisions and the conditions of the institution, separately or jointly, establish specialized committees, such as specialized committees of strategy, audit, nomination, remuneration, related party transaction control, risk management and protection of consumers' rights and interests. The chairman or person in charge of the audit, nomination, remuneration and related party transaction control committee shall be an independent director. In principle, the proportion of independent directors in the audit, nomination, remuneration, risk management and related party transaction control committees shall be no less than one third.

In addition, according to the Corporate Governance Guidelines for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), insurance companies are required to set up an (1) an independent risk management department to be responsible for integrated risk management; (2) an independent internal audit department to be responsible for the work relating to internal audit; (3) an internal control system to specify internal control duties, to strengthen internal control guarantees, and to continuously carry out internal control evaluation and supervision; and (4) a sound information system that runs through all levels of bodies and covers all operations and all processes, and record operation and management information in a timely and accurate manner to ensure the completeness, continuity, accuracy and traceability of information.

According to the Corporate Governance Guidelines for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), insurance companies shall notify the regulatory authorities at least three working days in advance when convening general shareholders' meetings, meetings of the board of directors and meetings of the board of supervisors. Where the aforesaid timeframe requirements cannot be satisfied under special circumstances, the regulatory authorities shall be promptly notified, with the reason stated. Insurance companies shall submit documents such as minutes and resolutions of their shareholders' general meetings, meetings of the board of directors and meetings of the board of supervisors to the regulatory authorities in a timely manner.

Pursuant to the Notice of the CIRC on Further Regulating Submission of Governance Report by Insurance Companies (《中國保監會關於進一步規範報送<保險公司治理報告>的通知》) promulgated and implemented on June 1, 2015, insurance companies and insurance asset management companies established pursuant to laws within the PRC are required to submit a corporate governance report for the prior year to the insurance regulatory authority of the State Council by May 15 in each year. The corporate governance report shall be drafted under the leadership of the chairman, and submitted to the insurance regulatory authority of the State Council after being reviewed and approved by the board of directors, together with any dissenting opinions of independent directors on the contents of the corporate governance report. Before the board of directors reviews the report, the nomination and remuneration committee shall review the contents on incentive and restraint mechanism as set out in part two of the Corporate Governance Report of Insurance Companies (《保險公司治理報告》), and the audit committee shall review the contents on internal control assessment as set forth in part three and on internal audit as set out in part four of the Corporate Governance Report of Insurance Companies.

Articles of Association of Insurance Companies

Insurance companies are required to formulate the basic contents of their articles of association and set out the requirements on the formulation and modification procedures of the articles of association in accordance with the PRC Insurance Law, the PRC Company Law, the Opinions on Regulating the Articles of Association of Insurance Companies (《關於規範保險公司章程的意見》) promulgated by the former CIRC on July 8, 2008 and effective since October 1, 2008, and in compliance with laws, regulations and regulatory requirements.

The Guidelines on the Articles of Associations of Insurance Company (《保險公司章程指引》) implemented on April 24, 2017 and recently amended in February 2020 to further regulate the establishment of the articles of association of insurance company. Among which, the articles of association of insurance company shall state that (1) the shares of company can be transferred in accordance with laws, and subject to the relevant regulations of the insurance regulatory authority of the State Council and the relevant regulatory authorities and the agreement in this articles of association; (2) the shareholder shall complete the relevant procedures of share transfer in accordance with laws for transferring shares of company, and report to the company in written form within 15 working days after the signing date of the shares transfer agreement; and (3) company shall not provide financial assistance in form of loan or guarantee to the directors, supervisors and senior management for purchasing the shares of the company. Articles of Association of insurance company shall also specify the period during which the company's shares cannot be transferred and the related contents shall comply with the laws, regulations and regulatory provisions.

Under the Guidelines on the Articles of Associations of Insurance Company, an insurance company's articles of association shall include obligations to be performed by shareholders, (1) investment and shareholding shall conform to regulatory provisions; shareholdings on behalf of others and those at excess ratios are not permitted; (2) where shareholders holding five percent or more of the shares of insurance company are associated, they shall submit a written report to the insurance company within five working days; and (3) truthfully inform the insurance company of their controlling shareholders and actual controllers, notify the insurance company the changes of the controlling party, related parties and relations after the change within five working days in written form and shall perform the procedures prescribed by the regulators.

Equity Management of Insurance Companies

According to the PRC Insurance Law, the Administrative Regulations for Insurance Companies, the Measures for Administration of Controlling Shareholders of Insurance Companies (《保險公司控股股東管理辦法》) implemented on October 1, 2012 and the Administrative Measures on Equity of Insurance Companies (《保險公司股權管理辦法》) last amended on March 2, 2018 and came into effect on April 10, 2018, unless otherwise provided in laws and regulations, those acquiring equity interests in insurance companies must be domestic corporate entities, domestic limited partnerships, domestic public institutions and social organizations in the PRC or overseas financial institutions that satisfy prescribed conditions, except for those purchasing the shares of listed insurance companies through stock exchanges.

Under the Administrative Measures on Equity of Insurance Companies, the equity management of insurance companies shall conform with the principles of good qualifications, clear relationships, reasonable structure, regulated conduct, openness, transparency and orderly transfer.

According to Article 4 of the Administrative Measures on Equity of Insurance Companies, shareholders of insurance companies are classified into the following four categories regarding their shareholding ratios, qualifications and impact on the operation management of insurance companies:

- Type I financial shareholders, which means shareholders holding less than 5% of the equity of an insurance company.

- Type II financial shareholders, which means shareholders holding not less than 5% but less than 15% of the equity of an insurance company.

- Strategic shareholders, which means shareholders holding not less than 15% but less than one third of the equity of an insurance company, or shareholders with voting rights according to their capital contribution amount or the shareholding has a substantial impact on the resolutions of the shareholders' (general) meetings of the insurance company.

- Controlling shareholders, which means shareholders holding not less than one third of the equity of an insurance company, or shareholders with voting rights according to their capital contribution amount or the shareholding has a controlling impact on the resolutions of the shareholders' (general) meetings of the insurance company.

Public institutions and social organizations can only become Type I financial shareholders of insurance companies, unless as otherwise prescribed by the State Council. Natural persons can only become Type I financial shareholders of insurance companies through purchasing shares of listed insurance companies, unless as otherwise prescribed by the insurance regulatory authority of the State Council. Asset management plans and trust products may invest in listed insurance companies through purchasing publicly traded shares. The proportion of shares of a listed insurance company held by a single asset management plan or trust product shall not exceed 5% of the total capital stocks of the insurance company. Where investors with affiliation relationship entrust the same institution or affiliated institutions to invest in an insurance company, the investment ratio shall be calculated on a consolidated basis.

A Type I financial shareholder shall meet the following conditions:

- has sound business operation status and reasonable business income;

- has sound financial conditions and has made profits in the last fiscal year;

- has sound tax payment records and has no record of tax evasion in the last three years;

- has sound credit records and has no record of major dishonest conduct in the last three years;

- has sound compliance status and has no record of major violation of laws and regulations in the last three years; and

- other conditions as set forth by laws, administrative regulations, and the insurance regulatory authority of the State Council.

Those who become Type I financial shareholders of insurance companies through purchasing shares of listed insurance companies are not subject to the restrictions on the qualifications of shareholders under the Administrative Measures on Equity of Insurance Companies as mentioned above. For acquisition or transfer of equity interests in insurance companies by aforesaid Type I financial shareholders, insurance companies are not required to report to the insurance regulatory authority of the State Council for approval or recordation, and insurance companies or investors are also not required to submit relevant materials.

Besides the aforesaid conditions for Type I financial shareholder, a Type II financial shareholder shall also meet the following conditions:

- has good reputation, stable investment behavior and prominent core business;
- has capacity to continuously make capital contributions and has made profits in the last two consecutive fiscal years;
- has relatively strong capital strength and net assets of not less than RMB200 million; and
- other conditions as set forth by laws, administrative regulations, and the insurance regulatory authority of the State Council.

Besides the aforesaid conditions for Type I financial shareholder and Type II financial shareholder, a strategic shareholder shall also meet the following conditions:

- has an ability to continuously make capital contributions, and has made profits in the last three consecutive fiscal years;
- has net assets of not less than RMB1 billion;
- the balance of its equity investment shall not exceed the net assets; and
- other conditions as set forth by laws, administrative regulations, and the insurance regulatory authority of the State Council.

Besides the aforesaid conditions for Type I financial shareholder, Type II financial shareholder and strategic shareholder, a controlling shareholder shall also meet the following conditions:

- has total assets of not less than RMB10 billion;
- net assets at the end of the previous year are not less than 30% of the total assets; and
- other conditions as set forth by laws, administrative regulations, and the insurance regulatory authority of the State Council.

Except as otherwise prescribed by the state, financial institutions may not be subject to the limitation prescribed in item 2 of the preceding paragraph.

Besides the aforesaid conditions for Type I financial shareholder and Type II financial shareholder, an investor that is a domestic limited partnership shall also meet the following conditions:

- its general partners have sound credit records and have no record of major violation of laws and regulations in the last three years;

- where a duration is set, the investor shall undertake to transfer the equities of an insurance company held by it before the expiry of the duration; and

- it has a simple hierarchy and clear structure.

Besides the aforesaid conditions for Type I financial shareholder, an investor that is a domestic public institution or social organization shall also meet the following conditions:

- its main business or major affairs are related to the insurance industry;

- it does not undertake the administrative function; and

- its investment has been approved by a superior competent authority.

An investor that is a domestic financial institution shall also comply with the laws and administrative regulations and satisfy the regulatory requirements of the financial regulatory authorities in the industry.

An investor that is an overseas financial institution shall, besides the aforesaid requirements for the qualifications of shareholders, also meet the following conditions:

- it has made profits in the last three consecutive fiscal years;

- its total assets at the end of the previous year are not less than USD2 billion;

- its long-term credit rating given by an international rating agency in the last three years is Grade A or above; and

- it satisfies the regulatory requirements of the local financial regulatory authorities.

Where the total shares held by affiliated parties and persons acting in concert reach the standard for Type II financial shareholders, strategic shareholders or controlling shareholders, the shareholder holding the most shares shall meet the qualifications for shareholders of the corresponding category under the Administrative Measures on Equity of Insurance Companies and report to the insurance regulatory authority of the State Council for approval.

The shareholding ratio of shareholders of an insurance company shall satisfy the following requirements, unless as otherwise prescribed by the insurance regulatory authority of the State Council:

- the shareholding ratio of a single shareholder shall not exceed one third of the registered capital of the insurance company; and

- the shareholding ratio of a single domestic limited partnership shall not exceed 5% of the registered capital of the insurance company, and the total shareholding ratio of multiple domestic limited partnerships shall not exceed 15% of the registered capital of the insurance company.

To change a shareholder holding more than 5% of equity, an insurance company shall obtain the approval of the insurance regulatory authority of the State Council. To change a shareholder holding less than 5% of equity, an insurance company, except a listed insurance company, shall report to the insurance regulatory authority of the State Council for recordation, and conduct public disclosure on the official website of the insurance company and the website designated by the insurance regulatory authority of the State Council. Where the actual controller of a shareholder of an insurance company is changed and the value of the equities of the insurance company held by the shareholder of the insurance company accounts for more than half of the total assets of the shareholder, the actual controller shall satisfy the relevant requirements on shareholders' qualification under the Administrative Measures on Equity of Insurance Companies and provide the relevant materials to the insurance company in a timely manner, and the insurance company shall report the relevant information to the insurance regulatory authority of the State Council for recordation within 20 working days before the change. Whenever an investor that purchases shares of a listed insurance company and whose shareholding ratio reaches 5%, 15% or one third of the total capital stock of the insurance company shall, within five working days from the date of the transaction, submit a written report to the insurance company, and the insurance company shall, within ten working days from receipt of the report, report to the insurance regulatory authority of the State Council for approval.

An insurance company shall state in its bylaws that under any of the following circumstances a shareholder shall not exercise the right to participate, the right to vote or propose at the shareholders' (general) meeting, or other shareholders' rights, and shall undertake to accept the handling measures of the insurance regulatory authority of the State Council:

- The shareholder is changed without approval of or recordation with the insurance regulatory authority of the State Council;

- the shareholder's actual controller is changed without recordation with the insurance regulatory authority of the State Council;

- the shareholder entrusts others or is entrusted by others to hold the equity of an insurance company;
- the shareholder controls the equity in disguised form by accepting the entrustment of the voting right, transferring the right to yields, or any other method;
- the shareholder utilizes insurance funds to directly or indirectly inject capital into itself or make false capital increase; and
- other acts of capital contribution or holding of shares in violation of the regulatory provisions.

In addition to the above requirements, pursuant to the Pilot Administrative Measures on Investment by Commercial Banks in Insurance Companies (《商業銀行投資保險公司股權試點管理辦法》) issued by the former CBRC and implemented on November 5, 2009, the investment proposal of the commercial bank shall be submitted by the supervising authorities to the State Council for permission and each commercial bank shall only invest in the equities of one insurance company. Pursuant to the Measures for the Administration of the Information Disclosure by Insurance Companies (《保險公司信息披露管理辦法》) issued by the CBIRC on April 28, 2018 and came into force on July 1, 2018, insurance companies are required to disclose shareholders with more than 5% shareholdings and their status of shareholdings, as well as change in controlling shareholders or de facto controllers and change in registered share capital.

Directors, Supervisors and Senior Management

Pursuant to the Administrative Provisions on the Post-holding Qualifications of Directors, Supervisors and Senior Executives of Insurance Companies (《保險公司董事、監事和高級管理人員任職資格管理規定》) amended by the CBIRC on June 3, 2021 and implemented on July 1, 2021, senior management of an insurance company refers to the following persons with a decision-making power or significant influence on the operation and management activities and risk control of an insurance institution: (1) the general manager, deputy general manager and assistant general manager of the head office; (2) the secretary of the board of directors, compliance controller, chief actuary, chief financial officer and audit controller of the head office; (3) the general manager, deputy general manager and assistant general manager of provincial level branches; (4) the general manager of other provincial level branches and city-level sub-branches; or (5) management officers with equivalent powers and duties to the above senior management officers.

Directors, supervisors and senior management of an insurance institution shall obtain qualification approved by the CBIRC or its local branches prior to their appointment.

The CBIRC and its local branches will not approve the qualification of any proposed director, supervisor or senior management of an insurance institution under any of the following circumstances: (1) a person without legal capacity or with restricted legal capacity; (2) a person who has been sentenced to criminal punishment for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders, or who has been deprived of his political rights, in each case where not more than five years have elapsed since the date of the completion of such punishment or deprivation; (3) a person who has been sentenced to any other criminal penalty of other offences where not more than three years have elapsed since the date of completion of such punishment; (4) a person who has his qualification cancelled or revoked by a financial regulatory authority, where not more than five years has elapsed since the date of the cancellation or revocation of his qualification; (5) a person who has been prohibited from entering into the market by a financial regulatory authority, where not more than five years has elapsed since the date of the prohibition; (6) a person who has been removed from public office by a government authority, where not more than five years has elapsed since the date of removal from public office, or who has been subject to other sanctions by a government authority such as warning, demerit, serious demerit, demotion and dismissal, where the period of any of such other sanctions has not expired; (7) a person who is a former lawyer, certified public accountant or professional of a professional institution such as asset valuation institution or certification institution, whose professional qualification has been revoked because of a breach of law as a result of a non-compliance conduct, where not more than five years have elapsed since the date of the revocation of his professional qualification; (8) a person who is a former director, factory manager or manager of a company or enterprise which has been bankrupted and liquidated and being personally liable for the bankruptcy of such company or enterprise, where not more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (9) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and that person was responsible for such violation, where not more than three years has elapsed since the date of the revocation of the business license; (10) a person who has a relatively large amount of debts due and outstanding; (11) a person who was subject to administrative penalty by the CBIRC and its local branches in form of a warning or fine within one year immediately preceding the application for the approval of his qualification; (12) a person who has been investigated by relevant authorities because of suspected involvement in serious illegal activity, which investigation is not yet concluded; (13) a person who was subject to material administrative penalty by other administrative management department, where not more than two years have elapsed since the date of the material administrative punishment; (14) a person who has been identified by the relevant State authorities as a subject of joint punishment for dishonesty due to a serious dishonest act and shall be punished in the insurance sector, or having other bad records of serious dishonesty within the past five years; and (15) a person with other circumstances as prescribed by the CBIRC.

During the period when an insurance company is rectified or taken over or encounters any major risk, the director, supervisor or senior executive who is directly liable for such act shall not serve as a director, supervisor or senior executive of another insurance company during the period when the insurance company is rectified or taken over or conducts disposal of major risks.

INTERNAL CONTROL AND COMPLIANCE

Pursuant to the Principal Rules for the Internal Control of Insurance Companies (《保險公司內部控制基本準則》) implemented on January 1, 2011, an insurance company must establish an internal control organisational system with clear work allocation, clear working procedures, cooperation and highly efficient execution which the board of directors should ultimately be responsible for, the management should directly lead, the internal control departments should coordinate, the internal audit department should examine and supervise, and the business departments should primarily be responsible for. Internal control activities of an insurance company shall cover sales control, operation control, infrastructure management control and funds utilisation control. Insurance companies are required to establish an internal control assessment system to perform annual comprehensive assessment on the integrity, reasonableness and effectiveness of their internal control system and prepare an internal control assessment report for review and approval by the board of directors and submission to the insurance regulatory authority of the State Council.

According to the Operating Standards for Internal Audit of Insurance Institutions (《保險機構內部審計工作規範》) issued and implemented on December 7, 2015, an insurance company shall establish an independent internal audit system, conduct vertical management of internal audit, and qualified insurance institutions are encouraged to conduct centralized management of internal audit, and further strengthen the independence of the internal audit system. An insurance company shall maintain a sufficient number of internal auditing staff.

Pursuant to the Notice of the former CIRC on Matters Concerning Further Strengthening the Compliance Management of Insurance Companies (《中國保監會關於進一步加強保險公司合規管理工作有關問題的通知》) implemented on June 1, 2016, an insurance company shall: (1) designate its compliance chief; (2) make application to the insurance regulatory authority of the State Council on the approval for the qualification of its proposed compliance chief and submit the written application on the employment qualification and other required materials; (3) further strengthen the compliance management. The insurance company shall clearly stipulate the work that directors, supervisors, senior management as well as departments and branches of the insurance company shall support and cooperate with, and the insurance company shall provide the necessary material resources, financial resources and technical support for the compliance work.

According to the Measures for Compliance Management of Insurance Company (《保險公司合規管理辦法》) promulgated by the former CIRC on December 30, 2016 and implemented on July 1, 2017, an insurance company shall set up a compliance department and compliance positions, and shall maintain compliance staff that meet the requirements. An insurance company shall ensure the independence of the compliance management department and the compliance positions, and shall carry out independent budgeting and evaluation therefor. The compliance management department and compliance positions shall be independent from departments such as the business, finance, fund utilization and internal audit departments that may conflict with the duties of compliance management. An insurance company shall establish a compliance management framework with three lines of defense: the departments and branches of an insurance company perform the first line of defense duties for compliance management, and be responsible for direct and first duties within their scope of responsibilities; the compliance management departments and compliance positions of an insurance company perform the second line of defense duties of compliance management; while the internal audit department of an insurance company perform the third line of defense duties of compliance management, and carry out independent audit of the company's compliance management on a regular basis.

The board of directors of an insurance company shall bear the ultimate responsibility for the compliance management of the company, and shall perform the following compliance duties: (1) to consider and approve compliance policies, supervise the implementation of compliance policies and conduct annual assessments on the implementation thereof; (2) to review and approve and submit to the insurance supervision and regulatory authority under the State Council the annual compliance report of the company, and to propose solutions for issues identified in the annual compliance report; (3) to determine the appointment, dismissal and remuneration of the compliance chief; (4) to determine the establishment of company's compliance management department and the functions thereof; (5) to ensure that the compliance chief's independent communication with the board of directors and the professional committees under the board of directors; and (6) other compliance duties as stipulated in the articles of association of the company.

The board of directors of an insurance company may authorize professional committees to perform the following compliance duties: (1) to review the annual compliance report of the company; (2) to listen to reports on compliance matters by the compliance chief and the compliance management department; (3) to supervise the compliance management of the company, to understand the implementation of compliance policies and existing problems, and to give advices and make recommendations to the board of directors; and (4) other compliance duties as stipulated in the articles of association of the company or determined by the board of directors.

The supervisors or the board of supervisors of an insurance company shall perform the following compliance duties: (1) to supervise the performance of compliance duties of directors and the senior management; (2) to supervise the decision-making and compliance of decision processes of the board of directors; (3) to propose dismissal of directors and senior management who cause material compliance risks; (4) to propose to the board of directors replacement of the compliance chief of the company; (5) to investigate the relevant circumstances of the compliance risks in the operation of the company according to law and to request assistance of relevant senior management and departments; and (6) other compliance duties as stipulated in the articles of association of the company.

The general manager of an insurance company shall perform the following compliance duties: (1) to establish and improve the organization structure of the company's compliance management according to decisions of the board of directors, to establish the compliance management department, and to provide the compliance chief and the compliance department for conditions sufficient to perform their duties; (2) to review the compliance policies of the company, and to implement the same after submission of the same for consideration of the board of directors; (3) to organize at least once a year the identification and evaluation of the compliance risks of the company, and to review the annual compliance management plan of the company; (4) to review the annual compliance report of the company and to submit the same to the board of directors or the professional committees under the board of directors; (5) where the non-compliances are identified during the operating and management of the company, to promptly stop and rectify the same, and to investigate the accountability of the person responsible for the non-compliance and report the same as required; and (6) other compliance duties as stipulated in the articles of association and determined by the board of directors of the company.

Significant Changes

Under the Administrative Regulations for Insurance Companies, an insurance institution which falls under any of the following circumstances shall obtain an approval from the insurance regulatory authority of the State Council:

- change of the name of an insurance company;
- change of registered capital;
- expansion of the scope of business;
- change of business premise;
- split or merger of an insurance company;
- amendment on the articles of association of an insurance company;
- change on any shareholder who contributes not less than 5% of the total capital of a company with limited liability or change on any shareholder who holds not less than 5% of the shares of a joint-stock limited company; and
- other circumstances as set out by the insurance regulatory authority of the State Council.

Under the Administrative Regulations for Insurance Companies, an insurance institution which falls under any of the following circumstances shall report to the insurance regulatory authority of the State Council within 15 days after the circumstance occurs:

- change on any shareholder who contributes not more than 5% of the total capital of a company with limited liability or change on any shareholder who holds not more than 5% of the shares of a joint-stock limited company except for those changes on the shareholders of a listed company;
- change of the name of a shareholder of an insurance company except for the shareholders of a listed company;
- change of the name of a branch of an insurance company; and
- other circumstances as set out by the insurance regulatory authority of the State Council.

Insurance Company Deregistration and Business Transfers

Under the PRC Insurance Law, where an insurance company needs to be dissolved as a result of any split, merger, resolution of the shareholders' meeting or occurrence of a cause of dissolution prescribed in the articles of association of the company, it shall be dissolved upon the approval of the insurance regulatory authority of the State Council. An insurance company which operates the life insurance business shall not be dissolved except for any split, merger or deregistration according to laws. Where an insurance company dissolves, it shall set up a liquidation team to proceed with liquidation in accordance with laws. Where an insurance company which operates the life insurance business is deregistered or declared bankrupt according to laws, it must assign its life insurance contracts and liability reserves to another insurance company which operates the life insurance business; where it cannot reach an assignment agreement with another insurance company, the insurance regulatory authority of the State Council shall designate an insurance company which operates the life insurance business to accept the assignment.

RELATED PARTY TRANSACTIONS

Pursuant to the PRC Insurance Law, an insurance company is required to establish rules on the management and information disclosure of related party transactions. The controlling shareholders, de facto controlling persons, directors, supervisors and senior management of an insurance company are not allowed to impair the interests of the insurance company through related party transactions.

Pursuant to the Standards for the Information Disclosure of Insurance Funds Deployment by Insurance Company: No. 1: Related Party Transactions (《保險公司資金運用信息披露準則第1號:關聯交易》) implemented on May 19, 2014, the following activities involving insurance funds deployment between an insurance company and its related party shall be disclosed: (1) placement of bank deposits (other than demand deposit) with the related party; (2) investment in the equity interest, real properties and other assets of the related party; (3) investment in a financial product issued by the related party or the underlying assets which comprise the assets of the related party; and (4) other related party transactions as determined by the insurance regulatory authority of the State Council. The information to be disclosed for the above related party transactions include: (1) transaction overview and basic information on the subject matter of the transaction; (2) related relationships between the parties and basic information on the related party; (3) transaction pricing policy and basis; (4) main contents of the transaction agreement, including consideration, settlement method, conditions precedent, effective date, deadline for performance; (5) decision-making and review of the transaction; and (6) other information required to be disclosed in the opinion of the insurance supervision and regulatory authority under the State Council.

If an insurance company enters into the above related party transactions with its related party, it is required to publish a disclosure announcement as required on the websites of the insurance company and the Insurance Association of China within ten working days of execution of the transaction agreement or of the occurrence of the same if there is no such agreement.

The Standards for the Information Disclosure of Insurance Funds Deployment by Insurance Company: No. 1: Related Party Transactions shall apply to insurance group (holdings) companies and insurance asset management entities conducting any of the above related party transactions, as well as insurance asset management entities which issue a financial product with its related party as counterparty or with the assets of the related party as underlying assets.

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) (the "Measures for Related Party Transactions") issued by CBIRC on January 14, 2022 and effective as of March 1, 2022, a related party of an insurance institution refers to any related natural person, legal entity or unincorporated organization that controls or exerts significant influence on, or is controlled or subjected to significant influence exerted by the insurance institution, or is controlled or subjected to significant influence exerted by the same party as the insurance institution. The CBIRC and local offices thereof may identify related party transactions as per the principles of substance over form and penetration.

In addition, pursuant to the Measures for Related Party Transactions, related party transactions relating to the fund deployment of an insurance company shall meet the following proportion requirements: (1) the aggregate balance of the insurance company's investments in all related parties shall not exceed 25% of its total assets at the end of the previous year or net assets at the end of the previous year (whichever is lower); (2) in the book balance of the insurance company's investments in non-listed equity assets, real estate assets and other financial assets as well as overseas investments, the amount of investments in its related parties shall not exceed 30% of the cap for the above-mentioned various asset investments; (3) the aggregate balance of the insurance company's total investments in a single related party shall not exceed 30% of its net assets at the end of the previous year; and (4) in terms of the insurance company's investment in a financial product, if the underlying assets involve its controlling shareholder or any related party thereof, the units of such financial product purchased by the insurance company shall not exceed 50% of the total issuance of the product.

The balance of investment in related parties by an insurance institution and its non-financial holding subsidiaries shall be subjected to calculation in a consolidated manner while meeting the foregoing proportion-related requirements. The foregoing provisions shall not apply to related party transactions between an insurance institution and its holding subsidiaries or between its holding subsidiaries. The CBIRC may set or adjust the supervisory proportion of related party transactions applicable to banking and insurance institutions in light of their own corporate governance status, risk status of related party transactions, and institution type and characteristics.

Where the amount of equity pledged by a shareholder that holds not less than 5% of an insurance company's equity exceeds 50% of its total equity in the insurance company, the CBIRC may restrict its related party transactions with the insurance company.

According to the Notice on Strengthening Supervision of related party transactions in the Use of Funds by Insurance Institutions (《關於加強保險機構資金運用關聯交易監管工作的通知》) issued by CBIRC on May 27, 2022, insurance institutions should comply with laws, regulations and supervisory provisions in conducting related party transactions in the use of funds, operate prudently and independently, and follow the principles of good faith, openness and fairness, look-through identification, and clear structure. Related parties of insurance institutions shall not interfere with or manipulate the use of funds, and the use of insurance funds for illegal and irregular related party transactions is strictly prohibited.

External Guarantee

Pursuant to the Notice of CIRC on Relevant Matters Regarding Regulating Guarantees Provided by Insurance Entities (《中國保監會關於規範保險機構對外擔保有關事項的通知》) implemented on January 20, 2011, since January 20, 2011, insurance group companies shall not provide guarantees for other companies except for their subordinate members. The guarantees of insurance group companies to their subordinate members shall comply with the relevant provisions of the Measures for Supervision and Administration of Insurance Group Companies (《保險集團公司監督管理辦法》) and the Measures of Related Party Transactions (《關聯交易辦法》). External guarantees by insurance group companies and their subsidiaries shall be considered and approved by the shareholders' meeting of the company at the same level. The balance of external guarantees by insurance group companies and their subsidiaries shall not exceed 10% of their net assets.

ANTI-MONEY LAUNDERING

According to the Rules for Anti-money Laundering by Financial Institutions (《金融機構反洗錢規定》) implemented on January 1, 2007, the PBOC is the competent administrative department under the State Council responsible for anti-money laundering. The PBOC monitors and governs the anti-money laundering works of financial institutions according to the laws.

According to the PRC Anti-Money Laundering Law (《中華人民共和國反洗錢法》) and Rules for Anti-money Laundering by Financial Institutions (《金融機構反洗錢規定》) implemented on January 1, 2007, the Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions (《金融機構大額交易和可疑交易報告管理辦法》) implemented on March 1, 2007, and amended on December 9, 2016 and July 26, 2018, respectively, and the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorist Financing by Financial Institutions (《金融機構反洗錢和反恐怖融資監督管理辦法》) implemented on August 1, 2021, serving as financial institutions, insurance companies should establish and improve internal control systems for anti-money laundering and counter-terrorist financing, evaluate the risks of money laundering and terrorist financing, build the risk management mechanism that applies to its risk appetite and scale of operation, establish the information system for anti-money laundering, set up or designate specialized departments and appoint relevant persons to effectively perform anti-money laundering duties. Insurance companies should establish a self-assessment system for money laundering and terrorist financing risks at the headquarter level to assess the money laundering and terrorist financing risks on a regular or irregular basis, and report the self-assessment to the PBOC or the local branch of the PBOC within ten business days from the date of approval by the board of directors or senior management.

According to the Notice of the Anti-money Laundering Bureau of the PBOC on Printing and Distributing the Guidelines on the Self-Assessment of Money Laundering and Terrorism Financing Risks of Legal Person Financial Institutions (《中國人民銀行反洗錢局關於印發<法人金融機構洗錢和恐怖融資風險自評估指引>的通知》) promulgated and implemented by the PBOC on January 15, 2021, legal person financial institutions shall establish a specific self-assessment system for money laundering risks based on laws and regulations. Legal person financial institutions shall make full use of the results of risk self-assessment to ensure that the allocation of anti-money laundering resources and money laundering risk management strategies, policies and procedures are appropriate for the risks identified in the assessment. A legal person financial institution shall designate a senior management to be fully responsible for the self-assessment of money laundering risks, and establish a leading group including the anti-money laundering lead department and business department and the audit and internal audit department. The leading group shall organize and coordinate the overall work of self-assessment, guide relevant business lines, departments and branches to undertake their own self-assessment responsibilities according to the assessment plan, and ensure the objectivity and relative independence of self-assessment.

According to the Notice of China Insurance Regulatory Commission on Strengthening the Anti-money Laundering Work in the Insurance Sector (《中國保險監督管理委員會關於加強保險業反洗錢工作的通知》) implemented on August 10, 2010 and Measures on Anti-Money Laundering in the Insurance Sector (《保險業反洗錢工作管理辦法》) implemented on October 1, 2011, the insurance supervision and regulatory authority under the State Council is responsible for organizing, coordinating and guiding anti-money laundering work in the insurance industry. Insurance companies, insurance asset management companies, insurance agencies and insurance brokerage companies should base their insurance policy registrations on real names and follow the principles of complete customer data, proper documentation of trading records and capital flows regulations, thereby tightening the internal controls on anti-money laundering.

Applications for the establishment of insurance companies and insurance asset management companies should meet the anti-money laundering conditions set forth by the insurance supervision and regulatory authority under the State Council (including legal legitimate sources of investment funds; establishing anti-money laundering internal control systems; setting up specialized bodies or appointing internal departments to conduct anti-money laundering work; appointing anti-money laundering bodies or individuals who had received the necessary anti-money laundering trainings; equipped with information systems that meet the needs of anti-money laundering work; and other requirements as set forth by the insurance supervision and regulatory authority under the State Council). If there are additions to the registered capital, changes in shareholdings (except when the shares of listed institutions acquired through stock exchanges are less than 5% of the registered capital of the insurance company or insurance asset management company), or other circumstances as stipulated by the insurance supervision and regulatory authority under the State Council, insurance companies or insurance asset management companies should have knowledge about the sources of the investment asset. They should also file explanations regarding the sources of investment funds, and declare the legitimacy of such sources.

Applications for the establishment of branches of insurance companies or insurance asset management companies should meet the anti-money laundering conditions set forth by the insurance supervision and regulatory authority under the State Council (including the following: the parent company possesses a robust anti-money laundering internal control system, and has sound governance over the branch; the information system of the parent company is able to support the anti-money laundering work of the branch; setting up specialized bodies or appointing internal departments to conduct anti-money laundering work in the branch, which is being set up; the anti-money laundering personnel has received the necessary anti-money laundering trainings; and other requirements set forth by the insurance supervision and regulatory authority under the State Council).

Insurance companies should, according to the law, perform customer identification on any transactions with amounts above the specified level in the process of entering into insurance contracts, dissolving insurance contracts, settling claims or making payments;

- Insurance companies and insurance asset management companies should, according to the law, properly maintain customers' personal data and trading records, and ensure related party transaction information can be retraced, which enables the monitoring and analysis of transactions, investigation of suspicious transaction, and the tracing of required information for anti-money laundering criminal cases;

- Insurance companies and insurance asset management companies should, according to the law, identify and report large-sum transactions and suspicious transactions;

- When conducting insurance businesses through insurance agencies and financial institutions who act as sideline insurance agencies, insurance companies should include anti-money laundering terms and conditions in the cooperation agreements.

According to the regulations set forth in the Notice of China Insurance Regulatory Commission on Strengthening the Anti-money Laundering Work in the Insurance Industry, in the application materials seeking approval for the qualifications of senior management of insurance institutions, there should be a declaration stating that the applicant has not been a subject of any material anti-money laundering administrative sanctions in the past two years; for those applicants who have previously worked in foreign financial institutions, a declaration should be submitted stating that in the past two years, the applicant has not been a subject of any material anti-money laundering administrative sanctions in the place where the foreign financial institution is located. All insurance companies and insurance intermediary institutions should regularly collect, summarise, report information and closely monitor the progress of the agency's anti-money laundering work, guard against the risk of money laundering and conduct anti-money laundering trainings and promotions, so as to raise the awareness and strengthen preventive measures with regard to anti-money laundering.

According to the Circular of the General Office of the CBIRC on Further Working Effectively on Anti-money Laundering and Counter Terrorism Financing in Banking and Insurance Sectors (《中國銀保監會辦公廳關於進一步做好銀行業保險業反洗錢和反恐怖融資工作的通知》) implemented on December 30, 2019, insurance institutions shall enhance organizational guarantee, increase resources investment in anti-money laundering and counter terrorism financing, strengthen the training of their employees on anti-money laundering and counter terrorism financing, and improve their capabilities in anti-money laundering and counter terrorism financing. An insurance institution shall promptly submit an interim report to the CBIRC or competent banking and insurance regulatory bureau of the place where it is located under any of the following circumstances: (1) revision to its main internal control system for anti-money laundering and counter terrorism financing; (2) adjustment to its organization in charge of or personnel in the position for anti-money laundering and counter terrorism financing, as well as change of contact information thereof; (3) major risk matters involving its anti-money laundering and counter terrorism financing work; (4) self-assessment report of money laundering risk or other relevant risk analysis materials; (5) occurrence of major risk matters including, among others, that any overseas branch or affiliate is subject to anti-money laundering and counter terrorism financing related on-site inspection, administrative punishment, criminal investigation carried out by local regulatory or judicial department; or (6) other information on anti-money laundering and counter terrorism financing required to be reported. Specifically, information on the work of an overseas institution as prescribed in Item 5 shall be submitted by relevant institution with legal person status.

INFORMATION DISCLOSURE

According to the Administrative Measures for Information Disclosure of Insurance Companies (《保險公司信息披露管理辦法》) (the "Information Disclosure Measures") issued on April 28, 2018 and implemented on July 1, 2018, an insurance company shall disclose information in accordance with laws, administrative regulations and the provisions of the CBIRC. An insurance company may disclose more information than that provided for by laws, administrative regulations and the provisions of the CBIRC.

Where the information to be disclosed by an insurance company in accordance with Information Disclosure Measures is a state secret or a commercial secret, or under other circumstances in which such disclosure will result in any violation of the state laws and administrative regulations on protecting secrets, the disclosure of the said information may be exempted.

Information Disclosure Measures provide that an insurance company shall disclose the following information: (1) basic information; (2) financial and accounting information; (3) information on insurance liability reserve; (4) information on risk management situation; (5) information on the operation of insurance products; (6) information on solvency; (7) information on significant related party transactions; (8) information on significant matters; and (9) other information stipulated by the CBIRC. An insurance company shall disclose its financial and accounting information, information on insurance liability reserve, information on risk management situation, information on the operation of insurance products and information on solvency in its annual information disclosure report in accordance with laws, regulations and regulatory requirements. The semi-annual and quarterly information of an insurance company shall be disclosed by reference to the annual information disclosure requirements.

Where an insurance company has any of the following significant circumstances, it shall disclose the relevant information and give a brief description: (1) the controlling shareholder or the actual controller is changed; (2) the chairman or the general manager is changed; (3) over one third of directors of the board of directors are changed in aggregate in the current year; (4) the name, registered capital, domicile or business premises of the company are changed; (5) the business scope of the company is changed; (6) the company merges with another one, spins off or dissolves itself, or files for bankruptcy; (7) the company cancels its provincial-level branches; (8) the company makes a major equity investment in another company, aiming to acquire control of it; (9) the actual heavy losses of a single investment made by the company amounts to over 5% of its net asset value at the end of the last quarter;

where the value of its net assets is negative, such losses shall be measured by 5% of the company's registered capital; (10) a heavy indemnity of over 5% of its net assets value at the last quarter end that is actually paid for a single claim or all claims arising out of the same insurance accident; where the value of its net assets is negative, such indemnity shall be measured by 5% of company's registered capital; (11) any significant litigation which has significant impacts on the company's net assets and actual business operations or results in a ruling against the company to pay compensation of over RMB50 million; (12) any major arbitration which has significant impacts on the company's net assets and actual business operations or results in arbitrament against the company to pay compensation of over RMB50 million; (13) the insurance company or its chairman or general manager is imposed a criminal punishment; (14) the insurance company or the provincial-level branch thereof is imposed an administrative punishment by the CBIRC or its local branch office; (15) change or early dismissal of the accounting firm; and (16) other matters as prescribed by the CBIRC.

Where an insurance company is unable to disclose the information on time, it shall report relevant particulars to the CBIRC before the expiration of the stipulated time limit for the disclosure, and publish the reasons for failure of disclosure on time as well as the estimated disclosure time on its website.

MARKET BEHAVIORS

Insurance Business

Business Scope

According to the provisions of the PRC Insurance Law, the business scope of an insurance company includes:

- life and health insurance, including life, health, accident and other insurance businesses;

- property and casualty insurance, including property, liability, credit, surety and other insurance businesses;

- other insurance-related businesses approved by the insurance supervision and regulatory authority under the State Council.

Insurance companies shall not concurrently operate life and health insurance business and property and casualty insurance business. However, insurance companies which operate property and casualty insurance business can operate short-term health insurance business and accident insurance business with approval of the insurance supervision and regulatory authority under the State Council.

After obtaining approval from the insurance supervision and regulatory authority under the State Council, insurance companies can engage in reinsurance business of the following insurance businesses provided by Article 95 of the PRC Insurance Law:

- Outward reinsurance;
- Inward reinsurance.

Insurance Clauses and Premium Rates

Pursuant to the Administrative Measures on Insurance Clauses and Insurance Premium Rates of Property and Casualty Insurance Companies (《財產保險公司保險條款和保險費率管理辦法》) recently amended on August 26, 2021 by CBIRC and implemented on October 1, 2021, property and casualty insurance company shall, before the end of March each year, make a statistical analysis of the development, revision and clearance of the insurance clauses and premium rates of the previous year, and form an annual analysis report and summary schedule of the insurance clauses and premium rates of the property and casualty insurance company. After consideration and approval by the company's product management committee, it will be reported to the CBIRC and its provincial-level branch at the same time. Property and casualty insurance companies and their branches shall strictly comply with the approved or filed insurance clauses and insurance premium rates, and shall not change the insurance clauses or insurance premium rates in any way in violation of the provisions of these Measures. The compliance officer and the chief actuary of a property and casualty insurance company are responsible for the review of insurance clauses and the review of premium rates, respectively. The heads of the department responsible for the development and management of insurance clauses and premium rates of the property and casualty insurance company are directly responsible for the development and management of the company's insurance clauses and premium rates, respectively. The compliance officer is directly responsible for the review of insurance clauses, and the chief actuary is directly responsible for the review of premium rates.

The Guidelines for the Development of Insurance Products of Property and Casualty Insurance Companies (《財產保險公司保險產品開發指引》) promulgated by the former CIRC on December 30, 2016 and became effective from January 1, 2017 has provided the basic criteria for the development of insurance products, the naming rules of insurance products, the insurance clauses requirements, the insurance premium rates requirements, the requirements of organizations in charge of insurance product development, and the development procedures of insurance products. In particular, insurance products developed by an insurance company shall not violate insurance theories, social orders and customs, public interests and the legitimate rights and interests of insurance consumers. In development of an insurance product, an insurance company shall thoroughly consider factors such as its underwriting capacity, its risk units division, its reinsurance backup, etc. The solvency and financial stability of the insurance company shall not be endangered. An insurance company may not develop insurance products:

(1) which do not have a legally recognized interests in the subject matter insured;

(2) pursuant to which an agreed insured incident will not cause actual loss to the insured;

(3) that the risks insured are determined, for example, no loss will actually incur or risk of loss is determined;

(4) which are speculative products that may incur either loss or profit;

(5) which has no real content or meaning, but rather a gimmicky product with concept of speculation;

(6) which has no protection contents but simply for the purpose of reducing price (fees) or increasing price (fees);

(7) which featured "zero premium", "premium returned without claim" or return of other improper interests; and

(8) other insurance product that violates laws and regulations, insurance theories as well as social orders and good customs.

According to the Guidelines on the Premium Rates of Products of Property and Casualty Insurance Companies (《財產保險公司產品費率釐定指引》) issued by the former CIRC on January 5, 2017 and implemented on February 1, 2017, insurance companies should set up an internal control cycle mechanism for preliminary preparation, during-the-course measurement, and post monitoring and adjustment. Premiums of products include risk premiums and additional premiums. Premium rate consists of a base rate and a rate adjustment factor. The base rate to be determined includes a pure rate of loss and an additional rate. Insurance companies shall follow the principle of reasonableness when determining the rate and are not allowed to secure excess profits that are not commensurate with the risks that they have undertaken. No high premium levels that are inconsistent with the services provided shall be set in the rate structure, thereby impairing the legitimate interests of the policyholder and the insured. The rate shall be set in line with the insurance terms and be conducive to incentivizing policyholders to take the initiative in risk control. Insurance companies shall follow the principle of fairness when determining the rates, and the rates shall match the risk characteristics of the insured and the subject-matter insured and no discriminatory rate arrangement based on factors other than the risk characteristics shall be made; in determining the rates, insurance companies shall follow the principle of adequacy and the rate level shall not endanger the financial stability and solvency of the insurance companies or impede fair competition in the market. The rate level after taking into the investment income shall not in principle be less than the sum of the corresponding costs and the rate adjustment factors set in the rate structure shall not affect the rate adequacy.

Pursuant to the Guiding Opinions on Implementing the Comprehensive Reform of the Auto Insurance (《關於實施車險綜合改革的指導意見》) promulgated by the CBIRC on September 2, 2020, insurance companies shall, subject to the requirements as set forth in relevant provisions, carry out product development, approval and filing and information system improvement in a timely manner. The retracing of clauses and premium rates shall be strengthened, and risks such as inadequate premiums shall be prevented. The Insurance Association of China published the Model Terms of Commercial Motor Vehicle Insurance (機動車商業保險示範條款) on September 4, 2020.

According to relevant provisions of the Regulation on Compulsory Traffic Accident Liability Insurance for Motor Vehicles (《機動車交通事故責任強制保險條例》) as amended by State Council on March 2, 2019, insurance companies may engage in the business of the compulsory insurance for liability for traffic accidents of motor vehicles. The compulsory insurance for liability for traffic accidents of motor vehicles shall apply the uniform insurance clauses and basic premium rates. The insurance supervision and regulatory authority under the State Council shall examine and approve the premium rates under the principle of making no profit or loss in general for the compulsory insurance for liability for traffic accidents of motor vehicles. Where an insured motor vehicle has no act against laws on road traffic safety or has no road traffic accidents, the insurance company shall reduce its premium rate in the next year. Where the insured motor vehicle still has no act against laws on road traffic safety or has no road traffic accidents in the following years, the insurance company shall continue to reduce its premium rate till the minimum standards. Where the insured motor vehicle has any act against laws on road traffic safety or has any road traffic accident, the insurance company shall raise its premium rate in the next year. Where the insured motor vehicle has acts against laws on road traffic safety or has road traffic accidents frequently, or has any serious road traffic accident, the insurance company shall raise the range of increase in the premium rate. Where the insured is found faultless in road traffic accidents, the premium rate shall not be raised. The standards for reducing or raising the premium rate shall be formulated by the insurance supervision and regulatory authority under the State Council in association with the public security department under the State Council. In addition, when signing a contract for the compulsory insurance for liability for traffic accidents of motor vehicles, a policyholder may not request the insurance company to add other conditions to the insurance clauses and the premium rate. When signing a contract for the compulsory insurance for liability for traffic accidents of motor vehicles, an insurance company shall not force the policyholder to sign a commercial insurance contract or make a request for adding other conditions.

Pursuant to the Measures for the Regulation of Credit Insurance and Guarantee Insurance (《信用保險和保證保險業務監管辦法》) promulgated on May 8, 2020 by the CBIRC and recently amended on June 21, 2021, an insurance company operating credit insurance business shall carefully assess risks and operating costs, accurately measure the risk loss rate, and reasonably determine the rate based on the actual risk level and comprehensive tolerance of the performance obligor.

According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Second Revision in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修正)》)[1] promulgated by the Supreme People's Court on 6 August 2015 and last amended on December 29, 2020, if the lender requests the borrower to pay interest at the contractual interest rate, the People's Court shall support the request, except when the interest rate agreed upon by both parties exceeds four times the loan prime rate for one-year at the time the contract was established. The loan prime rate for one-year refers to the loan prime rate for one-year issued by National Inter-bank Funding Center as authorised by the People's Bank of China on a monthly basis since 20 August 2019. Mutually-agreed interest and overdue interest rate shall be enforced unless the interest rate agreed upon by both parties is four times higher than the loan prime rate for one-year at the time when the contract is executed.

According to the Administrative Measures for Insurance Clauses and Premium Rates of Life and Health Insurance Companies (《人身保險公司保險條款和保險費率管理辦法》) implemented on December 30, 2011 and as amended on October 19, 2015, insurance companies are required to submit to the insurance supervision and regulatory authority under the State Council, for approval of the insurance clauses and premium rates of the following insurance products before they are adopted:

- insurance products associated with public interests;
- insurance products of a compulsory nature in accordance with laws;
- newly developed life and health insurance products as stipulated by the insurance supervision and regulatory authority under the State Council; and
- other insurance products as required by the insurance supervision and regulatory authority under the State Council.

Other types of insurance other than the above must be submitted to the insurance supervision and regulatory authority under the State Council for filing.

If insurance companies change insurance clauses and premium rates of life and health insurance already approved or filed, or change their insurance liability, insurance categories or pricing methods, insurance clauses and premium rates should be resubmitted for approval or filing. If insurance companies decide to terminate the use of insurance clauses and premium rates of life and health insurance throughout the country, they shall submit a report to the insurance supervision and regulatory authority under the State Council within ten days after the termination, explaining the reason for the termination, follow-up services and other related measures, and submit the report copy to the local branches of the insurance supervision and regulatory authority under the State Council of original operating locations.

1 The capped loan interest rate stipulated in Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (關於審理民間借貸案件適用法律若干問題的規定) led to the more strengthened customer screening and the decrease of premiums from guarantee insurance business.

According to the Administrative Measures for Insurance Clauses and Premium Rates of Life and Health Insurance Companies, chief actuaries of insurance companies shall produce chief actuary statements in respect of insurance clauses and premium rates submitted for approval or filing, and shall sign on the relevant actuarial report and the premium rate adjustment measures or product parameter adjustment measures.

According to the Administrative Measures for Insurance Clauses and Premium Rates of Life and Health Insurance Companies, an insurance company that submits insurance clauses and premium rates for approval or filing shall appoint a legally responsible person and report to the insurance supervision and regulatory authority under the State Council for approval. The legally responsible person of an insurance company shall issue a declaration of legally responsible persons for insurance clauses submitted for approval or filing, and shall bear the liability that the insurance clauses are fair and reasonable with precise and prudently expressed text, and are consistent with the Insurance Law and other laws, administrative regulations and the relevant requirements of the insurance supervision and regulatory authority under the State Council. An insurance company shall not appoint any legally responsible person in any form without the approval of qualification by the insurance supervision and regulatory authority under the State Council.

According to the Notice of the CIRC on Issues concerning Further Improving the Actuarial System of Life and Health Insurance (《中國保監會關於進一步完善人身保險精算制度有關事項的通知》) promulgated and implemented on September 2, 2016 and recently revised on December 4, 2019, an insurance company shall submit newly developed life insurance products with proposed interest rate or minimum guaranteed interest rate not higher than maximum assessed rate to the insurance supervision and regulatory authority under the State Council for filing.

According to the Notice of the CIRC on Strengthening the Supervision of Life and Health Insurance Products (《中國保監會關於強化人身保險產品監管工作的通知》) promulgated and implemented on September 2, 2016, an exit mechanism for life and health insurance products will be established by the insurance supervision and regulatory authority under the State Council. Where the insurance supervision and regulatory authority under the State Council discovers through spot check and determines that an insurance company's product on record is involved in any violation of law or regulation, it will order the insurance company to cease the use of the product involved in the violation and publish information on the suspension of the sales of the product to the public.

Internet Insurance Business

According to the Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》) promulgated by CBIRC on December 7, 2020 and implemented on February 1, 2021, internet insurance business, refers to insurance operating activities such as conclusion of insurance contracts and provision of insurance services that are conducted by insurance institutions relying on the Internet, shall be carried out by legally established insurance institutions rather than other institutions or individuals. No insurance institution may carry out internet insurance business beyond the scope of business specified in the institution's permit (filing form). An insurance institution which conducts internet insurance business shall be subject to centralized operation and unified management by its head office, thus establishing a unified and centralized business platform, business process and management systems.

An insurance institution which conducts internet insurance business along with its self-operated network platform shall meet the following conditions:

- its service access place is located within the territory of the PRC. If its self-operated network platform is a website or mobile application (APP), it shall legally go through the formalities for filing of internet information services with the administrative department for the internet industry and obtain a filing number. If its self-operated network platform is not a website or mobile application (APP), it shall comply with relevant laws and regulations and meet the qualification requirements of the competent department for the relevant industry;

- it has an information management system and core business system that can support its internet insurance business operation, which can be effectively isolated from its other unrelated information systems;

- it has refined cybersecurity monitoring, information notification, emergency disposal working mechanisms as well as such cybersecurity protection means as refined perimeter protection, intrusion detection, data protection and disaster recovery;

- it implements the national classified cybersecurity protection system, carries out filing of cybersecurity classification, conducts classified protection evaluation on a regular basis, and implements security protection measures for the corresponding class; in terms of self-operated network platforms with insurance sales or insurance application function, as well as information management systems and core business systems that support their operation, relevant self-operated network platforms and information systems shall be under security protection of Class III or above; and in terms of self-operated network platforms without insurance sales or insurance application function, as well as information management systems and core business systems that support their operation, relevant self-operated network platforms and information systems shall be under security protection of Class II or above;

- it has a legal and compliant marketing model, and has established an operation and service system that meets the needs for internet insurance operation and complies with the characteristics of internet insurance users while supporting its business coverage regions;

- it has established or defined its internet insurance business management department staffed by appropriate professionals, appointed a senior executive to act as the principal in charge of its internet insurance business, and specified the principal of each self-operated network platform;

- it has a sound internet insurance business management system and operating procedures;

- an insurance company, it shall, when conducting internet insurance sales, comply with the relevant provisions of the CBIRC on regulatory evaluation of its solvency as well as protection of consumers' rights and interests;

- a specialized insurance intermediary, it shall be a national institution with its operating area not limited to the province (autonomous region, municipality directly under the Central Government, or city specifically designated in the state plan) of the place where the business license of its head office is registered while complying with the relevant provisions of the CBIRC on classified regulation of specialized insurance intermediaries; and

- other conditions prescribed by the CBIRC.

An insurance institution which fails to comply with above conditions shall immediately cease its sales of insurance products or the provision of insurance brokerage services via the Internet, and make an announcement on its official website and self-operated network platform; and it may resume relevant internet insurance business if it complies with above conditions after rectification. An insurance institution intending to cease the business operation of its self-operated network platform shall make an announcement on its official website and self-operated network platform at least 20 working days in advance, and the dispose of creditors' rights and debts involved, if any, shall be announced concurrently.

In addition, no non-insurance institution may conduct internet insurance business, including but not limited to the following commercial conduct:

- providing insurance product consulting services;

- conducting comparison of insurance products, trial calculation of premiums or quotation comparison;

- designing insurance application plans for policyholders;

- going through insurance application formalities by proxy; and

- collecting premiums by proxy.

Insurance institutions engaging in internet insurance business shall establish an official website and set up an internet insurance section for information disclosure in accordance with the relevant provisions of the Measures for the Administration of the Information Disclosure by Insurance Companies (《保險公司信息披露管理辦法》). The disclosure includes but is not limited to the separate disclosure of the name of the cooperative institution, the scope of business cooperation and the start and end time of the cooperation by each insurance institution in the case of cooperation between insurance institutions.

If an insurance company entrusts other cooperative institutions to provide technical support and customer services, it shall establish a full-process management system for entrusted cooperation, prudently select cooperative institutions, and conduct effective monitoring and supervision. If an insurance company cooperates with an insurance intermediary institution to carry out internet insurance business, it shall prudently select an insurance intermediary institution that meets the requirements of these Measures and has the corresponding operational capability, and shall do a good job in connection with services, data synchronization and information sharing. An insurance company shall sign a cooperation or entrustment agreement with an insurance intermediary to determine the scope of cooperation and entrustment, clarify the rights and obligations of both parties, and agree not to restrict the other party's access to information necessary for the conclusion of the insurance contract, such as customer information.

According to the Notice of the General Office of the CBIRC on Matters in relation to Further Regulating the Internet Life Insurance Business of Insurance Institutions (《中國銀保監會辦公廳關於進一步規範保險機構互聯網人身保險業務有關事項的通知》) issued and implemented by the CBIRC on October 12, 2021, an insurance company to carry out Internet life insurance business shall have corresponding technical, operational and service capabilities, select life insurance products that meet the characteristics of Internet channels for online sales, strengthen sales process management and improve risk control system. An insurance company (excluding an Internet insurance company)to carry out Internet life insurance business shall meet the following conditions:

- the comprehensive solvency ratio has reached 120% and the core solvency ratio is no less than 75% for four consecutive quarters;
- the integrated risk rating is Category B or above for four consecutive quarters;
- the coverage ratio of liability reserves is higher than 100% for four consecutive quarters;
- the corporate governance of the insurance company is assessed as Grade C (qualified) or above; and
- other conditions specified by the CBIRC.

Internet insurance companies conducting internet life insurance business shall comply with the relevant conditions of the Measures for the Regulation of Internet Insurance Business. At the end of last quarter, the solvency, integrated risk rating and coverage ratio of liability reserves meet the requirements of the preceding paragraph. When an insurance company entrusts an insurance intermediary to carry out Internet life insurance business, it shall carefully screen partners, strictly control sales behavior and ensure service quality.

According to the Measures for the Regulation of Internet Insurance Business, an insurance company to engage in property insurance business with the corresponding internal control management capability, when meeting the customer's demand for performing service, can expand the operation area of the relevant property insurance products to the provinces (autonomous regions, municipalities directly under the central government and cities specifically designated in the state plan) without provincial level branches, and the details shall be separately stipulated by the CBIRC. On the basis of meeting relevant conditions, an insurance company to engage in life insurance business can operate relevant life insurance products nationwide through the Internet, which shall be separately stipulated by the CBIRC. Those who fail to meet the relevant conditions shall not operate relevant life insurance products through the Internet.

In order to implement the decision and arrangement of the CPC Central Committee and the State Council and to promote the healthy development of internet insurance standards, the former CIRC together with 14 authorities issued the Implementation Plan for the Special Campaign on Internet Insurance Risks (《互聯網保險風險專項整治工作實施方案》) (hereinafter referred to as the "Plan") on April 14, 2016.

According to the Plan, comprehensive arrangements are made for the Special Campaign on Internet Insurance Risks, which circles around the objectives of regulating the operation patterns; optimizing the market development environment; improving the regulation systems and rules; realizing equal emphasis on innovation and risk prevention; promoting the sound and sustainable development of internet insurance; adhering to the principles of highlighting key points and being vigorous and steady, implementing measures by different category, tackling both problems and causes, specifying responsibility, and strengthening cooperation. Emphasis of remediation includes the following three aspects: The first aspect is the internet business of high cash value, with focus on investigating and correcting insurance companies which make misrepresentation of one-sided or exaggerating past performance in the sales of insurance products through the internet, and make misleading description such as illegal profit commitment or committing to bear loss. The second aspect is the cross-border business expansion of insurance institutions through the internet, with focus on investigating and correcting acts of insurance companies which cooperate with network platforms of third-party operators unqualified for operating internet insurance business; insurance companies which cooperate with internet financing platforms which have the acts of providing credit enhancement services, establishing fund pools and illegal financing, triggering the migration of risks to the field of insurance; insurance companies in the course of operating internet credit platforms financing guaranteed insurance business with circumstances such as imperfect means of risk control and internal control management. The third aspect is the illegal operation of internet insurance business, with focus on investigating and correcting issues such as illegal operation of internet insurance business by non-licensed institutions and operation of insurance business through the internet by internet companies without obtaining business qualification; and illegal fund-raising by illegal institutions and illegal personnel through the internet using the name of or borrowing the credit of insurance companies. Internet insurance practitioners should strictly implement the requirements of third party custodian system for customer funds to protect the security of customer funds. Through reporting and heavy penalties, problems shall be detected in a timely manner and institutions conducting misconducts and illegal acts shall be investigated and corrected.

Since 2017, the former CIRC has enhanced its regulation towards insurance industry, and issued a series of documents regarding the rectification of internet insurance, including the Notice on Further Deepening the Rectification of Market Chaos in the Insurance Industry (《關於進一步深化保險業市場亂象整治工作的通知》). In August 2021, CBIRC issued the Notice on Commencement of Specific Rectification of Market Chaos in the Insurance Industry (《關於開展互聯網保險亂象專項整治工作的通知》) to concentrate on the rectification of specific issues, including misleading sales and forced tie-in sales.

INSURANCE AGENTS AND INSURANCE BROKERS

Insurance Agents

An insurance agent is an entity or individual that has been authorized by an insurer to transact insurance business on its behalf within the scope of authorization and gets in return agent's commissions to be collected from the insurer.

Pursuant to the relevant requirements of the PRC Insurance Law, an insurance company shall set up an insurance agent registration management system, strengthen the training and management of insurance agents, and may not instigate or induce insurance agents for activities in breach of good faith. An insurer entrusting an insurance agent to handle insurance businesses shall enter into an agency entrustment agreement with the insurance agent to stipulate the rights and obligations of both parties pursuant to the law. The PRC Insurance Law further provides that an insurer shall be liable for the acts of its agents when they transact insurance business on behalf of the insurer in pursuance of the authorization. Where an insurance agent signs a contract on behalf of an insurer without the authorization of the insurer, beyond the authorization of the insurer or after the termination of authorization of the insurer, in which the applicant has good reasons to believe that it has the authority of the insurer, the agency act shall be effective. However, the insurer may, in accordance with the law, investigate the responsibility of the insurance agent that oversteps the authority delegated to it.

Under the Provisions on the Regulation of Insurance Agents (《保險代理人監管規定》), promulgated by the CBIRC on November 12, 2020 and effective as of January 1, 2021, "insurance agent" refers to an institution or individual, including specialized insurance agency, sideline insurance agency and individual insurance agent, who, under the entrustment by an insurance company, collects corresponding commission therefrom, and, within the scope of authorization thereby, handles insurance business on behalf of the insurance company. Specialized insurance agencies and sideline insurance agencies shall engage well-behaved insurance agency practitioners.

No insurance company work personnel, individual insurance agent or specialized insurance intermediary practitioner may invest in a specialized insurance agencies separately; and close relatives of directors, supervisors and senior executives of each insurance company or specialized insurance intermediary shall, when engaging in insurance agency business, comply with relevant provisions on withdrawal for duty performance.

Whoever falls under any of the following circumstances may not be engaged or entrusted by an insurance company, a specialized insurance agency or a sideline insurance agency:

- he/she is ever sentenced to a criminal penalty for embezzlement, bribery, encroachment on property, misappropriation of property or destruction of the order of the socialist market economy, and the period has not yet exceeded five years since the expiry of the term of execution;

- he/she is prohibited from entry into the financial industry within a certain period of time as decided by the competent financial regulator and which has not yet expired;

- he/she is determined as a target of joint disciplinary action against dishonesty by the relevant authority of the State due to serious dishonesty and shall be subjected to corresponding disciplinary action in the field of insurance, or has any other bad record of serious dishonesty in the last five years; or

- he/she falls under any other circumstance prescribed by laws, administrative regulations or the insurance regulatory authority of the State Council.

Insurance companies, specialized insurance agencies and sideline insurance agencies shall handle practicing registration for their respective individual insurance agents and insurance agency practitioners as required. No insurance company, specialized insurance agency or sideline insurance agency may entrust any individual without going through practicing registration via the agency to engage in insurance agency business, except as otherwise prescribed by the insurance regulatory authority of the State Council.

According to the Notice of the General Office of the CBIRC on Matters in relation to the Development of Independent Individual Insurance Agents 《中國銀保監會辦公廳關於發展獨立個人保險代理人有關事項的通知》issued and implemented by the CBIRC on December 23, 2020, independent individual insurance agents refer to insurance sales practitioners who directly enter into principal-agent contracts with insurance companies and independently carry out insurance sales. The insurance company shall be liable for the acts of an independent individual insurance agent handling insurance business on behalf of the insurance company in accordance with the authorization of the insurance company. If an independent individual insurance agent violates laws and regulations in carrying out insurance agency activities, its insurance company shall bear legal liability according to law. An insurance company may legally investigate the liability of an independent individual insurance agent who exceeds his authority. Authorized by an insurance company, an independent individual insurance agent may engage in insurance product sales, assist in insurance survey and claim settlement; where an insurance company concurrently engages in insurance agency business, an independent individual insurance agent may, in accordance with its authorization, handle the insurance business of other insurance companies on its behalf.

Insurance Brokers

In accordance with the PRC Insurance Law and the Provisions on the Regulation of Insurance Brokers (《保險經紀人監管規定》) (the "Insurance Brokers Provisions"), promulgated by the former CIRC on February 1, 2018 and effective as of May 1, 2018, insurance brokers refers to institutions, including insurance brokerage companies and their branches, that provide intermediary services for the entry into insurance contracts by and between applicants and insurance companies for the interests of the applicants and therefore receive commissions according to the law. To operate insurance brokerage business, an insurance brokerage company shall satisfy the following conditions:

- its shareholders meet the relevant requirements of the Insurance Brokers Provisions, and make capital contribution with their self-owned, true and lawful funds instead of bank loans or non-self-owned funds in various forms;

- its registered capital meets the requirements of Article 10 of the Insurance Brokers Provisions and is under the custody in accordance with the relevant provisions of the insurance regulatory authority of the State Council;

- its business scope recorded in the business license is in compliance with the relevant provisions of the insurance regulatory authority of the State Council;

- its articles of association are in conformity with the relevant provisions;

- its company name is in conformity with the Insurance Brokers Provisions;

- its senior officers meet the relevant qualification requirements of the Insurance Brokers Provisions;

- it has established a governance structure and internal control system as stipulated by the insurance regulatory authority of the State Council, and a scientifically and reasonably feasible business mode;

- it has a fixed domicile in line with its scale of business;

- it has a business and financial information management system as stipulated by the insurance regulatory authority of the State Council; and

- other conditions provided for in laws and administrative regulations and by the insurance regulatory authority of the State Council.

An insurance broker may operate all or part of the following business:

- drafting insurance plans for the insured, selecting the insurance company and handling insurance procedures;

- assisting the insured or the beneficiary in claiming compensation;

- reinsurance brokerage business;

- providing clients with disaster and loss prevention or risk assessment and risk management consulting services; or

- other business relating to insurance brokerage stipulated by the insurance regulatory authority of the State Council.

Incentivising Acts of Specialized Insurance Intermediary Institutions

According to the Notice on Strictly Regulating the Incentivising Acts of Specialized Insurance Intermediary Institutions (《關於嚴格規範保險專業中介機構激勵行為的通知》) promulgated on November 15, 2010, the Notice on Further Regulating the Incentivising Acts of Specialized Insurance Intermediary Institutions (《關於進一步規範保險專業中介機構激勵行為的通知》) promulgated on February 28, 2012, and the Circular on Reiterating the Supervision and Administration Requirements on the Incentives of Specialized Insurance Intermediary Institutions (《關於重申保險專業中介機構激勵行為監管要求的通知》) promulgated on May 8, 2012, specialized insurance intermediary institutions may only give equity incentives to sales staff who have worked in the relevant institution for more than two consecutive years, and may not arbitrarily broaden the scope of equity incentive targets for the sake of rapid expansion of its business scale.

Online Insurance Services of Insurance Agents and Brokerage Companies

According to the Measures for the Regulation of Internet Insurance Business promulgated by the CBIRC on December 7, 2020 and effective as of February 1, 2021, where an insurance intermediary conducts internet insurance business, the insurance types operated by it may not encroach onto any underwriting company's insurance type scope and operating region, and its business scope may not exceed that stipulated in the relevant cooperation or entrustment agreement.

The Measures further provides that an internet enterprise's insurance agency business refers to such operating activities as sales of internet insurance products and provision of insurance services conducted by an internet enterprise as an agent via its self-operated network platform that complies with the provisions hereof. An internet enterprise which engages in insurance agency business shall obtain the permit (filing form) for insurance agency business operation.

An internet enterprise which engages in insurance agency business shall meet the following requirements:

- it has strong compliance management capacity and can effectively prevent and mitigate risks, thus ensuring the on-going, stable and sound operation of internet insurance business;

- it has such advantages as prominent scenarios and high traffic as well as a wide reach to consumers, and can organically combine its scenarios and traffic with insurance demand, thus effectively meeting consumer demand for risk protection;

- it has a systematic consumer rights and interests protection system and working mechanism, and can constantly refine the consumer experience while improving the service quality;

- it has an agile and refined emergency response system and working mechanism, and can quickly respond to all kinds of emergencies;

- it has a team of professionals who are familiar with insurance business;

- it has high information technology strength and can effectively protect data and information security, thus ensuring the efficient, on-going and stable operation of its information systems; and

- other requirements prescribed by the CBIRC.

Insurance Agency Business of Commercial Banks

On August 23, 2019, the General Office of the CBIRC published the Administrative Measures on Insurance Agency Business of Commercial Banks (《商業銀行代理保險業務管理辦法》) which became effective from October 1, 2019 and repeals several rules promulgated by the CBRC and/or CIRC regulating the insurance agency business of commercial banks. Insurance companies entrusting commercial banks to sell insurance products, should establish independent financial accounting and evaluation mechanism of commercial banks agency insurance business, and shall not entrust a commercial bank which has not obtained a Permit or a commercial bank branch that have not obtained authorization from the corporate body to carry out insurance agency. Insurance companies should strengthen the management of their bancassurance officers in accordance with the relevant provisions of the CBIRC.

Management of Insurance Sales

According to the Measures for Traceable Management of Insurance Sales (Draft for Comment) (《保險銷售行為可回溯管理辦法(徵求意見稿)》) published by the CBIRC on June 10, 2021, insurance companies shall, when selling particular insurance products with natural persons as the insurance applicant, carry out traceable management of insurance sales, with the exception of group insurance products. Different traceable management methods shall be adopted for different types of sales practices. The insurance institutions shall manage the audio-visual materials carefully. The retention period for audio-visual materials shall be counted from the date when an insurance contract is terminated. If the insurance period is less than one year, the retention period shall be at least five years, if the insurance period exceeds one year, the retention period shall be at least ten years, and if the insurance period is not more than one year and includes the responsibility of renewal of insurance products, the retention period of storage of audio-visual data shall be calculated from the date of termination of the last renewal contract of the consumer, and not less than five years. In the case of any complaint or legal action filed by any customer or any other dispute, such audio-visual materials shall be retained for at least three years after the resolution of such dispute. If insurance institutions and salespersons violate the provisions, the CBIRC and its local branches shall take supervisory measures and implement administrative penalties in accordance with laws and regulations and relevant provisions.

Pursuant to the Administrative Measures for Individual Insurance Sales Activities Management (Draft for Comment) (《人身保險銷售行為管理辦法(徵求意見稿)》) issued by the CBIRC on April 15, 2022, Insurance companies shall continuously strengthen sales management, specify sales agents, sales methods and clients in different policies and record them accurately, and sales management of insurance companies shall follow relevant regulatory provisions. Insurance companies shall establish and implement a grading management mechanism for insurance sales personnel in accordance with the qualification standards for sales ability of insurance sales personnel issued by the Insurance Association of China. Insurance companies shall strengthen the integrity management of insurance sales personnel and conduct regular integrity evaluation of insurance sales personnel.

Pursuant to the Administrative Measures for Insurance Sales Activities Management (Draft for Comment) (《保險銷售行為管理辦法(徵求意見稿)》) issued by the CBIRC on July 19, 2022, insurance companies and insurance intermediaries shall not engage in insurance sales practices beyond the scope of business and regional scope approved by the law and regulatory system as well as regulatory agencies. Insurance sales personnel shall not engage in insurance sales practices beyond the scope of authorization of their respective institutions. Insurance companies and insurance intermediaries should strengthen the management of insurance sales channel business, implement the responsibility for insurance sales channel business compliance, improve the supervision of insurance sales channel compliance, and shall not use the insurance sales channel to carry out illegal and irregular activities.

COOPERATION WITH REINSURANCE

Business Scope

Under the Provisions on Establishment of Reinsurance Companies (《再保險公司設立規定》) promulgated and implemented on September 17, 2002, subject to the approval of the insurance regulatory authority of the State Council, a reinsurance company may engage in all or part of the following businesses:

- life reinsurance business, including reinsurance business in the PRC, retrocession business in the PRC; and international reinsurance business.

- non-life reinsurance business, including reinsurance business in the PRC, retrocession business in the PRC, and international reinsurance business.

- engage in all or part of the two types of businesses mentioned above.

Requirements for Reinsurers

Pursuant to the Circular of the CIRC on Issues concerning the Implementation of the Reinsurance Registration Administration (《中國保監會關於實施再保險登記管理有關事項的通知》) implemented on January 1, 2016, a reinsurer shall meet the following requirements:

1 the latest financial strength rating of the chief assignee of the treaty reinsurance business or the assignee who accepts the largest portion of the treaty reinsurance business shall at least meet one of the following standards: (a) the Standard & Poor's rating shall not be lower than A-; (b) the A.M. Best's rating shall not be lower than A-; (c) the Moody's rating shall not be lower than A3; and (d) the Fitch rating shall not be lower than A-.

The latest financial strength rating of any other reinsurer of the treaty reinsurance business shall at least meet one of the following standards: (a) the Standard & Poor's rating shall not be lower than BBB; (b) the A.M. Best's rating shall not be lower than B++; (c) the Moody's rating shall not be lower than Baa; and (d) the Fitch rating shall not be lower than BBB.

2 the sum of the paid-in capital and capital reserve of the reinsurer shall not be less than RMB200 million or equivalent currency, and, if the chief assignee of the treaty reinsurance business or the assignee who accepts the largest portion of the treaty reinsurance business is a non-specialized reinsurance institution, the sum of the paid-in capital and the capital reserve shall not be less than RMB1 billion or equivalent currency.

3 the solvency of the reinsurer shall meet the requirement of the regulatory authority at the place of its registration.

4 the reinsurer has not committed any major violation of the laws or regulations in two accounting years before the inception of the reinsurance contract.

If the reinsurer is a branch, its head office shall meet the above relevant requirements.

A specialized reinsurance institution may not be subject to Item 1 hereof within four years after its establishment. The Chinese Nuclear Insurance Pool, the China Agriculture Insurance and Reinsurance Pool or a member company thereof, other insurance organizations and insurance institutions recognized by the insurance regulatory authority of the State Council may not be subject to Item 1 or 2 hereof when carrying out relevant business through the above organizations.

Regulations on Reinsurance Business

Under the PRC Insurance Law, the liability of an insurance company in respect of each risk unit (i.e. the maximum amount of loss that may be caused by a single insurance incident) may not exceed 10% of the sum of its paid-in capital and the capital reserve. Reinsurance must be obtained for the excess.

Pursuant to the Provisions on the Administration of Reinsurance Business (《再保險業務管理規定》) promulgated by CBIRC on July 21, 2021 and implemented on December 1, 2021, except for the aviation and space insurance, nuclear insurance, oil insurance and credit insurance, any direct insurance company shall, when ceding direct insurance business for property insurance by means of the proportional reinsurance, for each risk unit, the proportion ceded to the same reinsurer shall not exceed 80% of the insured amount or liability limit specified in the direct insurance contract undertaken by the cedant.

A cedant shall inform reinsurers of important information affecting the pricing and qualifications of reinsurance in writing. After the reinsurance contract comes into force, the cedant shall promptly provide the reinsurers with such information having a major effect on the solvency calculation, reserves and estimated claim amount of the reinsurer as details on significant claims and claim reserves.

A specialized reinsurer within the territory of China shall have full-time reinsurance underwriters and reinsurance claim adjusters who have a domicile within the territory of China.

An insurer, when handling reinsurance business, shall evaluate various reserves in accordance with the actuarial principles and methods, and shall, in accordance with the relevant provisions of the insurance regulatory authority of the State Council, withdraw and carry forward various reserves accurately and in full amount. For the same life insurance business, based on the premium reserves under the actuarial provisions, the reinsurer and the cedant shall adopt consistent assessment method and assumption when assessing the reserves.

DEPLOYMENT OF INSURANCE FUNDS

Legal Framework for deployment of Funds

In recent years, the CBIRC has gradually loosened regulation on the deployment of insurance funds, and the fields of insurance funds that can be invested in have been gradually increased. Currently the important laws and regulations related to the deployment of insurance funds include: the PRC Insurance Law, the Administrative Measures for the Use of Insurance Funds and a series of laws and regulations.

The Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (《國務院關於加快發展現代保險服務業的若干意見》), promulgated on August 10, 2014 by the State Council, stated that "the distinct advantage of long-term investment of insurance funds should be made full use. Under the precondition of security and profitability, promote innovations to insurance fund deployment and improve the efficiency of fund allocation. The deployment of insurance funds to promote projects such as infrastructure construction, shanty town renovation, urbanisation and national major projects through debt investment plan and equity investment plan will be encouraged. Insurance companies should be encouraged to provide financial support to technology enterprises, small and micro companies, strategic emerging industries through various approaches such as equity interest investment, bond investment, funds and asset-backed plans, with the precondition that risks are properly controlled. The research on policies for insurance funds to invest into venture capital funds should be carried forward." According to this document, the investment field of insurance funds will be further expanded.

The Notice of Amending Certain Regulatory Documents in the Field of Use of Insurance Funds (《關於修改保險資金運用領域部分規範性文件的通知》) issued by the CBIRC on December 17, 2021, permits insurance funds to be invested in private equity funds actually controlled by non-insurance financial enterprises, cancels the size limit of insurance funds to be invested in a single venture capital fund, supports insurance enterprises to enhance their cooperation with professional equity investment enterprises, and broadens long-term capital sources from venture enterprises. The promoters of insurance private equity funds and their associated insurance institutions are allowed to choose their investment proportions at their own will according to their investment strategies so as to streamline the strategic process for insurance companies when investing in insurance private equity funds and improve the efficiency of product marketization, which will greatly relax the restrictions on insurance fund investing in venture capital and private equity funds.

Applicable Areas

Bank Deposits

Pursuant to PRC Insurance Law, the Administrative Measures for the Use of Insurance Funds (《保險資金運用管理辦法》), and the Notice on Regulating the Bank Deposit Business for Insurance Funds (《關於規範保險資金銀行存款業務的通知》) implemented on February 28, 2014 and amended on December 8, 2021, the insurance funds could be deployed for bank deposits, and an insurance company shall incorporate its bank deposits other than demand deposits as needed in maintaining its routine operations into the administration of investment accounts, strictly implement the rules for credit assessment, investment decision-making, and risk management, improve the management of operational procedures such as the opening of accounts, transfer of funds, and safekeeping of documents, and procure operations in compliance with regulations.

When an insurance company makes bank deposit, the deposit bank should satisfy the following conditions:

- its capital adequacy ratio, net assets and provision coverage conform to the regulatory requirements;
- has a standardized governance structure, sound internal control system and good business performance;
- has committed no substantial act in violation of laws and regulations in the recent three years; and
- has a credit rating meeting the criteria as required by the insurance regulatory authority of the State Council.

When an insurance company makes bank deposit, it should choose a commercial bank with insurance funds custodian qualification or other professional financial institutions to conduct a third-party custody, so as to prevent the risk of fund misappropriation. The duties of a funds custodian include, at least, keeping document, interest settlement and cash withdraw, financial accounting, investment supervision and information reports.

Any insurance company shall not use its bank deposit for providing pledge financing to others, guarantees, entrusted loans or seeking benefits for others. If an insurance company finances itself by pledging its bank deposits, the obtained funds should be primarily used for the needs such as temporary position adjustments and large-amount insurance claims, the amount of financing will be covered by the financial leverage ratio supervision and management.

An insurance company shall promptly report banking deposits information in accordance with the related regulations. Insurance companies that pledged bank deposits for their own financing should report transaction by transaction, and its trustee agency should do the same.

Bonds

Pursuant to the Administrative Measures for the Use of Insurance Funds (《保險資金運用管理辦法》) and the Interim Measures on Bonds Investment with Insurance Funds (《保險資金投資債券暫行辦法》) implemented on July 16, 2012, bonds invested with insurance funds shall reach the credit rating level assessed by a credit rating institution recognized by the insurance regulatory authority of the State Council and be in compliance with the provisions, which mainly include government bonds, financial bonds, enterprise (corporate) bonds, non-financial enterprise debt financing instruments and other bonds that meet the requirements. The Interim Measures on Bonds Investment with Insurance Funds also states that insurance funds can be deployed to invest in RMB bonds and foreign currency bonds legally issued in the PRC, including government bonds, potential government bonds, enterprise (corporate) bonds and other bonds that meets the regulatory requirements.

Pursuant to the Notice of the CBIRC on Matters relating to the Investment of Insurance funds in Bank Capital Supplementary Bonds (《中國銀保監會關於保險資金投資銀行資本補充債券有關事項的通知》) promulgated and implemented by CBIRC on May 20, 2020, insurance funds may be invested in secondary capital bonds and undated capital bonds issued by the banks. For insurance institutions which invest in secondary capital bonds and undated capital bonds of the banks, their credit risk management capability shall meet the standards prescribed by the CBIRC, and the solvency ratio shall not be lower than 120% at the end of the last quarter. During the period when the insurance institution is holding capital supplementary bonds, if the solvency ratio is less than 120%, it shall adjust its investment strategy in a timely manner and take effective measures to control the relevant risks.

Equity of Listed Companies

Pursuant to the Notice on Regulating the Stock Investment Business of Insurance Institutions (《關於規範保險機構股票投資業務的通知》) implemented on March 18, 2009, an insurance company shall, in light of the characteristics of insurance funds and its solvency, uniformly allocate the domestic and overseas stock assets and reasonably determine the stock investment scale and proportion.

According to the Notice on Matters in relation to Further Enhanced Regulation of Stock Investment with Insurance Funds (《關於進一步加強保險資金股票投資監管有關事項的通知》) promulgated by the former CIRC on January 24, 2017 and became effective from the same date, investment in listed companies' shares by insurance institutions or insurance institutions with non-insurance parties acting in concert can be categorized into three types, namely general stock investment, substantial stock investment and acquisition of listed companies, and the insurance regulatory authority of the State Council implements differential supervision criteria in accord with actual situations. An insurance institution which engages in general stock investment shall have a comprehensive solvency ratio no less than 100% in the last quarter, while an insurance institution which engages in substantial stock investment and acquisition of listed companies shall have a comprehensive solvency ratio no less than 150% in the last quarter and shall report its investment management capability to the competent authorities and fulfil its internal control requirements in relation to deployment of insurance funds. An insurance institutions can apply its insurance funds for investment in listed companies' shares and is free to choose industries for its investment but shall make rational investment choices in accord with sources, costs and durations of the funds and the investment shall be beneficial to asset-liability management and has synergy to its core business.

An insurance institution shall finance its acquisition of listed companies by its self-owned funds. No insurance institution can acquire listed companies jointly with non-insurance parties acting in concert, neither shall it pledge its stock investments for securing funds for investment in listed companies' stocks.

When an insurance institution engages in substantial stock investment with non-insurance parties acting in concert, it shall apply its self-owned funds for further investment in such listed companies upon reporting to the competent authorities of its previous substantial stock investments.

The industry scope of listed companies which may be acquired by insurance institutions shall be restricted to insurance enterprises, non-insurance financial enterprises, and industries which are related to insurance business, comply with State industry policies and have stable expected cash flow return; insurance institutions shall not acquire listed companies which are high pollution or high energy consumption, fail to attain energy conservation and environmental standards of the State, or have relatively low added value in technology.

Insurance institutions shall strengthen management of assets and liabilities as well as risk limits management, and prevent risks of concentration of stock investments and market risks. The aggregate book balance of equity assets invested by an insurance institution shall not exceed 30% of the company's total assets as of end of the last quarter. Except for acquisition of a listed company and investment in stocks of listed commercial banks, the book balance of investment in one single stock by an insurance institution shall not exceed 5% of the company's total assets as of end of the last quarter. An insurance institution which has applied the relevant policies to increase holding of blue-chip shares shall adjust investment ratio within two years or the period stipulated by the relevant regulatory authorities, until it satisfies the ratio stipulated by the regulatory provisions.

Securities Investment Funds

Pursuant to the Interim Measures for the Administration of Securities Investment Funds of Insurance Companies (《保險公司投資證券投資基金管理暫行辦法》) implemented on January 17, 2003 and revised on December 3, 2010, the insurance companies involving in the fund investment business shall satisfy the minimum solvency requirements specified by the insurance regulatory authority of the State Council, have improved internal risk management and financial management system, have full-time investment management personnel, establish specific management department, audit department and investment decision-making department for fund utilization, and be equipped with necessary information management and risk analysis system. The insurance companies shall in no event violate the relevant limitations on the proportion of investments to the securities investment funds.

According to the provisions of the Trial Measures on the Investment in and Establishment of Fund Management Companies by Insurance Institutions (《保險機構投資設立基金管理公司試點辦法》) implemented on June 18, 2013, insurance institutions (including insurance companies, insurance (holding) companies, insurance asset management companies and other insurance institutions) are allowed to invest in and establish fund management companies, and engage in the fund management business. The investment in and establishment of a fund management company shall comply with the requirements related to equity investment and be subject to the regulatory opinions from the insurance regulatory authority of the State Council regarding to the investment in the fund management company. The insurance institution shall make an application to the CSRC after obtaining such regulatory opinions, and then may establish the fund management company by way of establishment or through the acquisition of equity interests after such approval has obtained. The insurance institution and the fund management company invested and established by it shall set up sound corporate governance, and a risk isolation system between the insurance institution and the fund management company interested and established by it in strict compliance with the principle of "separate legal entities". Subject to the compliance with relevant laws and regulations as well as regulatory requirements, the insurance institution may invest in fund products issued by the fund management company invested and established by it, and may also provide financial assistance for such company. However, the insurance institution shall not conduct transactions with the fund management company invested and established by it on terms that are more favourable than those offered to independent third parties in similar transactions in the inter-bank market, the exchange market and other markets. The insurance regulatory authority of the State Council shall implement consolidated reporting supervision over fund management companies established by insurance institutions.

According to the Notice on Issues Relating to the Investment in Equity and Real Estate with Insurance Funds (《關於保險資金投資股權和不動產有關問題的通知》), equity funds that invested by insurance funds includes growth funds, mergers and acquisition funds, emerging strategic industry funds and fund of funds that targets on the above equity funds. Among them, the investment targets of mergers and acquisition funds may include publicly traded stocks, but only limited in non-trading transactions like strategic investment, private placement, block transaction. The investment targets of emerging strategic industry funds may include financial services company equity, pension agency equity, medical enterprise equity, and modern agricultural enterprise equity and the equity of the enterprises that invest in construction, administration, and operation of public rental housing or low-rent housing. Transaction structure of fund of funds should be simple and clear and shall not include other fund of funds.

Equity of Unlisted Companies

Pursuant to the Interim Measures for Equity Investment with Insurance Funds (《保險資金投資股權暫行辦法》) implemented on September 5, 2010 and amended on November 12, 2020 and the Notice on Issues Relating to the Investment in Equity and Real Estate with Insurance Funds (《關於保險資金投資股權和不動產有關問題的通知》) implemented on July 16, 2012 and amended on September 30, 2020, November 12, 2020 and December 8, 2021, respectively, insurance company can invest in unlisted corporate shares and private equity funds.

An enterprise to which direct or indirect equity investment is made with insurance funds shall satisfy the following conditions:

(1) it was legally registered and formed and has the legal person status;

(2) it complies with the industrial policies of the state and has the qualifications prescribed by the relevant departments of the state;

(3) its shareholders and senior managements have a good credit and good business reputation;

(4) its industry is at the stage of growth or maturity or is a strategical emerging industry, or it has the specific intent of going public and has relatively high value for mergers and acquisitions;

(5) it has advantages in terms of market, technologies, resources, or competition and has room for value appreciation, expects good cash returns and has a specific dividend system;

(6) its management team has the professional knowledge, industrial experience and management ability appropriate for performing its functions;

(7) it is not involved in any major legal disputes, the property rights of its assets are integrated and intact, and there is no legal defect in its equities or ownership;

(8) it has no affiliated relationship with any insurance company, investment institution or professional institution, except for the relationships permitted by regulatory provisions, and have been reported and disclosed in advance; and

(9) it satisfied other prudent conditions as prescribed by the insurance regulatory authority of the State Council.

No insurance funds shall be invested in the equity of an enterprise which does not comply with the industrial policies of the state, has no prospect for a stable cash return or appreciation in asset value, emits high pollution or is a high energy-consuming project, fails to reach the national standards on energy conservation or environmental protection, has relatively low added value in technology. Neither shall insurance funds be invested in venture capital, venture capital funds, establishment of or equity investment in investment institutions.

Insurance funds that invest in the equities of insurance-like enterprises are not governed by the preceding paragraphs (2), (4), (5), (8).

According to the Circular on Matters Relating to Financial Equity Investment of Insurance Funds (《關於保險資金財務性股權投資有關事項的通知》) implemented on November 12, 2020, when insurance funds are invested in the financial equity investment, insurance institutions can, under the conditions of safety, liquidity and profitability, comprehensively consider such factors as solvency, risk preference, investment budget, assets and liabilities, and independently select the industry scope of investment enterprises according to laws and regulations.

Real Estate

According to the Notice on Issues Relating to the Investment in Equity and Real Estate with Insurance Funds (《關於保險資金投資股權和不動產有關問題的通知》), insurance companies investing in real estate projects should clearly state the position of investors and commission the qualified development institutions to construct the projects; they shall not develop their own construction investment projects and shall not appropriate the insurance funds.

Insurance companies invest in real estate may not aim on investment-purpose real estate and participate in primary land development in the name of self-use real estate. When an insurance company converts self-use real estate to investment-purpose real estate, the reason and the necessity of the conversion should be fully demonstrated and ensure the fairness of the conversion value, and it shall not take advantage of asset reallocation to transfer benefits or harm the interests of policyholders.

Real Estate, which insurance funds invest in, refers to land, buildings and other fixed assets attached to land. Insurance funds may be invested in infrastructure type real estate, non-infrastructure type real estate and real estate-related financial products. The investment in non-infrastructure real estate and related financial products, shall comply with the Interim Measures for the Investment of Insurance Funds in Real Estate (《保險資金投資不動產暫行辦法》) implemented on September 5, 2010.

According to the Interim Measures for the Investment of Insurance Funds in Real Estate, insurance funds may be invested in the real estate that satisfies the following conditions:

(1) projects with a state-owned land use right certificate and a license for construction land use planning;

(2) projects under construction with a state-owned land use right certificate, a license for construction land use planning, a license for construction project planning and a construction license;

(3) transferable projects with a state-owned land use right certificate, a license for construction land use planning, a license for construction project planning, a construction license, and a pre-sale license or sale license;

(4) projects with a property certificate or certificate of other rights; or

(5) qualified government land reserve projects.

For the real estate fulfill either condition from (1) to (4), Insurance funds may invest in the form of equities. For the real estate fulfill either condition from (1) to (5), insurance funds may invest in the form of bonds. For the real estate fulfill either condition from (3) or (4), Insurance funds may invest in the form of property rights. Real estate investments in the form of bonds, equities or property rights shall be limited to commercial real estate, office real estate, real estate related to insurance business such as elderly care, medical care, automotive services and self-use real estate.

Investments in real estate related to medical care, automotive services shall not be subject to the restrictions stipulated in (2) to (5) and location restrictions. Investments in real estate related to pension or for own use, shall not be subject to the restrictions stipulated in (1) to (5) and location restrictions. The aforesaid investment shall follow the principle of designated land for designated purposes, and speculation in real estate in a disguised form and development and sales of residence in the form of commercial real estate in the name of investment in the real estate for the aged and self-use real estate (project companies) shall be prohibited. With respect to the investment in the real estate for the elderly care, medical care, automotive services, etc., the amount of investment in its supplementary construction shall not exceed 30% of the total investment of the project.

The real estate invested with insurance funds shall have clear property rights with no dispute with respect to ownership, have complete, legal and valid right certificates, and be located in a municipality directly under the Central Government, provincial capital city, city under separate state planning, or a city with obvious location advantages. The management rights shall be relatively centralised so as to satisfy the requirements for insurance asset allocation and risk control.

Insurance funds may invest in the financial product related to real estate and should satisfy the following conditions:

- the investment institutions are in line with Article 9 of the Interim Measures for the Investment of Insurance Funds in Real Estate;

- it is approved by the relevant government authorities, initiated or issued in China, and supervised by a professional team;

- the underlying assets and invested real estate are located in China and in line with the above-mentioned conditions when insurance funds directly invest in real estate;

- it implements an asset custody system and establishes a risk isolation mechanism;

- it has a clear investment objective, investment scheme, follow-up management plan, income distribution system, liquidity and settlement arrangements;

- the transaction structure is clear, risk alarm is sufficient, and information disclosure is truthful and complete;

- it has a registration or bookkeeping arrangement to meet the needs of market transactions or transfer agreement; and

- it satisfies other prudent conditions as prescribed by the insurance regulatory authority of the State Council.

Real estate-related financial product is a fixed-income product and should have a long-term credit rating of, or equivalent to, AA or above, which is assessed by domestic credit rating agency approved by the insurance regulatory authority of the State Council, and provide legal and valid credit enhancement arrangements; for equity product, an appropriate investment rights protection mechanism should be established.

Insurance companies which invest in real estate must not engage in the following activities:

- offering unsecured debt financings;

- providing mortgage guarantee with their invested properties;

- investing in the development or sale of commercial residential properties;

- directly conducting the development of residential properties (including the development of tier-one land);

- investing in the establishment of real estate development companies or in the equity of unlisted real estate enterprises (excluding project companies), or controlling real estate enterprises by purchasing their shares. Insurance companies which have invested in and established or controlled any real estate enterprises must exit or transfer the shares to other parties within a specified period;

- investing in real estate with funds raised by borrowing, issuing debt, repurchasing and lending, unless debt issuance is otherwise permitted by the insurance regulatory authority of the State Council;

- violating the requirements stipulated in the Interim Measures for the Investment of Insurance Funds in Real Estate with respect to investment proportion; and

- other activities prohibited by the insurance regulatory authority of the State Council as well as laws and regulations.

According to the Notice on Issues Relating to the Investment in Equity and Real Estate with Insurance Funds and the Interim Measures for the Investment of Insurance Funds in Real Estate, where an insurance company invests in real estate, it shall submit a quarterly report within 30 working days after the end of each quarter and submit an annual report to the former CIRC before April 30 each year, and shall at least include the following contents:

- a summary of investment;
- utilization of capital funds;
- asset management and operation;
- asset valuation;
- asset risks and quality;
- major emergencies and the handling thereof; and
- other prudent contents prescribed by the former CIRC.

Infrastructure

Pursuant to the Administrative Measures for the Indirect Investment of Insurance Funds in Infrastructure Projects (《保險資金間接投資基礎設施項目管理辦法》) (the "Administrative Measures") implemented on August 1, 2016 and amended on June 21, 2021, insurance funds can be invested in qualified infrastructure project through trustees. The infrastructure project indirectly invested by insurance funds, in the Administrative Measures, refers to the entrustment of insurance funds by a trustor to a trustee, and the trustee develops an investment plan in its own name upon the instruction of the trustor, invests in infrastructure projects, and proceeds to manage or dispose of the funds in the interest of the beneficiaries or for a special purpose. The term "investment plan" as used in the Administrative Measures means a financial instrument by which the relevant parties establish their respective rights and obligations, specify investment shares, amounts, currencies, term, ways to withdraw from investment, use of funds, payment of proceeds, transfer of beneficiary certificates, in the form of an agreement.

Pursuant to the Administrative Measures, the infrastructure projects to be covered in the investment plan shall meet the following requirements:

- the projects comply with national industrial policies and other relevant policies;
- legal procedures are followed at different stages including project approval, development, construction and operation;
- the financing entity have no poor credit record in last two years; and
- the projects meet other conditions stipulated by the insurance regulatory authority of the State Council.

No investment plan may invest in any of the following infrastructure projects:

- any infrastructure project in which investment is specifically prohibited or restricted by the State;
- any infrastructure project for which any permit required by the State has not yet been obtained;
- any infrastructure project in which legal risk, such as uncertainty over the identity of the main body or uncertainty over ownership of the project, exists;
- any infrastructure project in which the financing entity does not meet the statutory requirements; or
- any other circumstances specified by the insurance regulatory authority of the State Council.

An insurance institution that acts as the trustor of an investment plan shall meet the following requirements:

- it has the resolution made by its board of directors or the institution authorized by its board of directors on approving the investment;
- it has established sound investment decision-making and authorization mechanism, risk control mechanism, business operation procedures, internal management system and accountability system;
- it has adopted a mechanism for the custody of investment plan assets;
- it employs a certain number of professional investment personnel;
- it has not committed any legal or regulatory violations during the last three years;
- its solvency meets relevant requirements of the insurance regulatory authority of the State Council; and
- it meets any other conditions prescribed by the insurance regulatory authority of the State Council.

Where the insurance institution entrusts professional management organizations such as an insurance asset management company to perform relevant rights and obligations on its behalf, item (4) of the preceding paragraph shall not apply.

Preferred Shares

Pursuant to the Notice on Issues concerning the Investment of Insurance Funds in Preferred Shares (《關於保險資金投資優先股有關事項的通知》) implemented on October 17, 2014, the term "preferred shares", in which insurance funds are allowed to invest, means a class of shares prescribed in addition to common shares in accordance with relevant laws and regulations of China, the holders of which have priority over those of common shares in the distribution of profits and residual assets but have restricted rights in decision-making and management of the company. Preferred shares include those publicly offered and non-publicly offered.

Preferred shares in which insurance funds invest shall have a long-term credit rating of, or equivalent to, A or above. Preferred shares in which insurance funds invest shall be rated by credit rating agencies, which are approved by the insurance regulatory authority of the State Council; the credit rating of preferred shares, in principle, should be at least two levels below the credit rating of the recent ordinary debt or at least one level below the credit rating of subordinated debt (if both of them exist, subject to the lower level). If the ordinary debt or subordinated debt recently issued by the issuer has been rated by the aforementioned agencies and continues to exist, the credit rating of preferred shares can be directly determined by the rating agencies in accordance with the above principle.

Venture Capital Fund

Pursuant to the Notice on Matters concerning the Investment of Insurance Funds in Venture Capital Funds (《關於保險資金投資創業投資基金有關事項的通知》) implemented on December 12, 2014 and amended on December 8, 2021, insurance funds can be invested in private equity funds that established in accordance with the law and administered by qualified fund management institutions. The said private equity funds mainly invest ordinary shares of venture companies or preferred shares that can be lawfully converted into ordinary shares, convertible bonds and other equity.

A fund management institution that invests insurance funds in venture capital funds shall satisfy the following conditions:

- it shall be established according to the law, with sound and effective corporate governance, internal control mechanism and management system, over five years of experience in venture capital management, outstanding historical performance, and accumulative size of venture capital asset under management no less than RMB1 billion;

- it shall have arranged an exclusive and stable management team with at least five investment professionals, no less than a total of ten venture capital projects from which it successfully exited, at least three investment professionals who have been working together for five years, and investment decision-makers with more than five years of experience in venture capital management, including at least two people with more than three years of experience in enterprise management and operation;

- it shall have established an incentive and restraint mechanism, a follow-up investment mechanism, an asset custody mechanism and a risk isolation mechanism, and there is no conflict of interest among the different assets under management;

- it shall accept inquiries involving investment of insurance funds from the insurance regulatory authority of the State Council, and report the relevant situation; and

- it has no record of major violation of laws and regulations in the last three years.

The venture capital fund in which insurance funds invest should not be the first venture capital fund administered by the fund management institution, and it shall satisfy the following conditions:

- the venture company invested by it should be established in China by law and in line with the industrial policy of the State, with an excellent management team and strong growth potential, and the company and its key management personnel should have no record of serious violation of law;

- the balance invested in equity interests in a single venture company by a single fund shall not exceed 10% of the size of the fund; and

- the fund balance invested or subscribed by general partner of a fund (or fund management institution) and related parties, key management personnel of the fund shall in aggregate not be less than 3% of the size of the fund.

Securitised Financial Products

Pursuant to the Circular on Investment in Relevant Financial Products with Insurance Funds (《關於保險資金投資有關金融產品的通知》) implemented on October 12, 2012 and amended on September 7, 2020 and April 24, 2022, insurance funds may invest in the asset management products and asset securitization products issued in accordance with law, including wealth management products ,pooled fund trusts, debt-to-equity investment plans, credit asset-backed securities, special asset-backed plans, single asset management plans and other products approved by the CBIRC.

When investing in financial products, insurance group (holdings) companies and insurance companies shall meet the following conditions:

(1) its comprehensive solvency ratio at the end of last period is not lower than 120%;

(2) it has been approved by the Company's Board of Directors or the Board of Directors' authorized bodies and established financial product investment decision-making and authorization mechanisms;

(3) it has sound financial product investment business process, risk management system, internal management system and accountability system;

(4) its asset management department reasonably sets up positions for financial product investment and is staffed with professional personnel;

(5) it has established assets custody mechanism and manages funds in a compliant and transparent manner;

Financial Derivatives

According to the Circular of the General Office of the CBIRC on Issuing Three Documents Including the Measures for Insurance Funds' Participation in Financial Derivatives Trading (《中國銀保監會辦公廳關於印發保險資金參與金融衍生產品交易辦法等三個文件的通知》) implemented on June 23, 2020, insurance group (holding) companies or insurance companies may participate in financial derivatives trading (the "derivatives trading") and subject to the Measures and relevant requirements, may also entrust insurance asset management companies and other professional management institutions which meet requirements of the CBIRC to participate in derivatives trading within the scope of authorisation. Derivatives trading mentioned in the Measures shall refer to domestic derivatives trading, excluding offshore derivatives trading.

Financial derivatives refer to financial contracts whose values rely on one or more fundamental assets, indicators or special events, including forwards, futures, options and swaps. Insurance institutions' participation in financial derivatives trading is limited to hedging or avoiding risks and not for speculation purposes.

Overseas Investment

Pursuant to the Interim Measures for the Administration of Overseas Investment with Insurance Funds (《保險資金境外投資管理暫行辦法》) implemented on June 28, 2007, if an insurance company plans to be in the engagement of overseas investments with insurance funds, it shall file an application with the insurance regulatory authority of the State Council and obtain relevant approval. A trustor who has been approved by the insurance regulatory authority of the State Council to be in the engagement of the business of overseas investment with insurance funds shall file an application with the SAFE for the quota for foreign exchange remittance due to overseas investment.

When conducting overseas investments, insurance funds shall select the financial markets in the countries and regions listed in the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (《保險資金境外投資管理暫行辦法實施細則》) implemented on October 12, 2012, amended on November 12, 2020 and December 8, 2021 and invest in the following types of products:

- Money market products

  Money market tools or products such as commercial notes with a term less than one year, bank notes, significant and transferable certificate of deposit, reverse repos and short-term treasury bonds and overnight loans. The issuers of the money market products (including securities pledged under reverse repo) must have a credit rating of A or above.

- Fixed-income products

  Fixed-income products include bank deposits, government bonds, government-backed bonds, international financial institution bonds and corporate bonds and convertible bond.

  Bonds should be denominated in a major international currency, and the issuer and the debt must have a credit rating of BBB or above ranked by an internationally-recognised rating agency. In accordance with the relevant regulation, if an exemption from the above requirement as to credit ratings applies, the issuer shall have not less than the credit rating required in respect of the bond. Bonds issued by the PRC Government outside of China's territory are not subject to the requirements as to credit rating referred to above. The convertible bonds should be listed on an exchange in a prescribed country or region listed in the regulation.

- Equity products

  Equity products include ordinary shares, preferred shares, global depository receipts, American depository receipts and equities of unlisted companies in certain industries.

  The stocks and depository receipts must be listed on the main board of a stock exchange in a country or region listed in the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds.

  Direct invested equity of unlisted companies is limited to equity investments in corporates in finance, pension, health care, energy, resources, car services and modern agriculture.

- Real estate products

  Direct investment in real estate products are limited to commercial real estate located in the central business districts of the major cities of the designated developed countries/regions listed in the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds. The said commercial real estate should be established commercial real estate and office real estate with stable income.

  Insurance companies shall, pursuant to the Interim Measures for the Administration of Overseas Investment with Insurance Funds and the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds, report the status of overseas investment of insurance funds to the insurance regulatory authority of the State Council.

Prohibitive Regulations

According to the Administrative Measures for the Deployment of Insurance Funds (《保險資金運用管理辦法》), except as otherwise stipulated by the insurance regulatory authority of the State Council, an insurance group (holding) company or an insurance company engaged in the deployment of insurance funds shall not commit any of the following acts:

- depositing insurance funds in non-banking financial institutions;
- purchase of stocks under "special treatment" or "special treatment with a warning on delisting risk" imposed by stock exchanges;
- investment in enterprises' equities and real estate, which are not in compliance with the State's industrial policies;
- direct involvement in real estate development and construction;
- provision of guarantees or release of loans (excluding individual insurance policy pledge loans) to other parties by means of investment assets formed from the deployment of investment funds; and
- other investment activities prohibited by the insurance regulatory authority of the State Council.

Ratios Oversight

The Circular on Strengthening and Improving Ratios Oversight for the Application of Insurance Funds (《關於加強和改進保險資金運用比例監管的通知》) (the "Circular on Ratios Oversight") was promulgated and implemented on January 23, 2014 and amended on January 24, 2017 and December 8, 2021. According to its contents, for the purpose of supervision on insurance funds, the investment assets of insurance companies are classified into five categories, namely, liquid assets, fixed-income assets, equity assets, real estate assets and other financial assets.

In terms of major asset class allocation for insurance companies, the following ratios should be implemented:

- Book balance of the major equity investment should be no more than the company's net assets at the end of the last quarter. Book balance does not include equities of the insurance company that were invested with its own funds. Pursuant to the Notice of Matters concerning Optimizing the Regulation of the Allocation of Equity Assets of Insurance Companies (《關於優化保險公司權益類資產配置監管有關事項的通知》) that came into effect on July 17, 2020, the ratio of allocation of equity assets of an insurance company shall be less than 10%-45% of its total assets at the end of the last quarter, determined by the company's comprehensive solvency ratio of last quarter;

- book balance of the invested real estate assets should be no more than 30% of the total assets of the company at the end of the last quarter. Book balance does not include self-use real estate purchased by the insurance company;

- book balance of the self-use real estate purchased by the insurance company should be no more than 50% of the net assets of the company at the end of the last quarter;

- book balance of other invested financial assets should be no more than 25% of the total assets of the company at the end of the last quarter; and

- balance of the overseas investment should be, in total, be no more than 15% of the total assets of the company at the end of the last quarter.

For setting cap on the insurance funds that insurance companies invest in a single asset and a single legal entity, the following ratio should be implemented:

- The book balance of investment in single assets of constant return, equity assets, real estate assets and other financial assets shall not be more than 5% of the total assets of the company at the end of the last quarter. Investment in domestic central government bonds, quasi-government bonds, bank deposits, significant equity investment and insurance corporate equity invested by its own funds, the purchase of real estate for self-use, the purchase of products for insurance asset management within the group are excluded.

A single asset investment refers to investing in a single specific asset product among a major asset class. For an investment product that is issued in instalments, book balance of the single asset investment is the total investment balances of each instalment.

- Balance of the investment in a single legal entity, in total, should be no more than 20% of the total assets of the company at the end of the last quarter. Investments such as domestic central government bonds, quasi government bonds, and insurance corporate equity invested by its own funds are excluded.

A single legal entity refers to a single financing body that insurance companies invest in and forms a direct contractual relationship or direct equity relationship with, which possesses independent legal personality.

Pursuant to the Circular on Ratios Oversight, insurance companies should add up the oversight percentages of the largest assets both inside and outside of China. Also, the book balance of investment in a single real estate asset shall not exceed 5% of the company's total assets at the end of the last quarter, except for purchases of real estate for its self use.

RISK AND SOLVENCY MANAGEMENT

Risk Management

Pursuant to the Risk Management Guidance for Insurance Companies (Pilot) (《保險公司風險管理指引(試行)》) implemented on July 1, 2007, an insurance company is required to set clear risk management objectives, establish an integrated risk management system, standardise risk management process, adopt advanced risk management methods and means, and maximise efficiency with appropriate level of risks. An insurance company must establish a risk management organizational system which the board of directors should ultimately be responsible for, the management should directly lead, the relevant functional departments should closely cooperate, and should cover all business units based on the risk management organisation. An insurance company shall identify and assess all types of major risks in the course of operation, including insurance risk, market risk, credit risk and operational risk, and verify and evaluate the process and effectiveness of risk management. For different kinds of risks, insurance companies can choose risk management tools such as risk aversion, reduction, transfer, or retention, to ensure the risks controlled under the exposure limit.

Pursuant to the Administrative Measures for Reputational Risks of Banking and Insurance Institutions (Pilot) (《銀行保險機構聲譽風險管理辦法(試行)》) implemented on February 8, 2021, an insurance company is required to include reputational risk in its firm-wide risk management system, establish relevant system and mechanism, prevent and identify reputational risk and handle and deal with reputational events. The board of directors of an insurance company has ultimate responsibility for reputational risk management. An insurance company must fully consider reputational risk in all aspects of operation management including corporate governance, market behaviour, and information disclosure to prevent any occurrence of risks affecting the reputation of the company and the industry. In case of any reputational event, an insurance company shall take prompt actions and control to prevent any individual reputational event from damaging the general reputation of the industry and maintain a stable insurance market.

Solvency Management of the Insurance Company

Pursuant to the Insurance Law of the PRC (《中華人民共和國保險法》), an insurance company shall have the minimum solvency matched up with its business scale and risk level. The solvency of an insurance company represents the ability of an insurance company to fulfill its obligation to pay indemnity. According to the Regulations on the Solvency Management of Insurance Companies (2021) (《保險公司償付能力管理規定(2021年)》) which was promulgated by CBIRC on January 15, 2021 and implemented on March 1, 2021, an insurance company that meets all of the following three regulatory requirements shall be deemed as solvency-compliant: (1) the core solvency ratio is not less than 50%; (2) the comprehensive solvency ratio is not less than 100%; and (3) the integrated risk rating is Category B and above. An insurance company that fails to meet any of the above requirements shall be deemed to be solvency non-compliant.

Insurance companies shall establish a sound solvency management system, effectively identify and manage all kinds of risks, continuously improve its solvency risk management capacity, monitor its solvency status in a timely manner, compile and submit solvency reports, disclose solvency-related information, and prepare the capital planning to ensure solvency adequacy.

Insurance companies shall establish a sound organizational structure for solvency risk management, establish a complete solvency risk management system and mechanism, assess its solvency ratio on a regular basis, calculate its core solvency ratio and comprehensive solvency ratio, submit solvency reports as required, conduct solvency stress tests in accordance with the regulations of the CBIRC, establish a solvency data management system and prepare its three-year capital plan on an annual rolling basis.

Insurance companies shall, in accordance with the specific rules on the regulatory rules on the solvency of insurance companies formulated by the CBIRC, disclose a summary of its quarterly solvency report on a quarterly basis, and disclose and explain its solvency information to relevant stakeholders such as insurance consumers, shareholders, potential investors, and creditors in the relevant situations of daily operations. A listed insurance company shall also comply with the relevant regulations on information disclosure of the securities regulator.

Solvency Supervision of the CBIRC

According to the Regulations on the Solvency Management of Insurance Companies (2021) (《保險公司償付能力管理規定(2021年)》), the CBIRC and its local offices shall, assessing their operational risk, strategic risk, reputational risk and liquidity risk of an insurance company, taking consideration of its core solvency ratio and comprehensive solvency ratio, evaluate the overall risk of the insurance company, determine their integrated risk rating as Category A, B, C and D, and take differentiated regulatory measures accordingly.

The CBIRC and its local offices establish the following solvency data checking mechanisms, including:

- checking the authenticity, completeness and compliance of quarterly solvency reports submitted by insurance companies on a quarterly basis;

- checking the authenticity, completeness and compliance of the summaries of quarterly solvency reports publicly disclosed by insurance companies on a quarterly basis; and

- checking other solvency information and data submitted by insurance companies.

Insurance companies whose core solvency ratio is less than 60% or comprehensive solvency ratio is less than 120% shall be prioritized for checking.

The CBIRC and its local offices conduct on-site inspections of the solvency management of insurance companies, involving:

- the compliance and effectiveness of solvency management;

- the authenticity, completeness and compliance of solvency reports;

- the authenticity, completeness and compliance of the integrated risk rating data;

- the authenticity, completeness and compliance of public disclosures of solvency information;

- the implementation of the regulatory measures of the CBIRC and its local offices; and

- other aspects to be inspected as deemed necessary by the CBIRC and its local offices.

For an insurance company with a core solvency ratio of less than 50% or a comprehensive solvency ratio of less than 100%, the CBIRC shall take all the following measures:

- regulatory talk;

- requiring the insurance company to submit plans for preventing deterioration of its solvency ratio or improving its risk management;

- restricting the remunerations of directors, supervisors and senior executives; and

- restricting the distribution of dividends to its shareholders.

The CBIRC may, in light of the specific reasons for the decline of its solvency ratio, take the following measures:

- ordering it to increase capital;
- ordering it to stop part or all of the new business;
- ordering it to adjust its business structure, limiting the number of newly established branches, and limiting commercial advertising;
- limiting its scope of business, ordering it to transfer its insurance business or conduct ceding business;
- ordering it to adjust its asset structure, and limiting its investment in terms of form or proportion;
- ordering it to recover remunerations from the directors and senior executives who are responsible for risks and losses in accordance with the employment agreements, written undertakings;
- legally ordering it to change the principal and relevant management personnel of the company; and
- other regulatory measures as deemed necessary by the CBIRC based on the causes and degrees of risks in the insurance company in accordance with the law.

If the company fails to significantly improve its solvency or makes it deteriorated further after the implementation of aforesaid measures, the CBIRC shall take such regulatory measures as takeover and filing for bankruptcy according to law.

The CBIRC may, as the case may be, legally authorize its local offices to implement necessary regulatory measures.

Pursuant to the No. 11 of the Regulatory Rules on the Solvency of Insurance Companies: Integrated Risk Rating (Classified Supervision) ("《保險公司償付能力監管規則第11號:風險綜合評級(分類監管)》") published by the CBIRC in December 2021, for Category B companies, one or more of the following targeted regulatory measures may be taken according to the risk status of the company, including but not limited to:

i. Risk warning;

ii. Regulatory talks;

iii. Requiring to rectify problems within the specified period;

iv. Special on-site inspection; and

v. Requiring the company to submit and implement plans to prevent solvency inadequacy or improve its risk management.

For Category C companies with relatively high risks in one or more categories of operational risk, strategic risk, reputational risk and liquidity risk, in addition to the regulatory measures for Category B companies and targeted regulatory measures according to the Regulations on the Solvency Management of Insurance Companies (2021) (《保險公司償付能力管理規定(2021年)》), the following regulatory measures can also be taken:

i. For Category C companies with relatively high operational risk, take regulatory measures related to their corporate governance, internal control process, personnel management, information system, etc., according to specific problems of the company;

ii. For Category C companies with relatively high strategic risk, take regulatory measures to deal with the causes of strategic risk;

iii. For Category C companies with relatively high reputational risk, take regulatory measures to deal with the causes of reputational risk; and

iv. For Category C companies with relatively high liquidity risk, take regulatory measures to deal with the causes of liquidity risk, according to the No. 13 of the Regulatory Rules on the Solvency of Insurance Companies: Liquidity Risk (“《保險公司償付能力監管規則第13號:流動性風險》”).

China Risk-Oriented Solvency System (C-ROSS)

According to the Notice of the Overall Framework of China Risk-Oriented Solvency System (《中國第二代償付能力監管制度體系整體框架》) issued by the former CIRC on May 3, 2013, the overall framework of the C-ROSS regime comprises three parts: institutional characteristics, supervisory pillars and supervisory foundation. The institutional characteristics include: (1) one supervision, representing that subject to authorisation from the State Council, the former CIRC performs relevant administrative functions and implements unified supervision and management of the insurance market of the PRC in accordance with relevant laws and regulations, such as implementing unified supervision and management of solvency of all insurance companies in the PRC; (2) emerging market, representing that under the actual circumstances that the PRC’s insurance market is still an emerging insurance market, the framework of the C-ROSS regime takes into consideration of the characteristics of an emerging insurance market and strives to differentiate itself from a solvency supervisory system which is suitable to a developed market; and (3) risk-oriented with value consideration, representing the balance between the objectives of risk warning and value assessment. The supervisory pillars include: (1) the first pillar, representing the quantitative capital requirements, which primarily focuses on preventing the risks which could be quantified and requires an insurance company to have capital commensurate with the risks it faces through scientifically identifying and quantifying different kinds of risks; (2) the second pillar, representing the qualitative supervisory requirements, which is on top of the quantitative capital requirements and requires an insurance company to take precautions against risks that are difficult to be quantified, such as operational risk, strategic risk, reputational risk and liquidity risk; and (3) the third pillar, representing market discipline mechanism, which utilises the disciplinary power of markets through public disclosure to strengthen supervision on insurance companies' solvency so as to further prevent risks. The supervisory foundation is a company's internal solvency management.

The three pillars are also applicable to the supervision of insurance groups. The substance and requirements of group-level supervision involve all three pillars. Moreover, insurance groups typically have risk diversification effects and they also face special risks different from those faced by an individual insurance company. In developing specific supervisory standards for the three pillars, these special risks should be taken into account and reflected accordingly.

There are three indicators to evaluate the solvency position of an insurance company: core solvency ratio, comprehensive solvency ratio and integrated risk rating. The core solvency ratio and the comprehensive solvency ratio reflect the company's capital adequacy position for quantified risks, and the integrated risk rating reflects the company's overall solvency-related risk status.

The former CIRC issued the Construction Plan for Second Phase Project of the C-ROSS (《償二代二期工程建設方案》) on September 18, 2017, officially initiating the second phase project of the C-ROSS, to further enhance and optimise the C-ROSS supervision system, and improve the scientificity, effectiveness and pertinence of the solvency supervision system. On December 30, 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II) (《保險公司償付能力監管規則(II)》), which provides that the insurance industry shall implement Rules II from the preparation of the quarterly solvency report for the first quarter of 2022. For insurance companies whose core solvency ratio or comprehensive solvency ratio has fallen significantly, or has fallen below a threshold that triggers regulatory action as a result of Rules II, the CBIRC would set transitional policies according to the actual situation, allowing some regulatory rules to be put into practice step by step and fully implemented by 2025 at the latest. Pursuant to Rules II, solvency supervision covers actual capital, minimum capital, life insurance contract liability valuation, minimum capital for insurance risk (non-life insurance business), minimum capital for insurance risk (life insurance business), minimum capital for insurance risk (reinsurance company), minimum capital for market risk, minimum capital for credit risk, stress testing, integrated risk rating (classified supervision), solvency aligned risk management requirements and assessment (SARMRA), liquidity risk, solvency information public disclosure, solvency information exchange, credit rating of insurance company, solvency report, insurance group, Lloyd's Insurance Company (China) Limited, look-through approach for market risk and credit risk, and capital planning under the regulatory framework of the C-ROSS.

Capital Supplementary Bonds

According to the announcement on Matters Relating to the Issuance of Capital Supplementary Bonds by Insurance Companies issued and implemented by the People's Bank of China and the CIRC on January 22, 2015, the capital supplementary bonds of an insurance company refer to the bonds issued by an insurance company for supplementary capital with a maturity of five years or more, which are subordinated to the policy liabilities and other ordinary obligations but prior to the insurance company's equity. Insurance companies applying for public issuance of capital supplementary bonds shall satisfy the following requirements:

(1) having a sound corporate governance structure;

(2) having continuous operations for more than three years;

(3) having audited net assets of no less than RMB1 billion at the end of the previous year and in the financial report of the last quarter;

(4) having a solvency ratio of no less than 100%;

(5) having no records of material non-compliance of laws or regulations in the past three years; and

(6) other requirements specified by the People's Bank of China and the insurance regulatory authority of the State Council.

When issuing capital supplementary bonds, an insurance company shall first apply to the insurance regulatory authority of the State Council and submit relevant documents. In case of issuance by way of guarantee, the guarantee agreement and the description of guarantee credit shall also be provided. Where the capital supplementary bonds are issued by means of underwriting by agreement, the lead underwriter shall also submit a due diligence report.

In the duration of the capital supplementary bonds, the insurance company shall publicly disclose the following information:

(1) disclose its annual report, auditors' report and audited solvency statement of the previous year before April 30 of each year;

(2) disclose its half-year report and solvency statement of the first half of the current year before August 31 of each year; and

(3) disclose its quarterly reports and solvency statements of the first quarter and the third quarter of the current year before April 30 and October 31 of each year, respectively.

The "annual report", "half-year report" and "quarterly report" in the above provisions shall include the operation description, financial report and major litigation matters involved of the insurance company during the reporting period. In the duration of the capital supplementary bonds, the insurance company shall timely report to the People's Bank of China and the insurance regulatory authority of the State Council and disclose to the market any major events that may affect its solvency.

Under the condition of ensuring a solvency ratio after redemption of capital supplementary bonds of not less than 100%, an insurance company may set a redemption right over the capital supplementary bonds but the redemption time shall be at least five years after the issuance of the capital supplementary bonds. Where an insurance company redeems capital replenishment bonds in advance or other major events occur, it shall report to the People's Bank of China and the insurance regulatory authority of the State Council for filing at least five business days in advance, and disclose it to the market in a timely manner.

An insurance group (holding) company and its subsidiaries shall not subscribe for the capital supplementary bonds issued by each other; the subsidiaries of the same insurance group (holding) company shall not subscribe for the capital supplementary bonds issued by each other. The balance of capital supplementary bonds of other insurance companies and subordinated term debts meeting the requirements of the insurance regulatory authority of the State Council held by an insurance company shall not exceed 20% of the company's net assets and a minimum capital provision shall be made in accordance with the relevant requirements of the insurance regulatory authority of the State Council.

Subordinated Debts

Pursuant to the Measures for the Administration of Subordinated Term Debts of Insurance Companies (《保險公司次級定期債務管理辦法》) recently amended by CIRC on February 13, 2018, insurance companies (including domestic insurance companies, joint venture insurance companies and foreign wholly-owned insurance companies) may issue subordinated term debts.

"Subordinated debts" refers to debts with a maturity of five years or more issued with approval by an insurance company for recovery of temporary and periodical capital insufficiency that are subordinated to the policy liabilities and other obligations of the company but prior to the company's equity in terms of the ranking of principal repayment and interest payment. Funds raised by an insurance company through subordinated debts may be counted in the company's supplementary capital, but may not be used to offset the daily operating loss. The amount of subordinated debts incorporated into an insurance company's supplemental capital shall not exceed 50% of its net assets and the specific approval standards are subject to the requirements of the insurance regulatory authority of the State Council.

Insurance companies with existing solvency ratio lower than 150% or expected solvency ratio in the coming two years lower than 150% may apply for issuance of subordinated debts. Insurance companies applying for the issue of subordinated debts must satisfy the following requirements: (1) having been established over three years; (2) having audited net assets of no less than RMB500 million at the end of the previous year; (3) after the issuance, the accumulated outstanding principal and interest of subordinated debts may not exceed 50% of the unaudited net assets at the end of the previous year; (4) being solvent; (5) having a sound corporate governance structure; (6) having an integrated internal control system which has been strictly complied with; (7) having no assets being occupied by any natural persons, legal persons or other entities and their related parties who have actual control over the company; (8) having no record of being subject to material administrative penalty for the past two years; and (9) other requirements specified by the insurance regulatory authority of the State Council.

Issuance of subordinated debts by insurance group companies (or insurance holding companies) is subject to the provisions of the Measures for the Administration of Subordinated Term Debts of Insurance Companies.

Subordinated debts issued by insurance companies shall only offer to qualified investors. Qualified investors refer to domestic or overseas legal persons who possess abilities of independent analysis and risk tolerance in respect of purchase of subordinated debts with the exception of (1) any company under the control of the relevant issuer; and (2) any company under the common control with the relevant issuer of a third party.

Subordinated debts held by a single shareholder and controlling party of such shareholder of an issuer shall not exceed 10% of a single batch or accumulated amount of subordinated debts, and the percentage of subordinated debts held by them for either a single batch or accumulated amount shall not be the highest. Subordinated debts held accumulatively by all shareholders or all controllers of shareholders of an issuer shall not exceed 20% of a single batch or accumulated amount. Any issuance of subordinated debts in phases by an issuer should be counted as one single issue and be subject to the aforesaid requirements.

Issuers may entrust China Government Securities Depository Trust & Clearing Co. Ltd. (中央國債登記結算有限責任公司) or China Securities Depository and Clearing Co., Ltd (中國證券登記結算有限責任公司) as the registration and trustee agency of their subordinated debts, and may entrust it to repay the principles and interests on their behalf. The use of funds raised by issuance of subordinated debts should meet the relevant requirements of the insurance regulatory authority of the State Council and the funds are not allowed to be used for equity, real property or infrastructure investments. Only under the prerequisite that the solvency ratio is no less than 100% after repayment of principal and interest of the subordinated debt, the issuer shall repay the principal and the interest. Issuers shall not distribute any profits to their shareholders during any period when they are not able to repay any principals and interests on time.

Issuers may set up redemption option over subordinated debts and redemption date shall be five years from the date of issuance of subordinated debts. Subordinated debts contracts shall not provide that creditors have put option over subordinated debts. If subordinated debts are redeemed in advance according to the contracts, it shall ensure that insurance companies have a solvency ratio not lower than 100%. Except for redemption option established pursuant to the above requirements, issuers shall not redeem subordinated debts in advance.

Issuers shall, pursuant to the relevant requirements of the insurance regulatory authority of the State Council, prepare prospectus of subordinated debts and other information disclosure documents and procure the truthful, accurate, complete and timely disclosure of information that have substantive effect on issuing targets. Issuers and the relevant parties shall not mislead investors to purchase subordinated debts in any manner.

MISCELLANEOUS

Security Deposits

An insurance company is required by the PRC Insurance Law to make a security deposit which amount to 20% of its total registered capital into a bank designated by the insurance regulatory authority of the State Council. Such security deposit shall not be used for any purposes other than settling the debts of such insurance company during liquidation proceedings.

Pursuant to the Measures for the Administration of Security Deposits of Insurance Companies (《保險公司資本保證金管理辦法》) amended and implemented by CIRC on April 3, 2015, insurance companies should choose two or more than two commercial banks as security deposit banks. Such security deposit banks should satisfy the following requirements: (1) a state-owned commercial bank, a joint-stock commercial bank, a postal savings bank or a urban commercial bank; (2) having no less than RMB20 billion net assets at the end of the immediately preceding year; (3) their capital adequacy ratio and non-performing asset ratio are in compliance with the relevant requirements of banking industry regulatory authorities; (4) having a sound corporate governance structure, internal audit and control system and risk control system; (5) having no related party relations with the company; and (6) having no records of material non-compliance of laws or regulations in the past two years.

Insurance companies can make security deposit in the form of: (1) fixed-term deposits; (2) large-amount agreement deposits; or (3) other forms approved by the insurance regulatory authority of the State Council.

The amount of each security deposit shall not be less than RMB10 million (or equivalent foreign currency). If the increase in registered capital (working capital) of an insurance company is less than RMB50 million (or equivalent foreign currency), a one-off security deposit which is equal to 20% of the actual increase in capital shall be deposited. The term for deposits of the security deposits shall not be shorter than one year. During the term of deposits, insurance companies are not allowed to change the nature of the security deposits or use the security deposits for mortgage financing.

Reserves

According to the PRC Insurance Law, an insurance company shall withdraw various liability reserves in accordance with the principle of protecting the interests of the insureds and ensuring solvency. The specific measures for an insurance company to withdraw and carry forward the liability reserve shall be formulated by the insurance regulatory authority of the State Council.

Pursuant to the requirements of the Accounting Standards for Enterprises No. 25 – Original Insurance Contracts (《企業會計準則第25號–原保險合同》) and Accounting Standards for Enterprises No. 26 – Reinsurance Contracts (《企業會計準則第26號–再保險合同》) promulgated by the Ministry of Finance which came into effect on January 1, 2007 and the Measures for the Administration of Reserves for Non-life Insurance Business of Insurance Companies (《保險公司非壽險業務準備金管理辦法》) promulgated by the CBIRC which came into effect on December 1, 2021, insurance companies shall set aside unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance reserves.

Pursuant to the Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (《保險公司非壽險業務準備金管理辦法》) promulgated by CBIRC on October 14, 2021 and implemented on December 1, 2021, insurance companies should establish and improve the internal control system of reserve management, and clarify the division of responsibilities and work processes. In assessing various reserves, an insurance company shall, in accordance with the provisions of the CBIRC and the principles and methods of non-life insurance actuarial calculation, keep objective and prudent, and withdraw and carry forward various reserves adequately and reasonably. Insurance companies shall submit reserve assessment reports, reserve retrospective analysis reports, and other reports required by the CBIRC or its dispatched institutions to the CBIRC or its local branches in accordance with regulations. The CBIRC or its local branches shall conduct random inspections and review of the above-mentioned reports submitted by insurance companies in accordance with the law. Where an insurance company fails to withdraw or carry forward various liability reserves in accordance with relevant provisions, a fine ranging from RMB50,000 to RMB300,000 may be imposed by the CBIRC or its local branches according to relevant provisions of the Insurance Law. According to the seriousness of the breach of the law, the CBIRC may impose penalties such as restricting business scope, ordering to stop accepting new business or revoking business license. The directly responsible person-in-charge and other directly responsible persons shall be warned and fined between RMB10,000 and RMB100,000 by the CBIRC or its local branches in accordance with the relevant provisions of the Insurance Law; and if the circumstance is serious, the post holding qualification shall be revoked.

According to the Measures for the Administration of Health Insurance (2019) (《健康保險管理辦法》(2019年)) amended on October 31, 2019, for those claim cases which insurance incidents occurred and has been made claims but insurance companies yet not settle, insurance companies shall set aside incurred and reported reserves. Insurance companies should take reasonable measures such as case-by-case loss estimating method and average cost per claim method incurred to set aside incurred and reported reserves carefully. If chief actuaries of insurance companies cannot confirm the reliability of estimation methods or the experience data of related business is less than three years, insurance companies shall set aside incurred and reported reserves in accordance with claiming amounts. For short-term health insurance, insurance companies shall set aside unearned premium reserves.

For life insurance reserve provisions, it also includes the Notice of Issuing the Actuarial Provisions on Ordinary Personal Insurance (《普通型人身保險精算規定》) issued by the CBIRC on January 21, 2020, Actuarial Provisions on Participating Insurance (《分紅保險精算規定》) issued by the former CIRC on September 25, 2015, Actuarial Provisions on Universal Insurance (《萬能保險精算規定》) issued by former CIRC on February 3, 2015 and Actuarial Provisions on Unit-linked Insurance (《投資連結保險精算規定》) issued by former CIRC on March 26, 2007.

Pursuant to the Implementation Measures of the Rules on Reserve of Non-life Insurance Business of Insurance Companies (No. 1-7) (《中國銀保監會關於印發保險公司非壽險業務準備金管理辦法實施細則(1-7號)的通知》) effective as of March 2, 2022, retrospective analysis of reserves of non-life insurance business comprises a retrospective analysis of unearned premium reserves and a retrospective analysis of claim reserves. Claim reserves include incurred and reported reserves, incurred but not reported reserves, and claim expense reserves. An insurance company shall submit the reserve retrospective analysis report signed by the general manager and the chief actuary to the CBIRC or its local offices on a regular basis. The general manager of an insurance company shall be responsible for the truthfulness of the basic information and the chief actuary shall be responsible for the methodology of the retrospective analysis, the reasonableness of the assumptions, and the accuracy of the calculation result.

According to the Insurance Companies Internal Management Specification on Non-life Reserves Base Data, Assessment and Audit (《保險公司非壽險業務準備金基礎數據、評估與核算內部控制規範》) implemented on July 1, 2012, insurance companies should pay attention to and strengthen reserve base data quality control, establish work procedure and internal control systems, so as to regulate information system data transmission standard and the data transmission among business, finance, reinsurance, investment and other different systems. All underwriting, claims, reinsurance, expenses, investment and other business activities should be completely recorded and preserved through information systems, in order to ensure the authenticity, integrity, consistency and effectiveness of data.

Insurance Guarantee Fund

According to the provisions of the PRC Insurance Law, insurance companies shall pay the insurance guarantee fund. Insurance guarantee fund should be under centralised management, and used in a coordinated manner in the following situations:

- When an insurance company is deregistered or declared bankrupted, provide relief to the policyholders, the insured or the beneficiaries;

- When an insurance company is deregistered or declared bankrupted, provide relief to the insurance companies legally accepting its life insurance contracts;

- Other cases specified by the State Council.

According to the Administrative Measures on Insurance Guarantee Fund (《保險保障基金管理辦法》) implemented on September 11, 2008, insurance companies shall pay the insurance guarantee fund for property and casualty insurance business or life and health insurance business they operated pursuant to the following regulations. The insurance business which was paid insurance guarantee fund would be covered by the insurance guarantee fund relief:

- 0.8% of the premium income for non-investment-type property and casualty insurance, 0.08% of the business revenue received for investment-type property and casualty insurance with guaranteed return, and 0.05% of the business revenue received for investment-type property and casualty insurance without guaranteed return;

- 0.15% of the business revenue received for life insurance with guaranteed return, and 0.05% of the business revenue received for life insurance without guaranteed return;

- 0.8% of the premium income for short-term health insurance, and 0.15% of the premium income for long-term health insurance; and

- 0.8% of the premium income for non-investment-type accident insurance, 0.08% of the business revenue received for investment-type accident insurance with guaranteed return, and 0.05% of the business revenue received for investment-type accident insurance without guaranteed return.

The above business revenue refers to full amount paid by the policyholder to the insurance company in accordance with the insurance contract for the purchase of corresponding insurance products.

Reserves Fund

According to the PRC Company Law, a company should, during distribution of after-tax net profit of the current year, set aside 10% of the profit and contribute to its statutory reserves fund. For a statutory reserves fund that reaches 50% of the company's registered capital, no additional fund will need to be set aside into the statutory reserves fund. When a company's statutory reserves fund is not sufficient to make up for losses in previous years, prior to contributing the statutory reserve in accordance with the preceding paragraph, its profit of current year shall be used to make up for such losses.

In addition to a statutory reserves fund set aside from its after-tax net profit, the company may also set aside funds for a discretional reserves fund from its after-tax net profit upon passing a resolution at an authorising shareholders' meeting or shareholders' general meeting.

The premium in excess of par value from the issuance of stocks of a joint stock company, and other incomes contributed to the capital reserves fund as provided by the treasury departments of the State Council, must be contributed to the company's capital reserves.

INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (《App違法違規收集使用個人信息行為認定方法》), which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which called for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies, and the laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes,

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. Whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. Processors of important data shall specify the person(s) responsible for data security and the management body, and implement the responsibility of data security protection. Measures shall be taken immediately upon occurrence of a data security incident, users shall be timely notified in accordance with the relevant provisions and reports shall be made to the relevant competent authority.

On December 28, 2021, the CAC and other related authorities released the draft amendment to the Cybersecurity Review Measures (《網絡安全審查辦法(2021)》), effective on February 15, 2022, (1) A network platform operator that has the personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review when it seeks to list overseas; (2) Any other regulations of the state on data security review and foreign investment security review shall be complied with as well; (3) Any network product or service or any data processing activity that affects or may affect national security as deemed by member organizations of the cybersecurity review mechanism shall be reviewed under the Measures after the Cybersecurity Review Office reports it to the Central Cyberspace Affairs Commission as per the procedure and the latter approves a review. The Cybersecurity Review Office will enhance its oversight before the event, during the event and after the event through receiving complaints or in other forms.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Law of Personal Information Protection of PRC, or the Personal Information Protection Law (《中華人民共和國個人信息保護法》), which will become effective on November 1, 2021. The Personal Information Protection Law specifically specified the rules for handling sensitive personal information, only for a specific purpose and sufficient necessity, and strict protection measures have been taken, may a personal information processor process sensitive personal information. The personal information processor shall take necessary measures to ensure that the activities of processing personal information by the overseas recipient meet the standards for protection of personal information.

On November 14, 2021, the CAC issued the Administrative Regulations of Cyber Data Security (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), which provides that data processors conducting the following activities shall apply for cybersecurity review: (1) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (2) listing abroad (國外上市) of data processors processing over one million users' personal information; (3) listing in Hong Kong which affects or may affect national security; (4) other data processing activities that affect or may affect national security.

REGULATORY AND SHAREHOLDERS' APPROVALS

The Company has obtained the approval from shareholders for preparation of the listing. See "Appendix VII — Statutory and General Information — 1. Further Information about our Company — C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering." The Company has also obtained all necessary Chinese regulatory approvals for the Listing, including the approvals from the CBIRC on October 8, 2021 and the approval from the CSRC on October 11, 2022.

OUR HISTORY

Overview

The Company was founded by Mr. Zhang Weigong, who resigned from the position of director of Guangdong Province Bureau of the CIRC in May 2004 to lead an entrepreneurial team to start our business from scratch. In 2003, China's insurance industry only ranked 11th in the world in terms of GWP. The entrepreneurial team believed that the penetration and density of insurance of the PRC were far behind developed countries' average level, the insurance products failed to meet the needs of social and economic development, and the insurance market was in urgent need of rapid cultivation and development. All members of the entrepreneurial team had held positions in insurance regulatory authorities or large-scale insurance companies and had rich operation and management experience in the insurance industry. They firmly believed that they could build an insurance company that provided professional services for China's social and economic development with the combination of market-oriented entrepreneurship and professional operation and management. See "Directors, Supervisors and Senior Management – Directors" for the background and the relevant industry experience of Mr. Zhang Weigong. The entrepreneurial team visited and negotiated with 389 enterprises across 17 provinces and municipalities in the PRC for initial investment. Sunshine P&C was established in a market-oriented manner after 14 months' effort and the Group was established on this basis. "Gather strengths of all schools and take way of our own, gather talents from within the industry and accept talents from outside the industry, high starting point of organization for long-term strategic development, be endurance for hardship and upright as the sun, take the road of elites to create the Sunshine brand (集眾家之長，取自我之道。聚業內人才，納業外賢士。高起點組建，遠戰略發展。風雨中做事，陽光下做人。走精英之路，創陽光品牌)," the "Fifty-word Proverbs" written by our founder Mr. Zhang Weigong in the course of preparation for the establishment of the Company has become an important beacon that leads the direction of the Group. Our entrepreneurial spirit of "dare to challenge and persevere (敢於挑戰、堅韌不拔)" formed during the commencement of our business, the marketization mechanism and the principle of value growth adhered to during our development have established our value proposition and the foundation of entrepreneurship that become our genetic power for continuous growth and development.

As approved by the CIRC, the Company was jointly established on June 27, 2007 under the name of "Sunshine Insurance Holdings Co., Ltd. (陽光保險控股股份有限公司)" as a joint stock limited company by our promoters, i.e., China Petrochemical Corporation (中國石油化工集團有限公司, formerly known as China Petrochemical Corporation (中國石油化工集團公司)) ("**Sinopec Group**"), China Southern Air Holding Company Limited (中國南方航空集團有限公司, formerly known as China Southern Air Holding Company (中國南方航空集團公司)) ("**CSAir Group**"), Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司, formerly known as China National Foreign Trade Transportation (Group) Corporation (中國對外貿易運輸(集團)總公司)) ("**Sinotrans Group**"), Aluminum Corporation of China (中國鋁業集團有限公司, formerly known as Aluminum Corporation of China (中國鋁業公司)) ("**Chinalco**"), Guangdong Electric Power Development Co., Ltd. (廣東電力發展股份有限公司) ("**Guangdong Electric**"), which is a company listed on the Shenzhen Stock Exchange (stock code: 000539), Beijing Xing'an Jintai Property Management Co., Ltd. (北京興安金泰物業管理有限公司, formerly known as Beijing Chang'an Jintai Property Development Co., Ltd. (北京長安金泰物業發展有限公司)) ("**Xing'an Jintai**"), Shenzhen Modern City Investment Holdings

Co., Ltd. (深圳市現代城投資控股有限公司, formerly known as Shenzhen Modern City Real Estate Development Co., Ltd. (深圳市現代城房地產開發有限公司)), and Beijing Zhongji Hengfu Credit Guarantee Co., Ltd. (北京中機恒富信用擔保有限公司). Upon establishment, the registered capital of the Company was RMB1,350,000,000 divided into 1,350,000,000 Domestic Shares with a nominal value of RMB1.00 each. As approved by the CIRC, the Company changed its name from "Sunshine Insurance Holdings Co., Ltd. (陽光保險控股股份有限公司)" to "Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司)" on January 23, 2008.

Our Directors believe that due to our adherence to robust, innovative and responsible development philosophy, our treasuring of scientific and standardized corporate governance and highly respecting of corporate culture, as well as the diligence and dedication of our senior management, our brand value and embedded value have made a rapid development, and we have become a model of value and high quality among emerging insurance companies in China.

As a leading insurance group in China, we are dedicated to becoming the leading professional insurance service provider for families, as well as the trusted risk management partner for enterprises, so as to "bring more sunshine to people."

Milestones

The important milestones in the history of the Company are set out as follows:

Timeline	Milestone Events
May 2004	• Our founder Mr. Zhang Weigong led the entrepreneurial team and started a business from scratch, forming the original entrepreneurial spirit of "dare to challenge and persevere"
July 2005	• Sunshine P&C was established
May 2007	• Sunshine P&C achieved profitability within two years after its establishment
June 2007	• The Company was established
December 2007	• Sunshine Life was established
January 2008	• The Company changed its name to "Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司)"
July 2010	• The Group was awarded the title of "2010 National Demonstration Base for Corporate Culture (2010年全國企業文化示範基地)" by the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會) and became the first financial insurance company to receive such an honor

Timeline	Milestone Events
September 2011	• The Group ranked 307th among China's Top 500 Enterprises in 2011, and also ranked 97th among China's Top 100 Enterprises in Service Industry
December 2012	• Sunshine AMC was established
January 2015	• The CIRC officially approved the establishment of the first medical and healthcare industry growth fund by the Group, which was the first in the insurance industry in China
January 2016	• Sunshine Surety officially commenced business, becoming the first commercial professional credit guarantee insurance company in China
May 2016	• Sunshine Union Hospital officially commenced business and was the first large-scale general Grade III hospital invested by an insurance company in China
June 2017	• "Intelligent Yang (機智陽)," the first AI customer service robot developed by the Group, was officially launched on our official website to accept customer inquiries
April 2019	• Sunshine Union Hospital passed the National Grade III Class A Hospital Certification (全國三級甲等醫院認證)
May 2020	• The Company's self-developed intelligent training robots were launched
May 2021	• To address the industry's common concern about claims efficiency, Sunshine P&C launched the "Quick Claim Bao (閃賠寶)" service based on AR intelligent loss determination technology to achieve full online self-assistance compensation for minor cases
May 2021	• The Third Technology Summit of the Group formally released the "White Paper on Digital Transformation (《數字化轉型白皮書》)" to fully launch the digital transformation of technology innovation-led business quality development
September 2021	• The Group was selected to be China's Top 500 Enterprises for the 11th consecutive year, ranking 194th; and ranked 78th among the China's Top 100 Enterprises in Service Industry

Changes in the Registered Capital of the Company

Upon establishment, the registered share capital of the Company was RMB1,350,000,000, divided into 1,350,000,000 Domestic Shares with a nominal value of RMB1.00 each. As of the Latest Practicable Date, the registered capital of the Company was RMB10,351,370,000, divided into 10,351,370,000 Domestic Shares with a nominal value of RMB1.00 each. The following sets out changes of our registered capital since the establishment of the Company:

Date[1]	Changes in the Registered Capital
December 6, 2007	The registered capital of the Company was increased from RMB1,350,000,000 to RMB2,400,000,000 through the issuance and allotment of 1,050,000,000 new Domestic Shares with a nominal value of RMB1.00 each to six then existing Shareholders.[2]
February 3, 2008	The registered capital of the Company was increased from RMB2,400,000,000 to RMB2,750,000,000 through the issuance and allotment of 350,000,000 new Domestic Shares with a nominal value of RMB1.00 each to a then new corporate investor.
March 2, 2009	The registered capital of the Company was increased from RMB2,750,000,000 to RMB3,010,000,000 through the issuance and allotment of 260,000,000 new Domestic Shares with a nominal value of RMB1.00 each to a then new corporate investor.[3]
November 6, 2009	The registered capital of the Company was increased from RMB3,010,000,000 to RMB3,700,000,000 through the issuance and allotment of 690,000,000 new Domestic Shares with a nominal value of RMB1.00 each to six then new corporate investors.[4]

Notes:

1. Unless otherwise specified, the date stated here represents the issuance date of the new business license with the increased registered capital.

2. All of the six then existing Shareholders were initial investors of Sunshine P&C, namely Sinopec Group, CSAir Group, Sinotrans Group, Chinalco, Guangdong Electric and Xing'an Jintai.

3. The then new investor was Shenzhen Linfeng Investment Holding Co., Ltd. (深圳市霖峰投資控股有限公司) (formerly known as Shenzhen Xiangnan Real Estate Co., Ltd. (深圳市祥南置業有限公司)), one of the existing Shareholders as of the Latest Practicable Date.

4. Four of the six then new investors were existing Shareholders as of the Latest Practicable Date, namely Shenzhen Galaxy Real Estate Development Co., Ltd. (深圳市星河房地產開發有限公司), Septwolves Group Holding Co., Ltd. (七匹狼控股集團股份有限公司) ("**Septwolves Holding**"), Helenbergh Holding Group Co., Ltd. (海倫堡控股集團有限公司) (formerly known as Guangdong Zhongyi Investment Group Co., Ltd. (廣東中頤投資集團有限公司)) and Guangxi Yuanchen Investment Group Co., Ltd. (廣西遠辰投資集團有限公司).

Date[1]	Changes in the Registered Capital
September 9, 2010	The registered capital of the Company was increased from RMB3,700,000,000 to RMB4,560,000,000 through the issuance and allotment of 860,000,000 new Domestic Shares with a nominal value of RMB1.00 each to five then new corporate investors and one then existing Shareholder.[5]
April 26, 2011	The registered capital of the Company was increased from RMB4,560,000,000 to RMB5,007,150,000 through the issuance and allotment of 447,150,000 new Domestic Shares with a nominal value of RMB1.00 each to two then new corporate investors.
July 6, 2011	The registered capital of the Company was increased from RMB5,007,150,000 to RMB6,560,000,000 through the issuance and allotment of 1,552,850,000 new Domestic Shares with a nominal value of RMB1.00 each to three then existing Shareholders and five then new corporate investors.[6]
January 16, 2013	The registered capital of the Company was increased from RMB6,560,000,000 to RMB6,650,590,000 through the issuance and allotment of 90,590,000 new Domestic Shares with a nominal value of RMB1.00 each to one then existing Shareholder.

5. All of the five then new investors were existing Shareholders as of the Latest Practicable Date, namely Shenzhen Zhongzhou Group Co., Ltd. (深圳中洲集團有限公司), Suzhou Industrial Park Asset Management Co., Ltd. (蘇州工業園區資產管理有限公司), Dongguan Fangzhong Group Co., Ltd. (東莞市方中集團有限公司), Fujian Dali Food Group Co., Ltd. (福建達利食品集團有限公司) and Beijing CDH Oriental Investment Management Co., Ltd. (北京鼎暉東方投資管理有限公司).

6. Four of the five then new investors were existing Shareholders as of the Latest Practicable Date, namely Shanghai Jiante Life Technology Co., Ltd. (上海健特生命科技有限公司), Shenzhen Sinomaster Investment Group Co., Ltd. (深圳市神州通投資集團有限公司), Xiamen Xuchen Equity Investment Co., Ltd. (廈門旭晨股權投資有限責任公司) (formerly known as Xiamen Xuchen Trading Co., Ltd. (廈門旭晨貿易有限公司)) and Fujian Putian Hualun Enterprise Co., Ltd. (福建省莆田市華倫企業有限公司).

Date[1]	Changes in the Registered Capital
January 16, 2013	The registered capital of the Company was increased from RMB6,650,590,000 to RMB6,710,590,000 through the issuance and allotment of 60,000,000 new Domestic Shares with a nominal value of RMB1.00 each to one then new corporate investor.
October 9, 2015[8]	The registered capital of the Company was increased from RMB6,710,590,000 to RMB9,910,590,000 through the issuance and allotment of 3,200,000,000 new Domestic Shares with a nominal value of RMB1.00 each to six then new corporate investors.[7]
April 7, 2016[8]	The registered capital of the Company was increased from RMB9,910,590,000 to RMB10,351,370,000 through the issuance and allotment of 440,780,000 new Domestic Shares with a nominal value of RMB1.00 each to China Universal Capital – Sunshine Insurance Employee Share Ownership Plan (匯添富資本-陽光保險員工持股計劃) ("**Employee Share Ownership Plan**").

Major Shareholding Changes, Acquisitions and Disposals

During the Track Record Period and up to the date of this prospectus, the Company had no major shareholding changes, acquisitions or disposals.

7. All of the six then new investors were existing shareholders of the Company as of the Latest Practicable Date, namely Shanghai Xuchang Technology Co., Ltd. (上海旭昶科技有限公司) ("**Shanghai Xuchang**"), Beijing Bangchen Zhengtai Investment Co., Ltd. (北京邦宸正泰投資有限公司) ("**Bangchen Zhengtai**"), Shannan Hongquan Equity Investment Co., Ltd. (山南泓泉股權投資有限公司) ("**Shannan Hongquan**"), Jiangsu Tiancheng Property Development Co., Ltd. (江蘇天誠物業發展有限責任公司) ("**Jiangsu Tiancheng**"), Lhasa Fengming Construction Machinery Sales Co., Ltd. (拉薩豐銘工程機械銷售有限公司) ("**Lhasa Fengming**") and Beijing Ruiteng Yihong Investment Management Co., Ltd. (北京銳藤宜鴻投資管理有限公司) ("**Ruiteng Yihong**").

8. The date stated here represents the issuance date of the filing change notification.

OUR PRINCIPAL SUBSIDIARIES

The table below sets out the general information of our principal subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Share capital	Direct and indirect shareholding of the Company	Main business scope
1.	Sunshine P&C	PRC	July 28, 2005	RMB5,746,000,000	100%	Property loss insurance; liability insurance; credit insurance and guarantee insurance; short-term health insurance and accident insurance; reinsurance businesses of the above; insurance fund application businesses permitted under the PRC laws and regulations; other businesses as approved by the insurance regulatory authority.
2.	Sunshine Life	PRC	December 17, 2007	RMB18,342,500,000	99.9999%	Life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance businesses of the above; insurance fund application businesses permitted under the PRC laws and regulations; securities investment fund sales business; other businesses as approved by the insurance regulatory authority.

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Share capital	Direct and indirect shareholding of the Company	Main business scope
3.	Sunshine AMC	PRC	December 4, 2012	RMB125,000,000	80.00%	Being entrusted to manage the funds in RMB and in foreign currencies entrusted by a beneficiary; managing and utilizing its own funds in RMB and in foreign currencies; commencing offering of insurance asset management products; other businesses as approved by the insurance regulatory authority; businesses as approved by other departments of the State Council.
4.	Sunshine Surety	PRC	January 11, 2016	RMB3,000,000,000	87.33%	Credit insurance; guarantee insurance; reinsurance businesses of the above; insurance fund application businesses permitted under the PRC laws and regulations; other businesses as approved by the insurance regulatory authority.

ISSUANCE OF BONDS

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

In April 2016, upon filing with the NDRC, Sunshine Life issued three kinds of offshore senior bonds with a total principal amount of USD1.50 billion. As of the Latest Practicable Date, bonds with a total principal amount of USD0.30 billion for a term of 10 years and with a coupon rate of 4.5% were not yet redeemed.

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

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

SINGLE LARGEST SHAREHOLDERS GROUP

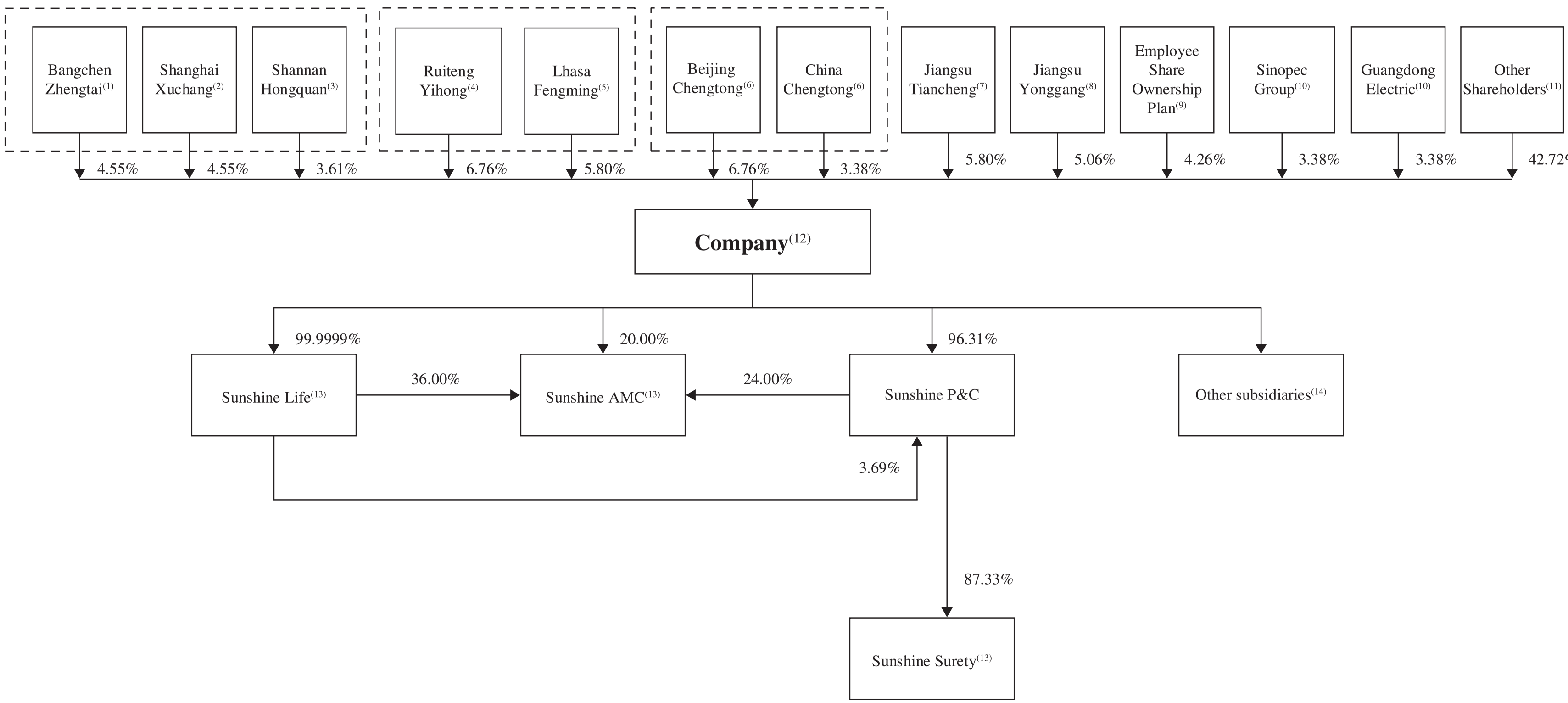
As of the Latest Practicable Date, Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan hold approximately 4.55%, 4.55% and 3.61% equity interests in the Company, respectively. Bangchen Zhengtai is held as to 99.99% by Beijing Hengyi Shengtai Investment Management Center (Limited Partnership) (北京恒誼盛泰投資管理中心(有限合夥)) ("**Beijing Hengyi**"), the general partners of which are Tibet Hengyi Investment Management Co., Ltd. (西藏恒誼投資管理有限公司) ("**Tibet Hengyi**") and Shanghai Loyal Valley Investment Management Co., Ltd. (上海正心谷投資管理有限公司) ("**Shanghai Loyal Valley**"); Shanghai Xuchang is held as to 99.99% by Shanghai Xule Investment Partnership (Limited Partnership) (上海旭樂投資合夥企業(有限合夥)) ("**Shanghai Xule**"), the general partners of which are Tibet Hengyi and Shanghai Loyal Valley; and Shannan Hongquan is held as to 95.98% by Ningbo Dingzhi Jintong Equity Investment Center (Limited Partnership) (寧波鼎智金通股權投資中心(有限合夥)) ("**Ningbo Dingzhi Jintong**"), the general partners of which are Tibet Hengyi and Shanghai Loyal Valley. For details, please refer to "– Our Shareholding and Corporate Structure" in this section. Each of Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan subscribed for 470,900,000 Shares, 470,900,000 Shares and 358,200,000 Shares in the Company during our capital increase in October 2015, holding 4.75%, 4.75% and 3.61% of the then equity interests of the Company. Shannan Hongquan purchased 15,000,000 Shares in the Company from Shanghai Jiante Life Technology Co., Ltd. in April 2016, upon completion of which, Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan held 4.75%, 4.75% and 3.77% of the then equity interests of the Company. Each of Bangchen Zhengtai, Shanghai Xuchang, Shannan Hongquan, Beijing Hengyi, Shanghai Xule and Ningbo Dingzhi Jintong is jointly controlled by Tibet Hengyi and Shanghai Loyal Valley, which exercise their rights according to relevant limited partnership agreements. In addition, Tibet Hengyi and Shanghai Loyal Valley are controlled by Mr. Zhang Weigong and Mr. Lin Lijun, respectively. As such, Mr. Zhang Weigong, Mr. Lin Lijun, Tibet Hengyi, Shanghai Loyal Valley, Beijing Hengyi, Shanghai Xule, Ningbo Dingzhi Jintong, Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan collectively form the Company's single largest shareholders group (the "**Single Largest Shareholders Group**").

The Single Largest Shareholders Group is interested in approximately 12.70% of the total issued share capital of the Company as of the Latest Practicable Date, and will be interested in approximately 11.43% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). As such, the Single Largest Shareholders Group will not constitute a "Controlling Shareholder" of our Company as defined under the Listing Rules.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding Structure Immediately before the Global Offering

The chart below sets out our simplified shareholding structure as of the Latest Practicable Date:



Notes:

As of the Latest Practicable Date,

(1) Bangchen Zhengtai is held as to 99.99% by Beijing Hengyi. Beijing Hengyi is a limited partnership incorporated under the laws of PRC as an investment vehicle, and its general partners are Tibet Hengyi and Shanghai Loyal Valley. Tibet Hengyi is controlled by Mr. Zhang Weigong, while Shanghai Loyal Valley is controlled by Mr. Lin Lijun (林利軍). Shanghai Shengle Investment Partnership (Limited Partnership) (上海盛樂投資合夥企業(有限合夥)) ("**Shanghai Shengle**") holds 91.75% partnership interest in Beijing Hengyi as its limited partner. Shanghai Shengle is a limited partnership incorporated under the laws of PRC as an investment vehicle, which is controlled by Shanghai Loyal Valley.

(2) Shanghai Xuchang is held as to 99.99% by Shanghai Xule. Shanghai Xule is a limited partnership incorporated under the laws of PRC as an investment vehicle. Its general partners are Tibet Hengyi and Shanghai Loyal Valley and its sole limited partner is Shanghai Shengle.

(3) Shannan Hongquan is held as to 95.98% by Ningbo Dingzhi Jintong. Ningbo Dingzhi Jintong is a limited partnership incorporated under the laws of PRC as an investment vehicle, and its general partners are Tibet Hengyi and Shanghai Loyal Valley, which hold approximately 0.06% and 0.06% partnership interest in Ningbo Dingzhi Jintong, respectively. Shanghai Yonghong Equity Investment Partnership (Limited Partnership) (上海湧泓股權投資合夥企業(有限合夥)) holds 74.92% partnership interest in Ningbo Dingzhi Jintong as its limited partner. Shanghai Yonghong Equity Investment Partnership (Limited Partnership) is a limited partnership incorporated under the laws of PRC as an investment vehicle, which is ultimately controlled by Chen Jinxia (陳金霞), an Independent Third Party. The remaining limited partner of Ningbo Dingzhi Jintong is Ningbo Dingliang Boheng Equity Investment Center (Limited Partnership) (寧波鼎亮博恒股權投資中心(有限合夥)), holding approximately 24.97% partnership interest, which is controlled by Sinolink Securities Co., Ltd. (國金證券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600109)).

Mr. Zhang Weigong, Mr. Lin Lijun, Tibet Hengyi, Shanghai Loyal Valley, Beijing Hengyi, Shanghai Xule, Ningbo Dingzhi Jintong, Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan forms our Single Largest Shareholders Group. Please refer to "– Single Largest Shareholders Group" in this section for details.

(4) Ruiteng Yihong is held as to 99.99% by Beijing Ruiyu Jinhe Investment Management Center (Limited Partnership) (北京瑞譽金合投資管理中心(有限合夥)) ("**Beijing Ruiyu Jinhe**"). Beijing Ruiyu Jinhe is a limited partnership incorporated under the laws of PRC as an investment vehicle, and its general partners are Tibet Ruiyu Investment Management Co., Ltd. (西藏瑞譽投資管理有限公司) ("**Tibet Ruiyu**") and Duilongdeqing Yizhuo Investment Management Co., Ltd. (堆龍德慶奕卓投資管理有限公司), which hold approximately 0.02% and 0.03% partnership interest in Beijing Ruiyu Jinhe, respectively. Tibet Ruiyu is controlled by Yuan Tao (袁濤), while Duilongdeqing Yizhuo Investment Management Co., Ltd. is indirectly controlled by Septwolves Holding, which in turn directly and indirectly holds a total of 77.1% partnership interest in Beijing Ruiyu Jinhe as limited partner. To the best knowledge of the Company, the ultimate beneficial owners of Septwolves Holding are Zhou Yongwei (周永偉), Zhou Shaoxiong (周少雄) and Zhou Shaoming (周少明), each an Independent Third Party. The remaining limited partners of Beijing Ruiyu Jinhe are: (1) Tibet Gongbu Jiangda County Jiusheng Investment Co., Ltd. (西藏工布江達縣九盛投資有限責任公司) holding approximately 8.57% partnership interest, which is controlled by Joeone Co., Ltd. (九牧王股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601566)); (2) Fujian Baiqun Investment Co., Ltd. (福建百群投資有限公司) holding approximately 5.71% partnership interest, which is controlled by Ding Yezhi (丁也治), an Independent Third Party; (3) Shanghai Haosheng Investment Group Co., Ltd. (上海豪盛投資集團有限公司) holding approximately 5.71% partnership interest, which is controlled by Chen Chao (陳超), an Independent Third Party; and (4) Fujian Panpan Investment Co., Ltd. (福建盼盼投資有限公司) holding approximately 2.86% partnership interest, which is controlled by Cai Jinan (蔡金垵), an Independent Third Party.

(5) Lhasa Fengming is held as to 66.67%, 33.32% and 0.01% by Shenzhen Qianhai Ruiyu Taihe Investment Center (Limited Partnership) (深圳前海瑞譽泰和投資中心(有限合夥)) ("**Shenzhen Qianhai Ruiyu**"), Zhuhai Ruiyu Anhe Equity Investment Fund (Limited Partnership) (珠海瑞譽安和股權投資基金(有限合夥)) and Tibet Ruiyu, respectively.

Shenzhen Qianhai Ruiyu is a limited partnership incorporated under the laws of PRC as an investment vehicle, and its general partner is Tibet Ruiyu while its sole limited partner is Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. (安信乾盛財富管理(深圳)有限公司) holding 99.95% of the partnership interest. Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. is wholly owned by Essence Fund Management Co., Ltd. (安信基金管理有限責任公司), which is in turn held as to 39.84% and 33.95% by Minmetals Capital Holdings Limited (五礦資本控股有限公司), a wholly-owned subsidiary of Minmetals Capital Company Limited (五礦資本股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600390), and Essence Securities Co., Ltd. (安信證券股份有限公司) which is controlled by SDIC Capital Co., Ltd. (國投資本股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600061), respectively. None of the other shareholders of Essence Fund Management Co., Ltd. holds more than one third equity interests in it.

Zhuhai Ruiyu Anhe Equity Investment Fund (Limited Partnership) is a limited partnership incorporated under the laws of PRC as an investment vehicle, and its general partner is Tibet Ruiyu while its sole limited partner is Hangho Land (Xiamen) Co., Ltd. (恆禾置地(廈門)股份有限公司), which is in turn controlled by Septwolves Holding.

Ruiteng Yihong and Lhasa Fengming are controlled by Beijing Ruiyu Jinhe and Shenzhen Qianhai Ruiyu, respectively, which were both controlled by Tibet Ruiyu as general partner.

(6) Beijing Chengtong Financial Holding Investment Co., Ltd. (北京誠通金控投資有限公司) ("**Beijing Chengtong**") is wholly owned by China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**"), which is controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

(7) Jiangsu Tiancheng is held as to 99.9967% by Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) (深圳前海瑞聯七號投資中心(有限合夥)). Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) is a limited partnership incorporated under the laws of PRC as an investment vehicle, and its general partners are Huashan Ruilian Fund Management Co., Ltd. (華杉瑞聯基金管理有限公司) ("**Huashan Ruilian**") and Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司) ("**Huatai Zijin**"). Huashan Ruilian is held as to 70.52% by Tibet Hongyu Enterprise Management Co., Ltd. (西藏竑煜企業管理有限公司), which is ultimately controlled by Chen Zhijie (陳志杰), a previous supervisor of the Company. Huatai Zijin is held as to 100% by Huatai Securities Co., Ltd. (華泰證券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601688), the Hong Kong Stock Exchange (stock code: 06886) and the London Stock Exchange (stock code: HTSC)). Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥)) holds 41.65% partnership interest in Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) as its limited partner and is ultimately controlled by Huashan Ruilian and Huatai Zijin. None of the other limited partners of Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) holds more than one third partnership interest in it.

(8) To the best knowledge of the Company, the ultimate beneficial owners of Jiangsu Yonggang Group Co., Ltd. (江蘇永鋼集團有限公司) ("**Jiangsu Yonggang**") are Wu Yaofang (吳耀芳), Wu Huiying (吳惠英) and Wu Huifang (吳惠芳), who are siblings and have entered into the parties acting in concert agreement, and each an Independent Third Party.

(9) As approved by the shareholders' general meeting of the Company on February 4, 2016, the Company issued and allotted 440,780,000 Domestic Shares to the Employee Share Ownership Plan. The participants of the Employee Share Ownership Plan primarily included core cadres and key personnel who played an important role in the overall performance and medium to long term development of the Company. As of the Latest Practicable Date, the interests in the Employee Share Ownership Plan were held by 3,688 individuals (including five Directors (Mr. Zhang Weigong, Mr. Zhao Zongren, Mr. Li Ke, Mr. Peng Jihai and Mr. Wang Yongwen), one Supervisor (Mr. Zhuang Liang) and eight senior management members (Mr. Ning Shoubo, Mr. Xia Fangchen, Mr. Li Wei, Mr. Nie Rui, Mr. Liu Yingchun, Mr. Dong Yingqiu, Ms. Wang Zhenling and Mr. Yang Xueli)). The number of Shares to which any single holder is entitled to under the Employee Share Ownership Plan does not account for more than 0.12% of the total issued share capital of the Company. To the best knowledge of the Company, no single holder of the Employee Share Ownership Plan is able to exercise control (for the purpose of the SFO) thereon.

(10) Sinopec Group is controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), and Guangdong Electric is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Guangdong Province (廣東省人民政府國有資產監督管理委員會). Each of Sinopec Group and Guangdong Electric was a promoter of the Company,

(11) The 34 non-individual Shareholders hold approximately an aggregate of 42.72% of the Company's share capital. None of these non-individual Shareholders holds 5% or more of the Company's share capital. The 34 non-individual Shareholders are: (1) Beijing CDH Oriental Investment Management Co., Ltd. ("**Beijing CDH**"), which is held as to 99.9934% by Shenzhen Zhengxin Century Investment Enterprise (Limited Partnership) (深圳市正信世紀投資企業(有限合夥)) ("**Shenzhen Zhengxin Century**"), the executive partner of which is Shenzhen Shangheng Runyin Equity Investment Fund Management Co., Ltd. (深圳市尚衡潤銀股權投資基金管理有限公司) ("**Shenzhen Shangheng**

Runyin"), which is ultimately controlled by Qiu Xiaocong (邱小聰), an Independent Third Party. At the end of 2016, the original shareholders of Beijing CDH transferred all shares held by them in Beijing CDH to Shenzhen Shangheng Runyin and Shenzhen Zhengxin Century. On May 17, 2017, the former CIRC issued the Notice on the Non-filing of the Share Transfer of the Company (《關於陽光保險集團股份有限公司有關股權轉讓行為不予備案的通知》) (Bao Jian Fa Gai [2017] No. 137), requiring the shareholders of Beijing CDH to revert back the above share transfer in Beijing CDH. Prior to such reversion, certain non-economic shareholder's rights, such as voting rights, nomination rights, meeting attendance rights and meeting convening rights, of Beijing CDH in the Company, shall be restricted. As of the Latest Practicable Date, Beijing CDH has not completed the rectification as requested by the former CIRC. The Company has restricted the relevant non-economic shareholder's rights of Beijing CDH in the Company in accordance with the requirements of the former CIRC; (2) Beijing Taihe Fangyuan Investment Co., Ltd. (北京泰合方園投資有限公司), indirectly controlled as to 80% by Caitong Securities Co., Ltd. (財通證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601108); (3) Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600208); (4) Shenzhen Galaxy Real Estate Development Co., Ltd., ultimately controlled by Huang Chulong (黃楚龍), an Independent Third Party; (5) Shanghai Jiante Life Technology Co., Ltd., ultimately controlled by Shi Yuzhu (史玉柱), an Independent Third Party; (6) Shenzhen Sinomaster Investment Group Co., Ltd., ultimately controlled by Huang Shaowu (黃紹武), an Independent Third Party; (7) Shenzhen Zhongzhou Group Co., Ltd., ultimately controlled by Huang Guangmiao (黃光苗), an Independent Third Party; (8) Nanjing Iron & Steel Co., Ltd. (南京鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600282); (9) Beijing Zhongcheng Hengtai Investment Co., Ltd. (北京中城恒泰投資有限公司), ultimately controlled by Zhu Guancheng (朱冠成) as to 50%, and China Radio International (中國國際廣播電台) and Sun Jinglong (孫景龍) as to 50%, each an Independent Third Party; (10) Shenzhen Linfeng Investment Holding Co., Ltd., controlled by Wang Xiu'e (王秀娥) and Jiang Xiong (江雄), who are spouses with each other, and each an Independent Third Party; (11) Jiangsu Xinhengtong Investment Group Co., Ltd. (江蘇新恒通投資集團有限公司), held as to 41.43% by Xu Shaohua (徐少華), an Independent Third Party, with no other shareholder holding more than one third of its equity interests; (12) Xing'an Jintai, ultimately controlled by Wang Zhiyong (王志勇), an Independent Third Party; (13) Shandong Wuzheng Group Co., Ltd. (山東五徵集團有限公司), wholly owned by Employee Shareholding Platform of Shandong Wuzheng Group Co., Ltd. (山東五徵集團有限公司職工持股會), an Independent Third Party; (14) Shandong Tian'an Mining Group Co., Ltd. (山東省天安礦業集團有限公司), held as to 36.88% by Liu Peicheng (劉佩成), an Independent Third Party, with no other shareholder holding more than one third of its equity interests; (15) Helenbergh Holding Group Co., Ltd., controlled by Huang Chiheng (黃熾恒), an Independent Third Party; (16) Septwolves Holding; (17) Guangxi Yuanchen Investment Group Co., Ltd., controlled by Liu Jinhua (劉金華), an Independent Third Party; (18) Dongguan Fangzhong Group Co., Ltd., controlled by Guo Weiruo (郭偉若), an Independent Third Party; (19) Urumqi Zhaojun Chuangfu Equity Investment Co., Ltd. (烏魯木齊兆均創富股權投資有限公司), which is held as to 92.07% by Beijing Saifu Xiangrui Investment Center (Limited Partnership) (北京賽富祥睿投資中心(有限合夥)), the executive partner of which is Tianjin Saifu Shengyuan Investment Management Center (Limited Partnership) (天津賽富盛元投資管理中心(有限合夥)), which is ultimately controlled by Yan Yan (閻焱), an Independent Third Party; (20) CFT Holding Group Co., Ltd. (中銀信控股集團有限公司), ultimately owned by Gao Weiliang (高偉亮) and Han Zhiqiang (韓志強), each an Independent Third Party; (21) Fujian Dali Food Group Co., Ltd., controlled by Xu Shihui (許世輝), an Independent Third Party; (22) Guangzhou Haiyin Investment Co., Ltd. (廣州市海印投資有限公司), ultimately controlled by Shao Jianming (邵建明), an Independent Third Party; (23) Xiamen Xuchen Equity Investment Co., Ltd., with no shareholder holding more than one third of its equity interests; (24) Suzhou Industrial Park Asset Management Co., Ltd., ultimately controlled by Xu Yuezhong (徐躍忠), an Independent Third Party; (25) Yongjin Industry (Group) Co., Ltd., controlled by Chen Jinxia; (26) Xiamen Hongzhou Equity Investment Co., Ltd. (廈門宏州股權投資有限責任公司), with no shareholder holding more than one third of its equity interests; (27) Hangzhou Fubang Investment Co., Ltd. (杭州富邦投資有限公司), directly controlled by Ma Xuefeng (馬雪峰), an Independent Third Party; (28) Shanghai Junhua Real Estate Co., Ltd. (上海軍華置業有限公司), ultimately controlled by Chen Chao (陳超), an Independent Third Party; (29) Anhui Railway Development Fund Co., Ltd. (安徽省鐵路發展基金股份有限公司), ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會); (30) Chengshan Group Co., Ltd. (成山集團有限公司), ultimately controlled by Che Hongzhi (車宏志), Che Baozhen (車寶臻) and Li Xiuxiang (李秀香), each an Independent Third Party; (31) Wujiang Changsheng Copper Co., Ltd. (吳江昌盛銅業有限公司), directly controlled by Pu Mingrong (濮明榮), an Independent Third Party; (32) Shanghai Yuanda Software Co., Ltd. (上海遠達軟件有限公司), directly controlled by Sun Qi (孫琦), an Independent Third Party; (33) Jining Jianwei Real Estate Co., Ltd. (濟寧市建威置業有限公司), directly controlled by Liu Luwei (劉鷺威), an Independent Third Party; and (34) Fujian Putian Hualun Enterprise Co., Ltd, controlled by Xu Jianfa (許建發), an Independent Third Party.

(12) To the best knowledge of the Company, as of the Latest Practicable Date, 2,858,580,000 Shares (representing approximately 27.62% of the share capital of the Company) were pledged. As of the Latest Practicable Date, 13 Shareholders (the pledged shares held by them account for an aggregate of 18.10% of the share capital of the Company) have issued confirmation letters to the Company with respect to their pledged Shares to confirm that, as of the date of issuance of the respective confirmation letter, the debts guaranteed by such pledged Shares can be repaid before due date together with interests borne without default, and there is no risk that the pledged Shares will be executed. Our PRC legal advisors are of the view that if the debts guaranteed by such pledged Shares can be repaid before due date together with interests, the likelihood of judgments being made by the judicial agencies to order the execution of the pledged Shares is remote. In addition, to the best knowledge of the Company, as of the Latest Practicable Date, 822,800,000 Shares held by four Shareholders (representing approximately 7.95% of the share capital of the Company) were frozen by several judicial agencies due to enforcement of courts judgments or arbitration awards, or property preservations measures under ongoing legal proceedings, out of which 814,000,000 Shares held by three Shareholders were pledged before they were frozen by the relevant judicial agencies. Pursuant to the applicable PRC laws and regulations, without the permission of relevant judicial agencies, the frozen Shares shall not be transferred and the holders of the frozen Shares shall not pledge or create any encumbrances against such Shares. Our PRC legal advisors are of the view that the Shareholders of the above-mentioned pledged Shares and frozen Shares are relatively dispersed, which will not have a material adverse effect on the Company's shareholding structure and business operations.

(13) The remaining 0.0001% equity interests in Sunshine Life are held by Lhasa Huiju Enterprise Management Consulting Co., Ltd. (拉薩市慧聚企業管理諮詢有限公司). To the best knowledge of the Company, Lhasa Huiju Enterprise Management Consulting Co., Ltd. is an Independent Third Party. The remaining 20.00% equity interests in Sunshine AMC are held as to 14.80% by Jinli Futong (Beijing) International Trading Co., Ltd. (金利富通(北京)國際貿易有限公司) and 5.20% by Tibet Hengyi. Jinli Futong (Beijing) International Trading Co. Ltd. is wholly owned by Tibet Hengjia Investment Management Co. Ltd. (西藏恒嘉投資管理有限公司), which is controlled by Mr. Zhang Weigong. The remaining 12.67% equity interests in Sunshine Surety are held as to 6.67% by Chongqing Liangjiang Financial Development Co., Ltd. (重慶兩江金融發展有限公司) and 6.00% by Ancheng Property & Casualty Insurance Co., Ltd. (安誠財產保險股份有限公司). To the best knowledge of the Company, both Chongqing Liangjiang Financial Development Co., Ltd. and Ancheng Property & Casualty Insurance Co., Ltd. are Independent Third Parties.

(14) Other subsidiaries include, among others,

(a) a wholly-owned subsidiary of the Company, Shenzhen Sunshine Shenghe Development Co., Ltd. (深圳陽光盛和發展有限公司);

(b) 20 wholly-owned subsidiaries of Sunshine Life, Chengdu Sunshine Yihe Property Management Co., Ltd. (成都陽光頤和物業管理有限公司), Sunshine Yurong (Chengdu) Real Estate Co., Ltd. (陽光渝融(成都)置業有限責任公司), Sunshine Taihe (Jinan) Real Estate Co., Ltd. (陽光泰和(濟南)置業有限公司), Dongguan Sunshine Taihe Investment Co., Ltd. (東莞陽光泰和投資有限公司), Hainan Sunshine Yihe Health Industry Development Co., Ltd. (海南陽光頤和健康產業發展有限公司), Hainan Sunshine Xinhai Development Co., Ltd. (海南陽光鑫海發展有限公司), Shanghai Hongbang Real Estate Co., Ltd. (上海泓邦置業有限公司), Sunshine Longevity Limited, Sunshine Medical Limited, Weifang Sunshine Zhuohe Investment Development Co., Ltd. (濰坊陽光卓和投資發展有限公司), Chengdu Sunshine Taihe Real Estate Co., Ltd. (成都陽光泰和置業有限責任公司), Nanning Sunshine Jiahe Investment Development Co., Ltd. (南寧陽光嘉和投資發展有限公司), Nanning Sunshine Junhe Investment Development Co., Ltd. (南寧陽光鈞和投資發展有限公司), Chongqing Sunshine Yuehe Investment Development Co., Ltd. (重慶陽光悅和投資發展有限公司), Sunshine Family (Guangzhou) Pension Co., Ltd. (陽光人家(廣州)養老有限公司), Hainan Sunshine Yihe Business Management Co., Ltd. (海南陽光頤和商業管理有限公司), Cedar Australia International Pty Ltd., Sunflower American Capital Ltd., Spruce Australia Pty Ltd. and Sunflower Bermuda Capital Ltd.;

(c) 12 non-wholly owned subsidiaries of Sunshine Life, Sunshine Union Hospital (held as to 80% by Sunshine Life and 20% by Weifang People's Hospital (Weifang Public Health Clinical Center) (濰坊市人民醫院(濰坊市公共衛生臨床中心)), an Independent Third Party), Sunshine Zongheng Investment Management Co., Ltd. (陽光縱橫投資管理股份有限公司) ("**Sunshine Zongheng Investment**," held as to 10% by the Company, 70% by Sunshine Life and 20% by Sunshine P&C), Hainan Zongheng Dingyu Real Estate Operation Management Co., Ltd. (海南縱橫鼎裕不動產運營管理有限公司) (held as to 100% by Sunshine Zongheng Investment), Hainan Zongheng Yueyi

Pension Management Co., Ltd. (海南縱橫悅逸養老管理有限公司) (held as to 100% by Sunshine Zongheng Investment), Hainan Zongheng Xinhe Health Management Co., Ltd. (海南縱橫欣和健康管理有限公司) (held as to 100% by Sunshine Zongheng Investment), Beijing Zongheng Yisheng Management Consulting Co., Ltd. (北京縱橫益昇管理諮詢有限公司) (held as to 100% by Sunshine Zongheng Investment), Guangzhou Hefeng Industry Investment Co., Ltd. (廣州市和豐實業投資有限公司) (held as to 91.84% by Sunshine Life, 4.08% by Guangdong Guanghong Health Industry Investment Co., Ltd. (廣東廣弘健康產業投資股份有限公司, an Independent Third Party) and 4.08% by an individual who is an Independent Third Party)), Chengdu Tonghui Real Estate Investment Co., Ltd. (成都通匯置業投資有限公司) (held as to 99.63% by Sunshine Life and 0.37% by an individual who is an Independent Third Party), Chengdu Shuangliu Sunshine Union Internet Hospital Co., Ltd. (成都雙流陽光融和互聯網醫院有限公司) (held as to 65% by Sunshine Union Hospital, as to 15% by Sichuan Rongxin Borui Enterprise Management Consultancy Partnership (Limited Partnership) (四川融新博瑞企業管理諮詢合夥企業(有限合夥), an Independent Third Party) and as to 20% by Beijing Zhongyi Online Medical Technology Co., Ltd. (北京眾醫在線醫療科技有限公司, an Independent Third Party)), Hainan Sunshine Union Hospital Management Co., Ltd. (海南陽光融和醫院管理有限責任公司) (held as to 100% by Sunshine Union Hospital), Hainan Sunshine Union Health Management Co., Ltd. (海南陽光融和健康管理有限責任公司) (held as to 100% by Sunshine Union Hospital), and Beijing Sunshine Union Health Management Co., Ltd. (北京陽光融和健康管理有限責任公司) (held as to 80% by Sunshine Union Hospital and 20% by Weifang Nursing Vocational College (濰坊護理職業學院, an Independent Third Party));

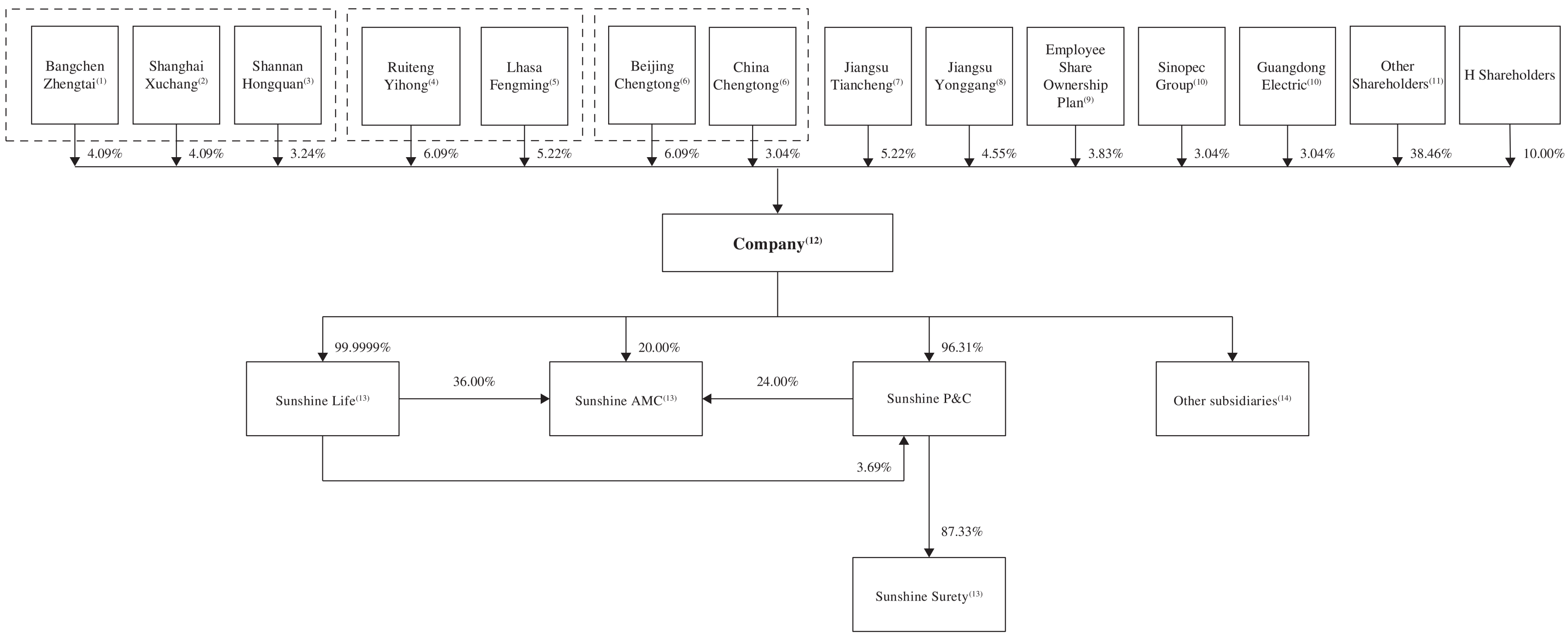
(d) 15 non-wholly owned subsidiaries of Sunshine P&C, Voice of Sunshine Insurance Sales Service Co., Ltd. (陽光之音保險銷售服務有限公司) ("**Voice of Sunshine**," held as to 80% by Sunshine P&C and 20% by Sunshine Life), Sunshine Zhijie Science and Trade (Beijing) Co., Ltd. (陽光智捷科貿(北京)有限公司) ("**Sunshine Zhijie**," held as to 100% by Sunshine Zongheng Investment), Jinshengwuyou Information Technology Co., Ltd. (金生無憂信息技術有限責任公司) ("**Jinshengwuyou**," held as to 100% by Voice of Sunshine), Beijing Sunshine Rongyao Network Technology Co., Ltd. (北京陽光融耀網絡科技有限公司) (held as to 100% by Sunshine Zongheng Investment), Sunshine Yihe (Beijing) Pension Co., Ltd. (陽光頤和(北京)養老有限公司) ("**Sunshine Yihe (Beijing)**," held as to 100% by Jinshengwuyou), Sunshine Yikang (Beijing) Pension Service, Co., Ltd. (陽光頤康(北京)養老服務有限公司) ("**Sunshine Yikang**," held as to 61.76% by Jinshengwuyou, 26.47% by Beijing Meilian Yikang Investment Management Center (Limited Partnership) (北京美聯亦康投資管理中心(有限合夥), an Independent Third Party) and 11.76% by Zhongjian Yinling Medical Pension Investment Co., Ltd. (中健銀齡醫療養老投資有限公司, an Independent Third Party)), Tibet Boyuntongya Culture Communication Co., Ltd. (西藏博蘊通雅文化交流有限公司) (held as to 40% by Voice of Sunshine, 40% by Jinshengwuyou and 20% by an individual who is an Independent Third Party), Hainan Sunshine Yihe Development Co., Ltd. (海南陽光頤和發展有限公司) (held as to 10% by the Company and 90% by Sunshine P&C), Beijing Sunshine Union Real Estate Co., Ltd. (北京陽光融和置業有限公司) (held as to 2.47% by the Company, 70% by Sunshine P&C and 27.53% by Sunshine Life), Beijing Sunshine Yihetianxiang Pension Service Co., Ltd. (北京頤和天享養老服務有限公司) (held as to 100% by Sunshine Yihe (Beijing)), Beijing Shunxingyuewang Management Consulting Co., Ltd. (北京順興悅旺管理諮詢有限公司) (held as to 100% by Sunshine Zongheng Investment), Sunshine Jishan (Beijing) Pension Care Management Co., Ltd. (陽光積善(北京)養老管理有限公司) ("**Sunshine Jishan**," held as to 51% by Sunshine Yikang and 49% by Beijing Jishan Home Pension Service Co., Ltd. (北京積善之家養老服務有限公司, an Independent Third Party)), Dezhou Sunshine Yiyang Pension Service Co., Ltd. (德州陽光頤養養老服務有限公司) (held as to 60% by Sunshine Yikang, 30% by Dezhou Xiangyang Pharmaceutical Chain Co., Ltd. (德州向陽醫藥連鎖有限公司, an Independent Third Party) and 10% by Dezhou Jinqu Health Management Consulting Co., Ltd. (德州錦衢健康管理諮詢有限公司, an Independent Third Party)), Antu Sunshine Longquan Agricultural Technology Co., Ltd. (安圖陽光龍泉農業科技有限公司) (held as to 100% by Sunshine Zhijie) and Sunshine Jiayue (Beijing) Hotel Management Co., Ltd. (陽光嘉悅(北京)酒店管理有限責任公司) (held as to 100% by Sunshine Zhijie); and

(e) a non-wholly owned subsidiary of Sunshine AMC, Sunshine Asset Management (HK) Limited, which is held as to 75% by Sunshine AMC and 25% by Sunshine Life.

(15) All the current Shareholders of the Company held Domestic Shares and will not be counted towards the public float under Rule 8.08 of the Listing Rules after the Listing.

Shareholding Structure Immediately after Completion of the Global Offering

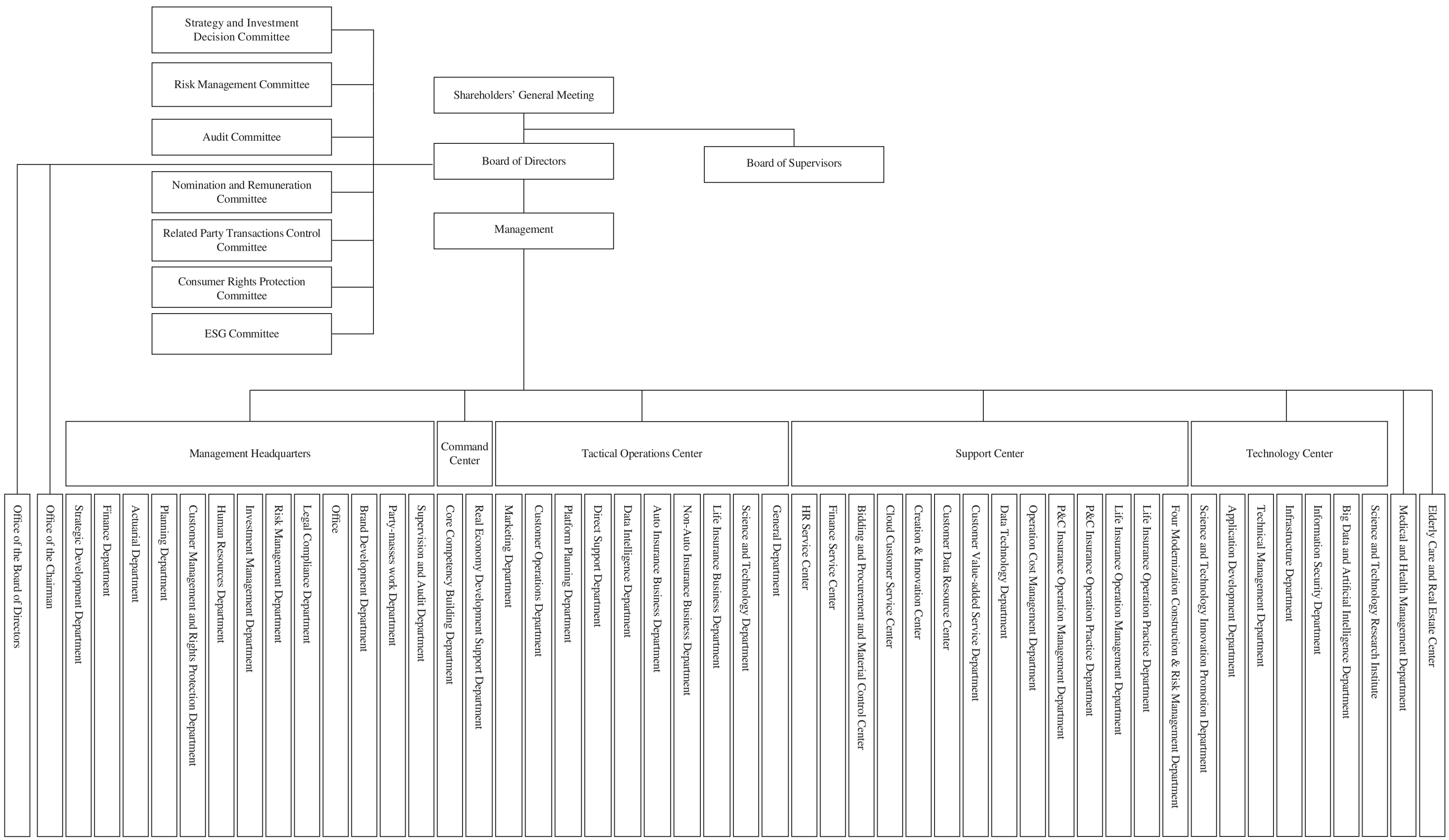
The chart below sets out our simplified shareholding structure immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes (1) to (14): See notes (1) to (14) in the section "— Shareholding Structure Immediately before the Global Offering"

Our Organizational Structure

The chart below sets out our main organization and management structure as of the Latest Practicable Date:



Corporate Governance Structure

The Company has a corporate governance structure in place, consisting of the Shareholders' general meeting, Board of Directors, Board of Supervisors and senior management.

Shareholders' general meeting

The Shareholders' general meeting is the supreme authority of the Company, which is mainly responsible for determining the Company's operating policies and investment plans, electing and replacing directors and supervisors who are not employee representatives and deciding on the matters relating to their remuneration, considering and approving the Company's annual financial budget plans, final financial plans, profit distribution plans and loss recovery plans, proposing resolutions on the merger, division, dissolution and liquidation or change of the formation of the Company and amending the Articles of Association.

Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting, which is mainly responsible for convening Shareholders' general meetings and reporting its work to the Shareholders' general meetings and implementing the resolutions of the Shareholders' general meeting, determining the Company's operation plans and investment schemes, determining the Company's debt and financial policies, formulating annual financial budget plans, final accounts plans, profit distribution plans and loss recovery plans, drafting plans for important acquisition or acquisition of the Shares of the Company or the plans of merger, division, dissolution and change of the formation of the Company, formulating proposals to amend the Articles of Association and formulating the Company's basic management system. The Board of Directors has seven specialized committees, including the Strategy and Investment Decision Committee, Risk Management Committee, Audit Committee, Nomination and Remuneration Committee, Related Party Transactions Control Committee, Consumer Rights Protection Committee and the ESG Committee.

Board of Supervisors

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

Senior management

The senior management is responsible for the daily operations of the Company. The Company has an executive committee consisting of the chief executive officer (CEO), general manager (chief operating officer), chief financial officer, deputy general manager and other personnel. The chairman of the Board or chief executive officer leads the work of the executive committee. The CEO is accountable to the Board of Directors and exercises the functions and powers with respect to the Company's daily operation and management in accordance with the specific authorization of the Board of Directors or the chairman.

OVERVIEW

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

We carry out our life and health insurance business mainly through Sunshine Life, offering approximately 140 products covering life insurance, health insurance and accident insurance. We carry out our property and casualty insurance business mainly through Sunshine P&C, offering over 4,000 property and casualty insurance products covering automobile insurance, accident and short-term health insurance, guarantee insurance, liability insurance, agriculture insurance and commercial property insurance. We primarily manage our insurance funds through Sunshine AMC.

- According to data published by the CBIRC and the Insurance Association of China, Sunshine Life ranked 12th among 91 PRC life insurance companies with a market share of 1.7% in terms of OPI in 2020.

- According to data published by the CBIRC and the Insurance Association of China, Sunshine P&C ranked seventh among 87 PRC property and casualty insurance companies with a market share of 2.7% in terms of OPI in 2020.

- As of June 30, 2022, our total investment assets amounted to RMB416,267 million. Our total investment yield was 5.8%, 6.5%, 5.4% and 4.2% (annualized) in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

We have achieved growth and development during the Track Record Period. Our GWPs increased from RMB87,907 million in 2019 to RMB101,759 million in 2021. Our net profit attributable to equity owners of the parent increased from RMB5,086 million in 2019 to RMB5,883 million in 2021. Our total assets increased from RMB332,558 million as of December 31, 2019 to RMB441,623 million as of December 31, 2021. In the six months ended June 30, 2022, our GWPs and net profit attributable to equity owners of the parent was RMB62,952 million and RMB1,727 million, respectively. As of June 30, 2022, our total assets amounted to RMB473,637 million. In 2019, 2020, 2021 and the six months ended June 30, 2022, our return on average equity was 11.0%, 10.6%, 10.3% and 6.1% (annualized), respectively.

We have a balanced business structure consisting primarily of life and health insurance business and property and casualty insurance business.

The table below sets forth the GWPs from our life and health insurance business and property and casualty insurance business during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	37,881	43.1	44,092	47.6	49,744	48.9	35,645	56.6
Accident insurance	1,597	1.8	1,240	1.3	932	0.9	387	0.6
Health insurance	8,640	9.8	9,772	10.6	10,150	10.0	6,026	9.6
Life and health insurance business	**48,118**	**54.7**	**55,104**	**59.5**	**60,826**	**59.8**	**42,058**	**66.8**
Automobile insurance	24,613	28.0	24,103	26.0	23,176	22.7	12,504	19.9
Non-automobile insurance	15,176	17.3	13,362	14.5	17,757	17.5	8,390	13.3
Property and casualty insurance[(1)]	**39,789**	**45.3**	**37,465**	**40.5**	**40,933**	**40.2**	**20,894**	**33.2**
GWPs	**87,907**	**100.0**	**92,569**	**100.0**	**101,759**	**100.0**	**62,952**	**100.0**

(1) Including GWPs from Sunshine P&C and Sunshine Surety.

The table below sets forth our OPI and the GWPs during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
Life and health insurance	48,118	55,104	60,826	42,058
Property and casualty insurance[(1)]	39,617	37,290	40,545	20,878
OPI	**87,735**	**92,394**	**101,371**	**62,936**
Life and health insurance	–	–	–	–
Property and casualty insurance[(1)]	172	175	388	16
Premiums ceded to us	**172**	**175**	**388**	**16**
Life and health insurance	48,118	55,104	60,826	42,058
Property and casualty insurance[(2)]	39,789	37,465	40,933	20,894
GWPs	**87,907**	**92,569**	**101,759**	**62,952**

(1) Including OPI from Sunshine P&C and Sunshine Surety.

(2) Including GWPs from Sunshine P&C and Sunshine Surety.

We provide individual and institutional customers with diversified insurance products and services through our nationwide sales and service network. As of June 30, 2022, Sunshine Life and Sunshine P&C had 2,855 branches, including 68 provincial-level branches and 2,787 city-level sub-branches, county-level sub-branches and sales service outlets, covering all provinces, municipalities and autonomous regions across the PRC, 94.3% of the prefecture-level cities and 63.0% of the districts and counties. In addition, we have 2,083 exclusive agency ("**EA**") outlets, which further expand our business network. As of June 30, 2022, Sunshine Life had approximately 62,000 individual insurance agents and over 5,400 bancassurance salespeople, providing life and health insurance products through its 27,628 bancassurance branches and outlets. As of June 30, 2022, Sunshine P&C had approximately 44,000 individual insurance agents and approximately 15,000 in-house salespeople. As of June 30, 2022, we had a large customer base consisting of approximately 31.5 million individual customers and approximately 800,000 institutional customers.

After more than ten years of growth and development, we believe that we have become an influential brand in the PRC insurance industry. Our reputation has in turn contributed to the competitive edge of our business. As of June 30, 2022, we ranked among the Top 500 Chinese Enterprises (中國企業500強) announced by the China Enterprise Confederation (中國企業聯合會) for the 11th consecutive year, and, for the tenth consecutive year, we were recognized as one of China's 500 Most Valuable Brands (中國500最具價值品牌) by the World Brand Lab (世界品牌實驗室). We believe that our healthy growth trajectory, comprehensive, balanced and competitive insurance business, continuous innovation and reform, outstanding asset management capabilities and technological capabilities, inspiring corporate culture and our professional talent will enable us to maintain our market leadership, capture the opportunities brought by the demand for high-quality insurance products and services in the PRC, and create value for our customers, shareholders, employees and partners.

OUR STRENGTHS

We have developed into an outstanding large, privately owned insurance group with a healthy growth trajectory and distinguished brand

We have maintained a healthy growth trajectory since our inception and become a driving force in the rapidly growing PRC insurance industry.

Our OPI increased from RMB4,153 million in 2007 to RMB101,371 million in 2021 at a CAGR of 26%, exceeding the industry average (calculated based on data published by the CBIRC) by 11 percentage points during the same period. Our total assets increased from RMB11,146 million at the end of 2007 to RMB441,623 million at the end of 2021 at a CAGR of 30%, exceeding the industry average (calculated based on data from the CBIRC) by 13 percentage points during the same period. In 2021, according to data published by the Insurance Association of China, we ranked eighth, seventh and fourth among 13 insurance groups in the PRC in terms of GWPs, net profit attributable to equity owners of the parent and return on average equity, respectively. In 2020, according to data published by the CBIRC and the Insurance Association of China, Sunshine P&C ranked seventh among 87 PRC P&C

insurance companies in market share and Sunshine Life ranked 12th among 91 PRC life insurance companies in market share in terms of OPI. In addition to our advantageous market position, our insurance business has strong growth potential. According to Sigma Reports, the PRC was Asia's largest and the world's second largest insurance market in terms of premiums in 2021, and is one of the fastest-growing insurance markets. According to the Sigma Reports, in 2021, insurance penetration and insurance density in the PRC was 3.9% and US$482 per person, respectively, which were lower than the global average in the same year. The PRC insurance market is still at a preliminary stage compared with other mature insurance markets. With inclusive and sustainable economic growth in the PRC, increasing social wealth, reforms of social welfare systems and demographic changes, we believe that the PRC insurance market will further expand, thus creating growth opportunities for our business.

As a growing privately owned insurance group, we have established a distinguished brand in the PRC insurance market through our strong comprehensive capabilities and outstanding operating performance. We are an emerging force in the financial industry and have won market recognition. In less than three years since our inception, we developed into an integrated insurance group and became the seventh insurance group in the PRC at that time. In less than five years since our inception, we have been successively selected as one of the Top 500 Chinese Enterprises (中國企業500強) by the China Enterprise Confederation (中國企業聯合會) and one of the Top 500 Chinese Services Companies (中國服務業企業500強) by the China Enterprise Directors Association (中國企業家協會). Sunshine P&C and Sunshine Life have achieved profitability in less than two years and six years after their establishment, respectively, and have continued to make profits so far. In 2021, we ranked 253rd among China's 500 Most Valuable Brands (中國500最具價值品牌) announced by the World Brand Lab (世界品牌實驗室) and were recognized as a Model Case of Chinese Enterprise Responsibility for 2020 (2020年度中國企業責任案例) in the 2020 Brand Forum held by the People's Daily (人民日報). In 2021, we ranked 194th among the Top 500 Chinese Enterprises (中國企業500強) announced by the China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會), and ranked 60th among the Top 500 Chinese Private Enterprises (中國民營企業500強) announced by the All-China Federation of Industry and Commerce (中華全國工商業聯合會).

Focusing on insurance as our core business, we strive to create value and maintain a comprehensive, balanced and competitive insurance business

We remain focused on our core insurance business and its value enhancement. We have achieved rapid growth with our relatively balanced business structure of life and health insurance business and property and casualty insurance business. In 2021, our GWPs were RMB101,759 million, of which the GWPs from life and health insurance business accounted for 59.8% and the GWPs from property and casualty insurance business accounted for 40.2%. In the six months ended June 30, 2022, our GWPs were RMB62,952 million, of which the GWPs from life and health insurance business accounted for 66.8% and the GWPs from property and casualty insurance business accounted for 33.2%. Meanwhile, our competitive management and operational capabilities ensure the continuous enhancement of our value creation capabilities. In 2019, 2020 and 2021, our net profit attributable to equity owners of the parent was RMB5,086 million, RMB5,619 million and RMB5,883 million, respectively, representing a CAGR of 7.6%. As of December 31, 2020, December 31, 2021 and June 30, 2022, our embedded value was RMB81,193 million, RMB93,776 million and RMB92,924 million, respectively. In the six months ended June 30, 2022, our net profit attributable to equity owners of the parent was RMB1,727 million.

Sunshine Life is committed to pursuing sustainable value growth. Sunshine Life has been optimizing its business structure and the revenue contribution from its regular premiums has been increasing. In 2019, 2020, 2021 and six months ended June 30, 2022, regular premiums of Sunshine Life amounted to RMB28,657 million, RMB35,382 million, RMB40,754 million and RMB27,835 million, respectively, accounting for 59.6%, 64.2%, 67.0% and 66.2% of the GWPs of Sunshine Life, respectively. Meanwhile, the new business value of Sunshine Life has increased as a result of the implementation of the value-oriented approach adopted in our sales channels. In the first half of 2022, Sunshine Life reached a value of half year's new business of RMB1,954 million, an increase of 0.4% year on year.

Sunshine P&C has developed steadily since its inception. With deep insights into industry trends, Sunshine P&C adopted a value-oriented approach and leveraged its advantages in risk pricing, an intelligent and differentiated resource allocation model as well as diversified sales channels to achieve stable development of its automobile insurance business. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from automobile insurance business accounted for 62.3%, 64.7%, 57.2% and 60.0%, respectively, of the total OPI of Sunshine P&C. In recent years, Sunshine P&C has put more emphasis on segments with growth potential, including policy-supported health insurance, policy-supported property insurance and agricultural insurance. In addition to the expansion of its traditional commercial insurance business, Sunshine P&C has been qualified to provide critical illness insurance covering urban and rural residents, major equipment (first set) insurance, new material insurance and policy-supported agricultural insurance. We have been developing our non-automobile insurance business. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from non-automobile insurance business accounted for 37.7%, 35.3%, 42.8% and 40.0% of the total OPI of Sunshine P&C, respectively. In addition, through engaging with our large customer base of automobile insurance business, we constantly diversify our insurance products to meet our customers' evolving needs, enhance customer loyalty and maximize customer value. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from cross-selling of non-automobile insurance products to customers of our automobile insurance business was RMB514 million, RMB773 million, RMB1,164 million and RMB602 million, respectively. During the same period, the OPI from cross-selling of life and health insurance products to customers of our automobile insurance business was RMB3,243 million, RMB3,404 million, RMB3,286 million and RMB1,611 million, respectively.

We drive collaboration among business segments across our Group and tap the potential of our intragroup operations to strategically expand our market share. In 2019, 2020 and 2021, GWPs from cross-selling of our property and casualty insurance products and life and health insurance products were RMB7,034 million, RMB7,445 million and RMB7,495 million, accounting for 8.0%, 8.0% and 7.4% of our GWPs for the relevant year, respectively.

We have become one of industry pioneers by driving our business with innovation

Since innovation and reform are essential to our management and employees, we strive to innovate in every aspect of our management and operations. Since 2009, we have conducted annual innovation reviews to reward outstanding innovation projects and initiatives. Since 2016, we have set up the "Key Product Innovation Award (重大產品創新獎)."

Through the systematic and productive innovation of our products, business models and services, we have enhanced our competitiveness and enabled sustainable business development.

- ***With deep insights into industry trends, we continue to capture business opportunities with high-quality products, identify customers' needs for insurance protection and optimize our product offerings through innovation.***

  Sunshine Life continued to drive its business growth through product innovation. For example, in 2019, it launched "Sunshine Rise Whole Life Insurance (陽光升終身壽險)," which received the "Outstanding Insurance Product for 2020 Award (2020年度優秀保險產品獎)" in the "21st Century Asia Financial Competitiveness Annual Conference (21世紀亞洲金融競爭力年會)" held by 21st Century Business Herald (21世紀經濟報道). The GWPs of this product were RMB2,083 million in 2020, ranking among Sunshine Life's top five products of that year. In 2021, Sunshine Life launched "Sunshine Protection for Children (陽光保少兒版)," which won the "Outstanding Product Innovation Award (優秀產品創新獎)" in the "Capital Market Summit and Golden Jubilee Award Selection Ceremony for 2021 (2021中國金禧獎評選)." With the increasing market penetration of commercial insurance, Sunshine Life launched the "Sunshine Protection (Exclusive Version) (陽光保(尊享版))," "Sunshine Security (Exclusive Version) (陽光護(尊享版))" and other products in February 2021 to meet the needs of existing customers for product diversification and additional insurance coverage. From the product launch to December 31, 2021, the first-year premiums ("**FYPs**") from these two products reached nearly RMB239 million, accounting for 11.7% of the FYPs generated through the individual insurance agent channel for the same period. The number of new policies sold of these two products was approximately 45,000, accounting for 17.0% of new policies sold through the individual insurance agent channel for the same period. Sunshine Life has been optimizing its product offerings through innovation in line with the PRC's social development and relevant government policies. For example, to timely respond to the reform of health insurance for the elderly, Sunshine Life became one of the first three PRC insurance companies qualified to operate "Tax-deductible Health Insurance (稅優健康保險)" business in February 2016, and became one of the first insurance companies qualified to operate "Tax-deferred Pension Annuity (個人稅收遞延型養老保險)" insurance business in May 2018.

In January 2019, Sunshine P&C launched the "Continued Enforcement Liability Insurance (繼續執行責任險)," an innovative product in the industry, to assist the courts in solving the difficulty in enforcement and enhancing enforcement efficiency. The product has won the "Outstanding Award of Innovative Insurance Products of the Year (年度創新型保險產品卓越獎)" at the tenth "'Golden Fortune' Award Presentation Ceremony (第十屆'金理財'獎頒獎典禮)" of the 2019 SSE Wealth Management Forum (2019上證財富管理論壇) held by Shanghai Securities News (上海證券報). In June 2021, Sunshine P&C launched the "Travel Agency Service Quality Guarantee Insurance (旅行社旅遊服務質量保證金履約保證險)" to help travel agencies manage their needs for working capital and bank facilities, as well as alleviating their operating pressure. In addition, Sunshine P&C launched the "Oil Spill Environmental Pollution Liability Insurance (溢油環境污染責任險)" in 2020, which won the "Green Finance Pioneer Innovation Award (綠色金融先鋒創新獎)" in the "Model Case of Innovative Green Finance for 2020 (2020年度優秀綠色金融創新案例)" held by the Financial Society of Shenzhen (深圳金融學會).

- ***Responding quickly to market needs, we are committed to business model innovation by transforming key elements such as channel strategy, team building and operational framework.***

Since its inception, Sunshine Life has adopted a multichannel strategy to better adapt to the latest industry trends. Since 2020, Sunshine Life has been launching "Breakthrough Projects" through its individual insurance agent channel in core cities and provincial capitals. In 2021 and the six months ended June 30, 2022, Sunshine Life generated first-year regular premiums ("**FYRPs**") of RMB285 million and RMB192 million in five core cities, namely Beijing, Shanghai, Guangzhou, Shenzhen and Ningbo and the urban areas of 19 provincial capitals, including Nanjing, Xi'an, Chengdu and Changsha, representing a period-on-period increase of 7.4% and 18.2%, respectively. Meanwhile, the service quality, professional competencies and productivity of insurance agents in the aforementioned regions have been significantly enhanced. Specifically, in 2021, the percentage of newly recruited insurance agents with tertiary education or higher reached 46.3%, representing an increase of 9.9 percentage points from 2020. In the six months ended June 30, 2022, the percentage of newly recruited insurance agents with tertiary education or higher reached 49.0%, representing an increase of 9.0 percentage points from the same period in 2021. In 2021 and the six months ended June 30, 2022, average productivity per active agent per month (based on annualized standard premiums(1)) in the aforementioned five core cities and the urban areas of 19 provincial capitals exceeded RMB13,000 and RMB18,000, respectively, representing a period-on-period increase of 17.8% and 21.9%, respectively. Sunshine Life has developed a multilayered and multidimensional customer

(1) Annualized standard premiums are calculated by normalizing policy premiums into the equivalent of regular annual payments. This is particularly used when the sales contain both single premium and regular premium business.

relationship management architecture based on customer segmentation. For example, Sunshine Life launched the "Sunshine Sincere Desire (陽光•橙意)" customer service system to provide mass-market customers with a holistic solution covering the entire life cycle, which includes health insurance products and health management services. Sunshine Life also launched the "Sunshine Legacy (陽光•臻傳)" operations system for high-net-worth customers in June 2021, which caters to customers in terms of professional competence, product offerings and exclusive value-added service offerings. In the second half of 2021, policies with annualized standard premiums of RMB150,000 or more issued through the individual insurance agent channel increased by 223.7% over the same period in 2020. In the six months ended June 30, 2022, policies with annualized standard premiums of RMB150,000 or more issued through the individual insurance agent channel increased by 396.0% over the same period in 2021.

Focusing on exclusive agency outlets ("**EA outlets**"), Sunshine P&C has adopted an innovative business strategy to establish a simple and standardized operating model through the integration of a digital platform and bricks and mortar stores. We use big data technology to continually optimize staffing, location and layout of the EA outlets. As of June 30, 2022, Sunshine P&C had 2,083 EA outlets, which further expand our business network. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from EA outlets reached RMB1,213 million, RMB1,897 million, RMB2,132 million and RMB1,234 million, respectively. Following the comprehensive reform of the automobile insurance industry launched by the CBIRC in September 2020 covering aspects such as pricing, fee structures and product coverage, Sunshine P&C has upgraded the traditional automobile insurance pricing model with artificial intelligence ("**AI**") and big data technology to establish the "intelligent life table for automobile insurance (車險智能生命表)" management system. Based on customer segmentation, we are capable of providing customized pricing and services as well as achieving differentiated management strategy in accordance with the guidelines generated by such system. Through such system, Sunshine P&C has effectively expanded its customer base and optimized its business structure.

We explore private domain customer management by directly connecting with our customers via our WeCom account. We analyze and segment our customers to achieve standardized and scalable customer management and acquisition. The conversion rate for new automobile insurance customers of our WeCom account reached 12.4% for the month of June 2022, which were higher than that of our traditional online channel, demonstrating the potential of the private domain customer management model.

In addition, we adopt a "red-yellow-blue" management methodology focusing on value creation. By applying such methodology on operational management, business development and risk management, we have visualized the performance of each business segment and achieved standardized and differentiated management, which further enhances our management competencies.

- ***We continually drive innovation in our claim settlement services and strive to provide our customers with a superior claim settlement experience.***

Via the "My Home Sunshine (我家陽光)" APP, Sunshine Life enables customers to complete self-services including claim reporting, claim application and claim progress inquiry throughout the entire claim settlement process. In 2021, approximately 98.0% of our claim settlement services could be accessed online. In the six months ended June 30, 2022, approximately 99.4% of our claim settlement services could be accessed online. In terms of improving the timeliness of claims settlement services for small claims cases, Sunshine Life has developed and launched a "speedy claim" feature. Together with Sunshine Union Hospital (陽光融和醫院), Sunshine Life has also launched the "Sunshine Union Direct Payment (陽光融和直付)" service model to provide customers with a one-stop streamlined medical expense claim settlement service with application waiver and minimum waiting time.

Sunshine P&C has developed "One-click Compensation (一鍵賠)," a smart tool for automobile insurance that expedites the loss assessment process for small claim cases, which includes a customer service APP and a WeChat mini-program. This tool allows the entire loss assessment and claim settlement to be completed promptly. This tool also enables remote video inspection supported by Optical Character Recognition ("**OCR**") image recognition technology. In 2021 and the six months ended June 30, 2022, "One-click Compensation" completed approximately 1.2 million and 0.47 million claim settlement services, respectively. Using augmented reality ("**AR**") intelligent loss assessment technology, Sunshine P&C developed and launched "Quick Claims (閃賠寶)" in May 2021, a one-stop automobile insurance claim service product for small claim cases featuring on-site loss assessment, quality commitment, guaranteed repairs and direct and fast compensation. In addition, we established the Sunshine Injury Assessment Center based at the Sunshine Union Hospital, which is staffed with medical experts with an average clinical experience of over five years to conduct centralized reviews of nationwide personal injury cases. This innovative personal injury claim settlement platform connects each stage of the review process and enables us to centrally manage the entire process from the initial injury assessment to the final review of claims, which won third prize in the 2020 Fintech Development Award selection sponsored by the People's Bank of China (中國人民銀行2020年金融科技發展獎). Sunshine P&C was rated Grade A for the fourth consecutive year in the CBIRC's evaluation of insurance companies' services. It has won a number of awards, including the "Annual Service Innovation Award for the 15th China Insurance Innovation Awards (第十五屆中國保險創新大獎年度服務創新獎)" and "Excellent Insurance Company for Customer Services Award (年度卓越客戶服務保險公司)" from China's Insurance Industry Ranking 2020 (2020年中國保險行業風雲榜).

We have a strong asset management capability supported by our asset allocation strategy and professional talent

We focus on asset-liability management and have crafted a structured asset allocation strategy. We adhere to a prudent, professional and compliant investment philosophy. In practice, we focus on asset-liability matching while factoring in investment constraints such as risk appetite and capital requirement, which constitutes the basis for formulating the long-term and liability-driven strategic asset allocation plan. In addition, based on an in-depth analysis of the macroeconomy, we dynamically perform tactical asset allocation adjustments to optimize our investment portfolio and achieve stable long-term investment returns matching our liabilities.

We have long-term asset management experience and outstanding investment capability. To effectively improve our asset-liability management and matching, we have set up investment management departments in our Company, Sunshine Life, Sunshine P&C and Sunshine Surety to be responsible for asset-liability management, strategic asset allocation, entrusted investment management and alternative investment management. As a professional asset management company, Sunshine AMC is the entrusted asset manager of our Group, through which we manage the insurance funds within our Group and vigorously carry out third-party asset management business. It has accumulated profound long-term asset management experience, with investment and management capabilities across multiple asset classes, investment channels and markets. With years of strong investment performance and the steady growth of third-party asset management business, Sunshine AMC has won a number of awards. For example, Sunshine AMC was selected as the "Insurance Asset Management Institution Worthy of Trust (值得託付保險資管機構)" by the Economic Observer (經濟觀察報) from 2017 to 2021, the "Excellent Insurance Asset Management Company of the Year" (年度卓越保險資管公司) by National Business Daily (每日經濟新聞) for 2016 as well as between 2018 and 2021. It also won the "First Insurance Investment Golden Bull Award (首屆保險投資金牛獎)" for its two products in 2021. As of December 31, 2021, the assets under management ("**AUM**") entrusted to Sunshine AMC amounted to RMB653,621 million, representing an increase of 16.7% from the end of 2020, among which our third-party AUM amounted to RMB341,708 million, representing an increase of 53.6% from the end of 2020. As of June 30, 2022, the AUM entrusted to Sunshine AMC further increased to RMB769,450 million, among which our third-party AUM amounted to RMB429,299 million.

We greatly value our talent and aim at building an outstanding, experienced and professional asset management team. As of June 30, 2022, our Group had a total of 148 employees in the professional investment and research team, among which, 134 had a master's degree or above. Our professional asset management team includes 113 employees with more than five years of relevant experience, and 66 with more than ten years of experience.

We put utmost emphasis on risk management and control by setting up a comprehensive top-down risk management system, unifying the risk management and compliance standards in asset management, establishing a sound risk management and response mechanism through different stages of investment activities and strengthening asset allocation monitoring and post-investment management in our daily work. Meanwhile, with deep insight into the nature of the asset risks, we have taken precautions against external risks to effectively prevent and mitigate the adverse impact of such risks.

Through the above measures, we continually improve our investment management system, enhance our investment capabilities and achieve outstanding investment performance. In 2019, 2020, 2021 and the six months ended June 30, 2022, our total investment yield was 5.8%, 6.5%, 5.4% and 4.2% (annualized), respectively.

By building a robust insurance ecosystem, we strive to better serve our customers with scenario-based products and solutions

Evolving around our core insurance business, we have built a robust ecosystem through internal resource synergy, strategic investment and external collaboration. Faced with the increasing demand for strong professional competencies in delivering insurance services, we have actively engaged our partners to integrate resources and collaboratively serve our customers. Starting from our insurance product offerings, we continue to identify customers' needs throughout the entire life cycle and focus on scenarios including medical, health and elderly care as well as education, which enables us to provide customers with high-quality products and services closely aligned with their needs.

In terms of medical care and health management services, we provide diversified medical care services to customers by utilizing the internal resources of our own hospital. Sunshine Union Hospital (陽光融和醫院) is the first large-scale general hospital invested and established by an insurance company in the PRC. By introducing the then cutting-edge medical imaging diagnostic equipment, the Hybrid PET-MR scanner, we enable our high-net-worth customers to complete a full body examination in a single visit, which provides guidance for subsequent treatment and recovery.

Sunshine Life has collaborated with medical and healthcare service providers in the industry to launch the "Three Care Free (三無憂)" series of products, to provide customers with health management planning services covering different stages. "Medicine Care Free (藥無憂)" includes services such as online medical consultation and prescription coupons. "Medical Care Free (醫無憂)" includes services such as video consultation, expedited registration and second medical opinions from specialized hospitals. "Health Care Free (康無憂)" includes comprehensive nutrition and health management services. Sunshine P&C has collaborated with a digital chronic disease management solution provider to offer value-added insurance services for chronic disease patients. We then jointly initiated the "Tianjin City Insurance (津城保)" in 2020, an insurance plan for the benefit of residents in Tianjin, to provide an innovative solution integrating insurance products and chronic disease management. In addition, we have entered into a strategic collaboration framework agreement with the exclusive China diagnostics partner of a world-class, comprehensive high-end medical service institution. Through an innovative business model comprising integrated diagnosis and medical care benefits, we offer our high-net-worth customers a triple-layered service package covering different stages of critical illnesses, including preliminary screening, diagnosis and cross-border medical care and treatment.

In terms of elderly care and education services, in January 2021, we created the integrated service model comprising Sunshine Life insurance policies and the "Sunshine Home (陽光人家)" elderly care community. Through integrating internal and external resources of the Group, we provide our customers with pre-arrival and post-stay services to meet their health and elderly care needs for all phases of their lives. The pre-arrival services include health services, vacationing residents program across different care communities and life services, while the post-stay services include comprehensive medical care, social entertainment and quality of life services. This innovative service model aims at solving the pain points for our customers due to the lack of high-quality elderly care solutions, while driving the growth of our life and health insurance business. We have also launched the "Family Care Free (孝無憂)" at-home elderly care service system. Through integrating various elderly-friendly services, we provide those of our customers' parents who choose to live at home with value-added services including year-round video doctor consultation, online ordering of medication, outpatient visits, inpatient care express and year-round regular nurse visits to conduct basic physical examinations and provide home exercise guidance.

We collaborate with an international education institution to provide our customers' children with customized one-stop overseas education services including academic planning, tutoring services, essential quality-oriented training programs and personalized application consultations, which have diversified our value-added service offerings and enhanced customer experience.

Capitalizing on the power of technology, our digital transformation empowers our business

We adopt a comprehensive digital transformation strategy focusing on the digitalization of customer insights, marketing, risk control and operations. We have achieved great progress in areas such as precision marketing, sales training, operational efficiency enhancement and risk control management.

- ***Digitalized customer insights.*** We gain better insights into our customer composition by focusing on their demographic attributes, types of underwriting, types of claims, behavior, health status and credit profile. Our self-developed customer data platform provides ongoing technical support to help us gain deeper customer insights.

- ***Digitalized marketing.*** With our self-developed AI technology, we have established three smart service platforms of speech recognition, natural language processing ("**NLP**") and OCR image recognition, and introduced sales trainer, virtual sales assistant and other robot programs to empower our business development. The sales trainer provides training support through AI technology. Simulating real business scenarios of salespeople and customers, the sales trainer conducts one-on-one exclusive speech training and helps salespeople quickly improve their sales performance. We use the virtual sales assistant in private domain sales scenarios to enhance the skills of our online sales representatives and to improve work efficiency through features such as assistance on talking points. Meanwhile, through functions including online consultation Q&A and sales performance evaluation, the virtual sales assistant supports online sales representatives during the service process to provide customers with efficient, customized and consistent sales services while effectively supervising sales practices.

- ***Digitalized Risk Control.*** We use big data modeling and machine learning to enhance our risk control capabilities in key operating processes such as risk identification and pricing, claim settlement, anti-fraud and anti-money laundering. For risk control in life and health insurance, in 2019 we developed the "Smart Underwriting Brain (智能核保大腦)," which is a digital underwriting system comprising a high-risk customer identification model, smart underwriting engine, smart underwriting robot, smart underwriting AI and Skynet System. As of June 30, 2022, the "Smart Underwriting Brain" had identified 8,850 high-risk insurance policies with a total sum assured of approximately RMB335.3 million. For risk control in automobile insurance, we use risk control models targeting issues such as claim leakage and organized crime to generate anti-fraud risk labels to be used in processes including customer risk screening and personal injury claim settlement. By these means we have effectively reduced our insurance claim costs. For risk control in credit and guarantee insurance, we have a customer risk identification system comprising the credit risk assessment model for underwriting, fraud risk assessment model, credit model, a customer behavior assessment model focusing on risk changes during the insurance process and collection model based on the projection of customer risk deterioration during the post-insurance process.

- ***Digitalized Operations.*** We constantly optimize our business segments and operating processes according to customer needs. We enhance customer experience, reduce operating costs and improve operational efficiency through our digitalized, platform-based and intelligent operations. We initiated "Project Phoenix (鳳凰工程)" in 2016, providing easy-to-use mobile applications for our customers, agents and employees, which not only give customers digital access to our services but also enhance our operational efficiency. Since 2019, we have focused on enhancing our online customer service and automated self-service in our business operations. As of June 30, 2022, over 90.0% of the services offered by Sunshine P&C and Sunshine Life could be accessed by customers through our online self-service, remote service and smart tools. Our self-developed customer service chatbot has played an important role in our digitalized operations. Through speech recognition, NLP and voice synthesis technology, the chatbot provides intelligent customer services and online self-services to our customers.

We leverage our strong technological capabilities to support the digital transformation of our business. For example, we have adopted DevOps method and used cloud computing technologies to help us effectively manage our operational processes, improve collaboration and productivity across our Group, accelerate time-to-market in terms of product and service offerings, and enhance business agility to timely respond to our customers' needs. In addition, in 2021, our self-developed NLP algorithm won the Silver Award in the financial institution sector in the "First Best Practice of Global Algorithm (首屆全球算法最佳實踐典範大賽金融賽道銀獎)." In addition, on March 10, 2021, our self-developed image recognition algorithm ranked among the top three in the top-notch global competition ICDAR SROIE, which remains the highest ranking among industry peers in China.

We focus on continually building our technological capabilities. In 2019, 2020, 2021 and the six months ended June 30, 2022, our spending on technology development was RMB867 million, RMB1,012 million, RMB1,077 million and RMB523 million, respectively, representing 0.9%, 0.9%, 0.9% and 0.8%, respectively, of our total revenue for the same periods. According to data published by the Insurance Association of China, the aggregate spending on information technology by the PRC insurance institutions in 2020 was RMB35.1 billion, representing 0.6% of the total industry revenue in the same year. As of the Latest Practicable Date, we had registered 21 patents, covering technologies such as AI, big data and information security.

Guided by our entrepreneurship and inspiring corporate culture, we have a balanced shareholding structure, well-established corporate governance and a team of experienced professional talent led by our visionary management

We have an inspiring corporate culture and keen entrepreneurial spirit. Our founder, Mr. Zhang Weigong (張維功), started our business in May 2004 and founded Sunshine P&C in a market-oriented way over 14 months, which laid the foundation for the establishment of Sunshine Insurance Group. Our inspiring corporate culture evolves around the entrepreneurial spirit of "challenge and persevere (敢於挑戰、堅韌不拔)" and our value creation principle, significantly enhancing our employees' morale and fundamentally driving our continuous growth. Our inspiring corporate culture permeates every aspect of our management to guide our business development and operations. We adopt a pragmatic approach to innovation and believe that "innovation is the inexhaustible driving force, requiring quick response, bold decision-making and courage to lead the market," as well as "in regard to entrepreneurial management, actions are more important than talks." We have a decentralized and diversified mixed-ownership structure with the participation of state shareholders, private shareholders and employee share ownership, as well as a sound corporate governance structure, which contributes to the sustainable and healthy development of our Group.

The senior management of our Company and principal subsidiaries, namely Sunshine P&C, Sunshine Life and Sunshine AMC, consists of experienced industry experts in the PRC financial industry. On average, they have over 25 years of experience in the insurance and financial industry. They have outstanding achievements, distinguished professional competencies, keen entrepreneurial spirit and strategic vision in insurance business management, financial management and financial technology. With long-term organizational stability and outstanding performance, they play a significant role in our sustainable and strategic business development. Our founder, chairman of the Board and chief executive officer, Mr. Zhang Weigong, has nearly 40 years of experience in financial and insurance management. He has worked in the PICC and the CIRC, and has served as secretary of the Party Committee and head of the Nanjing special commissioner's office of CIRC (中國保監會

南京特派員辦事處) and the secretary of the Party Committee and director of the Guangdong Bureau of the CIRC (中國保監會廣東監管局). Analyzing problems from multiple perspectives, he provides us with guidance from the aspects of market and supervision, risk and opportunity. He encourages innovation and reform, views "determination" as an essential quality for financial management and advocates a down-to-earth style in conducting business activities. He has been awarded various honors, including "Top 60 Chinese Insurance Persons in 60 Years of New China (新中國60年中國保險60人)," "China Finance Person of the Year (中國金融年度人物)," "Outstanding Entrepreneur of China (全國優秀企業家)," "Influential Person of Insurance Industry (保險業風雲人物)" and "CCTV China Economic Person of the Year (CCTV中國經濟年度人物)."

Based on our keen entrepreneurial spirit and inspiring corporate culture, we attract top-performing talent who share our cultural identity through our efficient talent management, training and incentive programs. We continue to promote upward mobility for young talent, strategically enhance the core competencies and professional skills of our employees, as well as formulate a comprehensive performance evaluation and review system. We are one of the PRC insurance institutions approved by the relevant regulatory authority to implement employee stock ownership plans ("**ESOP**"). See Note 8 to "History — Our Shareholding and Corporate Structure — Shareholding Structure Immediately Before the Global Offering." We began to implement our ESOP in 2015, under which nearly 4,000 employees became our shareholders, which has greatly enhanced the morale and competitiveness of our employees.

OUR STRATEGIES

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

Individual customer strategy: to provide our individual customers with high-quality, customized and comprehensive services in accordance with their family's structure and life stages

Through the construction of a family insurance product system, family insurance account management and family insurance brand building, we seek to connect with our customers' families through individual customers, starting from a single insurance product and gradually expanding to a comprehensive protection solution consisting of life and health as well as property and casualty insurance products. Based on the specific family structure, family life stage and financial profile of our individual customers, we will provide them with personalized protection solutions closely aligned with the goals and needs of their families. In doing so, we aim to set up a safety net for our individual customers and their families to achieve effective family risk management. Based on our deep understanding of the core needs of different families, we will continue to provide our customers with high-quality, customized and comprehensive services and strive to develop our Sunshine brand featuring family life cycle protection solutions. Together with our partners, we plan to provide comprehensive services to the families of our high-net-worth customers, including high-end medical and healthcare services, education consultation services and elderly care services. Together with our partners, we plan to provide comprehensive services to the families of our mass-market customers, including high-quality medical and healthcare services, education consultation services and home-based elderly care services.

With our customer insight capability, we will be able to better identify the preferences of individual customers and their families and plan accordingly for subsequent sales and services, thereby helping the sales team provide reasonable and accurate recommendations. In addition, we will continue to empower our sales team by using our intelligent recommendation system through our virtual sales assistant.

Institutional customer strategy: to serve enterprises as their trusted risk management partner

We strive to establish a differentiated operations system according to customer segments in order to serve national strategies, support the development of the real economy and assist with technological innovation. We aim to further enhance our professional competencies in serving large, medium-sized and small enterprises, agriculture and policy-supported sectors. In addition, we will further strengthen our product and service innovation to be better positioned for opportunities brought by a low-carbon economy and development of digital technology.

We will continue to enhance our risk management capabilities for institutional customers, develop pricing advantages and customize professional risk management solutions for our institutional customers. Through technology-enabled risk detection and risk control, we strive to become a trusted partner of our institutional customers in providing comprehensive risk management services. Focusing on value creation, we will continue to maximize the value of our high-quality customers and developing our high-value business segments.

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

To develop the individual insurance agent channel of our life and health insurance business focusing on differentiated service delivery strategy and market needs: We will build a number of vibrant and highly qualified teams of agents in first-tier, new first-tier and certain second-tier cities to optimize our organizational structure. Through our consultative sales approach based on Need Based Selling ("**NBS**") philosophy and customer insights, we will continue to enhance the professionalism of our insurance agents in providing risk protection solutions and wealth management services. We will continue to deliver value-added services to our mass affluent customers. In certain third-tier and other lower-tier cities, we will further enrich our product portfolio and diversify our value-added services for our mass-market customers while steadily enhancing the service quality and productivity of our sales team. In addition, we will cultivate a team of Legacy Planners (臻傳規劃師) for our high-net-worth customers. Our Legacy Planners will provide value-added services in addition to family risk management and wealth management services. For example, they aim to provide risk management solutions for small and medium-sized enterprises ("**SMEs**"), as well as asset preservation and asset allocation services.

To continuously drive sustainable growth in the bancassurance channel, increase channel differentiation and expand our customer reach to bring in more high-quality customers: Focusing on the high-value regular premiums insurance business, we will continue to develop our differentiated channel strategy, boost channel collaboration and enhance productivity at our bancassurance branches and outlets through workforce capacity building. We will continue to optimize our product offerings through innovation, such as annuity insurance products, to better satisfy the retirement protection needs of our customers. We will continue to diversify our product offerings and our value-added service offerings to better serve our customers through our integrated ecosystem resources and enhance our competitiveness.

To continue enhancing the professional competencies across all channels of our property and casualty insurance business: We will continue to strengthen and optimize our traditional direct sales channels to provide our customers with more diversified services while enhancing our group sales capability through sales team building. In addition, we plan to promote alternative direct sales channels by integrating the online sales channel and telesales channel, directly connecting our customers. We aim to further strengthen our collaboration with automobile manufacturers and brand car dealerships to bring in more mass affluent and high-net-worth customers. We aim to further develop our EA outlets channel to maintain and strengthen our competitive advantages. Through our EA outlets channel, we plan to further promote the model that integrates our digital technology platform and offline business development.

To further grow alternative channels through worksite marketing and private domain marketing: Leveraging intragroup collaboration among our subsidiaries, we aim to further grow our alternative channels through worksite marketing and private domain marketing.

In terms of worksite marketing, we will continually maximize the value of our existing institutional customers while bringing in new ones. Through in-depth collaboration with our institutional customers, we will provide insurance protection plans and benefits including medical, health and elderly care services to the employees and their families of our institutional customers, so as to expand our high-end individual customer base.

In terms of private domain marketing, we adhere to the customer-oriented approach. We will continue developing our closed-loop customer management system spanning online customer acquisition to customer conversion and retention through private domain customer management and online customer services. We will continually advance our big data technology to analyze and segment our customers as well as to effectively interact with them through content creation and online community building. Adopting a digitalized and standardized customer management strategy, we aim to achieve scalable customer acquisition online and sustainably enhance our profitability.

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

To further deepen digital customer insights capabilities: We plan to optimize our customer information system and data platform, refine our customer analysis capabilities as well as deepen our scenario-based customer insights through segmenting our customers.

To further enhance digitalized marketing: With our deep customer insights, we plan to continually enhance our digitalized marketing, product-service matching, content creation, marketing activity management and performance management, to accurately identify customers' needs according to key use scenarios and characteristics of different channels. We will continue to build and develop the multifunctional closed-loop system for digitalized marketing activities to accurately match customers with our sales teams and products. We believe that this system will enhance sales team productivity, channel building and customer conversion efficiency.

To further enhance digitalized product innovation: By optimizing models and establishing an intelligent risk quantification lab, we aim to drive the innovation of our life and health insurance products through continually advancing our big data technology. We will continue to accelerate the innovation of automobile insurance products, facilitate R&D of our non-automobile products according to the latest industry trends and provide customized products and services to our customers.

To further enhance digitalized operations: We will continue to optimize our operating processes according to customer needs, comprehensively improve customer experience, reduce operating costs and improve management efficiency through our steady online, digital and intelligent transformation. In addition, we will further optimize the "intelligent life table for automobile insurance" to develop industry-leading risk pricing and accurate risk identification capabilities.

To further enhance digitalized risk control: We will continue to advance our big data modeling and AI technology to enhance our risk control capabilities including risk identification and pricing, claim settlement, anti-fraud and anti-money laundering. We aim to further improve our capabilities in areas such as digital compliance, intelligent auditing and risk alert.

To further promote digitalized organizational transformation: We seek to further attract technology talent to increase the proportion of such employees in our workforce and maximize their value in technological advancement and innovation. We will continue to promote effective workplace collaboration between our technology talent and business talent, aiming to nurture a pool of technology talent with innovative product development capabilities and advanced digital skills. Capitalizing on the power of technology, we will continue to improve our intelligent management and organizational structure through a big data and AI platform. Empowered by such dynamic organizational structure, we aim to flatten the managerial hierarchy to achieve flexibility and agility in our daily operations.

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

To enhance the professional competencies of investment management and to secure stable long-term returns: Based on our in-depth investment research, we will continue to enhance our asset allocation capacity by gaining insights into the fixed-income asset allocation cycle. We will also continue to enhance our equity asset management capability, optimize our asset allocation structure and ensure stability of long-term returns.

To optimize the asset-liability management framework and refine insurance account management: We will further enhance our asset-liability management and craft differentiated allocation strategies according to insurance accounts to reasonably match maturity structure, cost-benefit as well as cash flow.

To comprehensively upgrade the investment risk control system through the combination of technological and systematic construction: We will continue to develop our data-based investment risk control capacity by establishing a multilayered investment decision-making process, enhancing our risk assessment capability, identifying risk compliance issues in advance and improving risk control measures. We will continue to optimize the risk monitoring and alerting mechanism through our "red-yellow-blue" management methodology.

To enhance asset management ability and improve market competitiveness: We will continue to introduce market-oriented competition mechanism and raise service awareness within our Group. With the competitive advantage of our core insurance business and external resources, we will continue to optimize our investment management system and vigorously develop the wealth management business in terms of product offering, customer management and channel building. In addition, we strengthen our collaboration with other asset management institutes through financial services and investment research services, so as to continually boost the growth of our asset management business and strengthen our strategic research capacity.

To strengthen the synergy between strategic investment and our core insurance business and continuously empower our investee companies: We will continue to strategically invest in medical, health, education, elderly care and other insurance-related industries. Based on customer needs and insurance-related scenarios, we will continuously deliver customized services to enhance customer stickiness. We will jointly develop innovative insurance products with our investee companies to form synergies and promote the development of our core insurance business. In addition, by continuously empowering our top-performing investee companies, we aim to establish mutually beneficial partnerships with them and simultaneously grow our business.

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

To create a comprehensive medical care service model by integrating the resources of Sunshine Union Hospital, specialized hospitals and other medical service providers: Based on the customer base of our core insurance business, we will continue to provide our customers with comprehensive medical care and healthcare services in a triple-layered structure. In terms of the first layer, we will fully leverage the resources of Sunshine Union Hospital including specialized practices and medical experts. In terms of the second layer, we will use the resources of the specialized hospital chains to strategically expand our customer reach, diversify our offline service offerings and generate synergies with our core insurance businesses. In terms of the third layer, we will use the resources of other medical service providers such as community medical service stations, outpatient clinics, healthcare stations and enterprise medical rooms to provide health management services, recovery management services and home care management services.

We will continue to provide high-quality medical care and healthcare services by integrating domestic and foreign resources to build a comprehensive ecosystem comprising hospitals, doctors, pharmaceuticals and other health service providers. In addition, we will leverage favorable policies issued by the Bo'ao Pilot Zone and Hengqin Free Trade Zone to introduce advanced medical technologies, medications and equipment to China.

We will continue to build continuing care retirement communities ("**CCRC**") in first-tier and new first-tier cities and to further develop our elderly care business by means of equity investment, strategic collaboration and brand management. We strive to build a well-known brand of "Sunshine Home," establish a comprehensive elderly care business and enhance our service quality. We will continue to promote synergies between our core insurance business and the elderly care business to deliver a diverse set of elderly care services.

To build an online medical care and healthcare service platform: We plan to continually develop the online medical care and healthcare service platform based on the existing system of our Sunshine Union Hospital. With a customer-oriented approach, we strive to enhance our online service and resource integration capability through such platform, delivering essential medical resources and third-party services to customers such as our policyholders and elderly care community residents. We will continue to provide our customers with customized services such as online diagnosis, family doctor and chronic disease management to enhance the quality of medical service and to elevate customer experience. In addition, by adhering to the concept of "service generates data and data drives service," we seek to provide health services through a data-driven online platform and expand our online customer base to drive the growth of our core insurance business.

OUR BUSINESSES

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

We carry out business operations primarily through three segments: (i) life and health insurance; (ii) property and casualty insurance; and (iii) asset management and investment. We also operate other businesses including elderly care communities, Sunshine Union Hospital, hotels and real estate related business and investment.

LIFE AND HEALTH INSURANCE

Overview

We provide a wide range of life and health insurance products and services in the PRC through Sunshine Life. Established in December 2007, Sunshine Life is mainly engaged in life insurance, health insurance and accident insurance business. Since its inception, Sunshine Life has developed rapidly and increased in value. According to data published by the CBIRC and the Insurance Association of China, Sunshine Life ranked 12th among 91 PRC life insurance companies with a market share of 1.7% in terms of OPI in 2020. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs of Sunshine Life were RMB48,118 million, RMB55,104 million, RMB60,826 million and RMB42,058 million, respectively.

In 2020 and 2021, Sunshine Life's value of one year's new business was RMB2,889 million and RMB3,015 million, respectively. In the first half of 2022, Sunshine Life reached a value of half year's new business of RMB1,954 million. As of December 31, 2020, December 31, 2021 and June 30, 2022, the embedded value of Sunshine Life was RMB61,530 million, RMB72,755 million and RMB74,624 million, respectively.

We offer a broad range of life and health insurance products and services to provide our customers with lifelong risk protection. As of June 30, 2022, our offering contained approximately 140 life and health insurance products, covering traditional life insurance, participating life insurance, universal life insurance, accident insurance and health insurance products. During the Track Record Period, traditional life insurance was one of our most important life and health insurance products. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs of traditional life insurance accounted for 25.0%, 36.2%, 44.1% and 51.4% of the GWPs of Sunshine Life, respectively.

We have established a nationwide sales and service network for life and health insurance. As of June 30, 2022, Sunshine Life had 938 branches and service outlets, approximately 62,000 individual insurance agents, over 5,400 bancassurance salespeople and over 2,300 Internet and telephone service staff. Equipped with diversified sales channels comprising individual insurance agents, bancassurance, integrated channel, group insurance, and online sales as well as insurance agencies and insurance brokers, Sunshine Life has achieved a vast customer base.

As of December 31, 2019, 2020, 2021 and June 30, 2022, Sunshine Life had approximately 9.0 million, 8.6 million, 8.7 million and 15.4 million individual customers, respectively, and approximately 17,000, 16,000, 10,000 and 9,000 institutional customers, respectively. Institutional customers of Sunshine Life include business entities and social institutions.

Our life and health insurance business has won numerous awards. The main honors and awards received during the Track Record Period included:

Enterprise service and image:

- "The Most Innovative Life and Health Insurance Company of the Year (年度最具創新人身險公司)" in the "Sina Golden Kirin 2019 Insurance Industry (新浪金麒麟2019保險行業評選)" sponsored by sina.com.cn (新浪網) in 2019

- "Annual Value Management Insurance Company (年度價值經營保險公司)" in the "China's Insurance Industry Ranking 2020 (中國保險行業風雲榜)" initiated by National Business Daily (每日經濟新聞) in 2020

- "Annual Outstanding Life Insurance Company (年度卓越人壽保險公司)" in the "2020 China Golden Tripod Awards (2020中國金鼎獎)" sponsored by National Business Daily (每日經濟新聞) in 2020

- "Life Insurance Company of the Year of 2021 (2021年度壽險公司)" in the "15th Golden Cicada Awards Ceremony (第十五屆金蟬獎頒獎盛典)" sponsored by China Times (華夏時報) in January 2022

Products:

- "Kangrui Beizhi (康瑞倍致)" lifelong critical illness insurance won "The Most Popular Insurance Product of the Year (年度最受歡迎保險產品)" in the "China Ding Insurance Industry Awards Ceremony (中國鼎保險行業頒獎典禮)" jointly sponsored by china.com.cn (中國網) and insure123.cn (今日保) in 2019

- "Sunshine Rise (陽光升)" Whole Life Insurance Product was awarded "The Most Popular Life Insurance (最受歡迎人壽保險)" in the second "Good Insurance Products (人民好保險)" nomination sponsored by People's Daily Online (人民網) in 2019

- "Sunshine Security (陽光護)" Critical Illness Insurance Product Plan was awarded "Annual Insurance Innovation Model Product (年度保險創新模範產品)" in the "China Insurance White Elephant List (中國保險白象榜)" sponsored by the magazine Insurance Today (今日保險) in 2021

Life and Health Insurance Products

Product offering

We have adopted a customer-oriented business model and are committed to providing customers with lifelong risk protection through comprehensive insurance solutions. Sunshine Life offers a broad range of insurance products and services such as life insurance, pension insurance, medical insurance, health insurance and accident insurance. As of June 30, 2022, we provided our customers with approximately 140 life and health insurance products, covering traditional life insurance, participating life insurance, universal life insurance, accident insurance and health insurance products. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from our life insurance products were RMB48,118 million, RMB55,104 million, RMB60,826 million and RMB42,058 million respectively.

Our core life insurance products are grouped under "Sunshine (陽光)" Series, "Bei Zhi (倍致)" Series, "Zhen (臻)" Series and Annuity Series. When we design and promote our insurance products, we adhere to the principle of "all for customers" and take into account the overall strategy of Sunshine Life, striving to create products that are compatible with the insurance market and well received by customers. To maximize the advantages of each channel in customer management, Sunshine Life also crafts channel differentiation strategy by allocating different types of insurance products according to the characteristics of each channel to provide customer-based and scenario-based products.

The table below sets forth a breakdown of the GWPs of Sunshine Life by product type for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	**37,881**	**78.7**	**44,092**	**80.0**	**49,744**	**81.8**	**35,645**	**84.8**
– Traditional	12,009	25.0	19,989	36.2	26,761	44.1	21,584	51.4
– Participating	25,663	53.3	23,890	43.4	22,771	37.4	13,957	33.2
– Universal	209	0.4	213	0.4	212	0.3	104	0.2
Accident insurance	**1,597**	**3.3**	**1,240**	**2.3**	**932**	**1.5**	**387**	**0.9**
Health insurance	**8,640**	**18.0**	**9,772**	**17.7**	**10,150**	**16.7**	**6,026**	**14.3**
Total	**48,118**	**100.0**	**55,104**	**100.0**	**60,826**	**100.0**	**42,058**	**100.0**

During the Track Record Period, traditional life insurance was one of our most important products among life and health insurance. We focus on developing traditional life insurance. The GWPs of traditional life insurance accounted for 25.0%, 36.2%, 44.1% and 51.4% of the total GWPs of Sunshine Life in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Participating life insurance was also an important life and health insurance product for us. The GWPs of participating life insurance accounted for 53.3%, 43.4%, 37.4% and 33.2% of the total GWPs of Sunshine Life in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We have been committed to designing and selling long-term individual regular premium life insurance products that help maintain stable GWPs to drive the growth of our business value. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from regular premiums of life and health insurance accounted for 59.6%, 64.2%, 67.0% and 66.2% of the GWPs of Sunshine Life, respectively. We also sell single premium life and health insurance products to meet diversified market demands. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from single premiums of our life and health insurance business accounted for 40.4%, 35.8%, 33.0% and 33.8% of the GWPs of Sunshine Life, respectively.

Traditional life insurance

Our traditional life insurance products primarily include whole life, term life, endowment and annuity products. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from our traditional life insurance products were RMB12,009 million, RMB19,989 million, RMB26,761 million and RMB21,584 million, respectively, accounting for 25.0%, 36.2%, 44.1% and 51.4% of the total GWPs of Sunshine Life, respectively.

Our whole life insurance products provide protection for the entire life of the insured party in exchange for either a single or regular premium payments. The sum assured either increases year by year according to a certain proportion or remains unchanged, which is paid upon the death of the insured party. Should a policyholder wish to surrender the policy early, the cash surrender value will be paid to the policyholder.

Our term life insurance products provide payments of death benefits if the insured party dies during a specified term in exchange for a single or regular premium payments. We use differentiated pricing and intelligent underwriting technology to categorize our customers based on their health status, which streamlines our service process, delivers greater value to our customers and gains market recognition.

Our endowment life insurance products provide payments to the insured party or beneficiaries of the insured party, when the insurance liability of Sunshine Life arises within the covered period in return for a single or regular premium payments. Some products provide customers with additional coverage for death caused by traffic accident or self-driving car accident. If the insured is alive after the specified maturity dates or periods, we will provide various survival benefits to the insured party or his/her beneficiaries.

Our annuity products, including ordinary annuity products and pension annuity products, generally provide annuity payments to the insured party during the specified period in the annuity contracts in exchange for a single or regular premium payments. Some products also provide a certain amount of maturity payment at the time of maturity.

Participating life insurance

Our participating life insurance products provide protection similar to that offered by our traditional life insurance products, but also entitle policyholders to receive dividends if our participating life insurance business has a distributable surplus in any year during the insured period. PRC life insurance companies are required by the CBIRC to distribute at least 70% of their annual distributable earnings to policyholders of participating life insurance products. Dividends shall be distributed in the form of cash, premium offset or cumulative interest, depending on the method chosen by each policyholder in accordance with the relevant contract terms. Participating life insurance products mainly include whole life insurance, endowment insurance and annuity insurance.

In 2019, 2020, 2021 and the six months ended June 30, 2022, GWPs generated by our participating life insurance amounted to RMB25,663 million, RMB23,890 million, RMB22,771 million and RMB13,957 million, respectively, accounting for 53.3%, 43.4%, 37.4% and 33.2% of the total GWPs of Sunshine Life, respectively.

Universal life insurance

Our universal life insurance products offer policyholders insurance protection as well as personal policy accounts with guaranteed minimum returns. Premium payments, after deduction of certain initial expenses, are credited to a personal policy account where interest accumulates at Sunshine Life's crediting interest rate published on its official website. The payment methods of these products are flexible, including single premium payment, supplementary premium payments or regular premium payments. Sunshine Life invests part of the premiums received from sales of such products in various investment assets and, in exchange, shares the returns of those investments with its universal insurance customers. It charges certain fees for managing customer accounts in relation to the investment activities and for providing risk protection.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated by our universal life insurance products amounted to RMB209 million, RMB213 million, RMB212 million and RMB104 million, respectively, accounting for 0.4%, 0.4%, 0.3% and 0.2% of the total GWPs of Sunshine Life, respectively.

Accident insurance

Our accident insurance products provide accident coverage to the insured party in the event of death or disability of the insured party as a result of accident during the coverage period, including general accidents and traffic accidents. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated by the accident insurance products of Sunshine Life amounted to RMB1,597 million, RMB1,240 million, RMB932 million and RMB387 million, respectively, accounting for 3.3%, 2.3%, 1.5% and 0.9% of the total GWPs of Sunshine Life, respectively. Our premiums from personal accident insurance and such premiums as a percentage of the total GWPs of Sunshine Life have decreased during the Track Record Period, primarily due to (i) we terminate projects with low profitability that may lead to potential risks to maintain the profitability of collaborative projects in our group insurance channel; and (ii) the impact of the COVID-19 pandemic that limited people's travel activities, causing the demand for personal accident insurance products to decline, see "Summary — Impact of the COVID-19 Pandemic." Industry-wide, premiums from personal accident insurance as a percentage of premiums from life insurance declined from 3.79% in 2019 to 3.64% in 2021 according to data published by the CBIRC. The decrease in our premiums from accident insurance is consistent with the overall trend of the life insurance industry.

Health insurance

Health insurance products of Sunshine Life mainly include critical illness insurance and medical insurance.

Critical illness insurance products provide insurance benefits for the insured party's entire life or for a specified period in the event that the insured party is diagnosed with a defined critical illness, a moderate case of critical illness or a mild case of critical illness covered by the insurance policy and meets certain policy requirements. Sunshine Life has a wide range of critical illness insurance products with a human-centered design that can meet various needs of different customers seeking protection against critical illness. Some products provide their customers with a feature to increase the sum assured through doing physical exercises, encouraging them to focus on health and fitness through increasing exercise. In 2021 and six months ended June 30, 2022, our core critical illness insurance products included the "Sunshine Protection (陽光保)," "Sunshine Security" and "Kangrui Beizhi" series. In addition, based on our big data modeling technology, we have developed an integrated solution comprising big data and exclusive lifelong critical illness insurance. Through such solution we provide customers with lifelong insurance benefits and protection for mild cases of critical illnesses, moderate cases of critical illnesses, defined critical illnesses and death, to meet their evolving needs.

Medical insurance products provide insurance benefits to the insured party for a specified period. We provide medical expense benefits in the event that the insured party incurs eligible medical expenses as a result of accidental injury during the coverage period or being diagnosed with covered illnesses after the waiting period. "Union (Family Edition) (融和(家庭版))" medical insurance is a family floater plan that allows customers to cover the entire family under the umbrella of one health insurance policy and with the payment of a single annual premium. As the star product of Sunshine Life, it realizes "one policy to protect the whole family (一張保單保全家)" through product innovation such as family-shared deductibles and family-shared sum assured. We also undertake insurance liabilities such as a critical illness rider that provides additional coverage for medical expenses associated with critical illnesses (e.g., proton and heavy ion cancer therapy) and inpatient care benefits for intensive care and critical illnesses. In addition, we also offer featured medical insurance products such as medical insurance with a low sum assured.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated from health insurance products of Sunshine Life amounted to RMB8,640 million, RMB9,772 million, RMB10,150 million and RMB6,026 million, respectively, accounting for 18.0%, 17.7%, 16.7% and 14.3% of the total GWPs of Sunshine Life, respectively.

Top ten products

The table below lists Sunshine Life's top ten life and health insurance products in terms of GWPs for the Track Record Period:

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
Ranking	**Name**	**Type**	**GWPs** *(RMB in millions)*	**Name**	**Type**	**GWPs** *(RMB in millions)*	**Name**	**Type**	**GWPs** *(RMB in millions)*	**Name**	**Type**	**GWPs** *(RMB in millions)*
1	Sunshine Life Insurance Jin Man Ying B Endowment (Participating) (陽光人壽金滿盈B款兩全保險(分紅型))	Participating life insurance	9,700	Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (陽光人壽臻愛倍致終身壽險)	Traditional life insurance	8,424	Sunshine Life Insurance Zhen Xin Bei Zhi Whole Life (陽光人壽臻鑫倍致終身壽險)	Traditional life insurance	10,136	Sunshine Life Insurance Zhen Xin Bei Zhi Whole Life (BWLE陽光人壽臻鑫倍致終身壽險)	Traditional life insurance	12,537
2	Sunshine Life Insurance Jin Man Ying Endowment (Participating) (陽光人壽金滿盈兩全保險(分紅型))	Participating life insurance	7,398	Sunshine Life Insurance Jin Man Ying (Exclusive Version) Endowment (Participating) (陽光人壽金滿盈(尊享版)兩全保險(分紅型))	Participating life insurance	7,395	Sunshine Life Insurance Jin Man Ying (Exclusive Version) Endowment (Participating) (陽光人壽金滿盈(尊享版)兩全保險(分紅型))	Participating life insurance	8,433	Sunshine Life Insurance Jin Man Ying (Exclusive Version) Endowment (Participating) (BEAP陽光人壽金滿盈(尊享版)兩全保險(分紅型))	Participating life insurance	6,196

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
Ranking	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*
3	Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (陽光人壽臻愛倍致終身壽險)	Traditional life insurance	4,010	Sunshine Life Insurance Jin Man Ying Endowment (Participating) (陽光人壽金滿盈兩全保險(分紅型))	Participating life insurance	6,419	Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (陽光人壽臻愛倍致終身壽險)	Traditional life insurance	7,011	Sunshine Life Insurance Jin Wen Ying Endowment (Participating) (BEAQ陽光人壽金穩盈兩全保險(分紅型))	Participating life insurance	4,703
4	Sunshine Life Insurance Cai Fu Zhi Ying Annuity for Adults (Participating) (陽光人壽財富智贏年金保險(分紅型,成人版))	Participating life insurance	2,119	Sunshine Life Insurance Jin Man Ying B Endowment (Participating) (陽光人壽金滿盈B款兩全保險(分紅型))	Participating life insurance	4,175	Sunshine Life Insurance Jin Man Ying Endowment (Participating) (陽光人壽金滿盈兩全保險(分紅型))	Participating life insurance	5,493	Sunshine Life Insurance Zhen Ai Bei Zhi Whole Life (BWLD陽光人壽臻愛倍致終身壽險)	Traditional life insurance	3,507
5	Sunshine Life Insurance Zhen Xin Lifelong Critical Illness (陽光人壽臻欣終身重大疾病保險)	Health insurance	1,862	Sunshine Life Insurance Sunshine Rise Whole Life (陽光人壽陽光升終身壽險)	Traditional life insurance	2,083	Sunshine Life Insurance Jin Wen Ying Endowment (Participating) (陽光人壽金穩盈兩全保險(分紅型))	Participating life insurance	4,902	Sunshine Life Insurance Jin Man Ying Endowment (Participating) (BEAM陽光人壽金滿盈兩全保險(分紅型))	Participating life insurance	1,789

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
Ranking	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*
6	Sunshine Life Insurance Yang Guang Cai Fu Annuity B (Participating) (陽光人壽陽光財富年金保險B款(分紅型))	Participating life insurance	1,099	Sunshine Life Insurance Cai Fu Bei Zhi Annuity (陽光人壽財富倍致年金保險)	Traditional life insurance	1,980	Sunshine Life Insurance Sunshine Rise Whole Life (陽光人壽陽光升終身壽險)	Traditional life insurance	2,212	Sunshine Life Insurance Sunshine Rise B Whole Life (AWLE陽光人壽陽光升B款終身壽險)	Traditional life insurance	1,344
7	Sunshine Life Insurance Jin Xi Lian Lian Annuity (陽光人壽金喜連連年金保險)	Traditional life insurance	964	Sunshine Life Insurance Zhen Xin Lifelong Critical Illness (陽光人壽臻欣終身重大疾病保險)	Health insurance	1,643	Sunshine Life Insurance Zhen Xin Lifelong Critical Illness (陽光人壽臻欣終身重大疾病保險)	Health insurance	1,482	Sunshine Life Insurance Sunshine Rise Whole Life (AWLD陽光人壽陽光升終身壽險)	Traditional life insurance	1,317
8	Sunshine Life Insurance Filial Piety Insurance Malignant Tumor Disease Insurance (陽光人壽孝順保惡性腫瘤疾病保險)	Health insurance	961	Sunshine Life Insurance Cai Fu Zhi Ying Annuity for Adults (Participating) (陽光人壽財富智贏年金保險(分紅型,成人版))	Participating life insurance	1,149	Sunshine Life Insurance Filial Piety Insurance Malignant Tumor Disease Insurance (陽光人壽孝順保惡性腫瘤疾病保險)	Health insurance	1,026	Sunshine Life Insurance Critical Illness Group Health Insurance for Urban and Rural Citizens (Type A) (GSDA陽光人壽城鄉居民大病團體醫療保險(A型))	Health insurance	738

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
Ranking	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*	Name	Type	GWPs *(RMB in millions)*
9	Sunshine Life Insurance Zhen Yi Critical Illness Rider (陽光人壽附加臻逸重大疾病保險)	Health insurance	943	Sunshine Life Insurance Filial Piety Insurance Malignant Tumor Disease Insurance (陽光人壽孝順保惡性腫瘤疾病保險)	Health insurance	1,036	Sunshine Life Insurance Cai Fu Bei Zhi Annuity (陽光人壽財富倍致年金保險)	Traditional life insurance	976	Sunshine Life Insurance Zhen Xin Lifelong Critical Illness (ADDP02陽光人壽臻欣終身重大疾病保險)	Health insurance	656
10	Sunshine Life Insurance Zhenxin Shouhu B Endowment (陽光人壽真心守護兩全保險B款)	Traditional life insurance	927	Sunshine Life Insurance Zhen Xin Bei Zhi Whole Life (陽光人壽臻鑫倍致終身壽險)	Traditional life insurance	950	Sunshine Life Insurance Critical Illness Group Health Insurance for Urban and Rural Citizens (Type A) (陽光人壽城鄉居民大病團體醫療保險(A型))	Health insurance	888	Sunshine Life Insurance Filial Piety Insurance Malignant Tumor Disease Insurance (ADDU陽光人壽孝順保惡性腫瘤疾病保險)	Health insurance	491

During the Track Record Period, the top contributors to our Sunshine Life insurance business were the participating endowment insurance, the whole life insurance of traditional life insurance and the critical illness insurance of health insurance. Among them, signature products include the short-term participating endowment insurance under the "Jin Man Ying" series, which provides benefits to policyholders in the event of death and at the time of maturity as well as annual dividends distributed on the anniversary of the policy; signature products also include the whole life insurance products "Zhen Ai Bei Zhi (臻愛倍致)", "Zhen Xin Bei Zhi (臻鑫倍致)" and "Sunshine Rise", the critical illness insurance products for adults under the "Zhen" series.

Sales Channels

We market and sell our life and health insurance products through a nationwide multichannel network. As of June 30, 2022, our sales network for life and health insurance products consisted of the followings:

- Sunshine Life's agent force, comprising approximately 62,000 individual insurance agents;
- 32 provincial-level branches, 906 sub-branches and sales service outlets;
- 27,628 bancassurance branches and outlets and 5,414 bancassurance channel salespeople;
- Sunshine Life's official platform, which had over 8 million registered members; and
- Sunshine Life's official WeChat account.

The table below sets forth a breakdown of the GWPs of Sunshine Life by sales channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Individual insurance agent channel	14,959	31.1	15,796	28.7	15,089	24.8	8,468	20.1
Bancassurance channel	26,281	54.6	32,455	58.9	39,050	64.2	29,520	70.2
Integrated channel	4,346	9.0	4,196	7.6	3,914	6.4	1,715	4.1
Other channels(1)	2,532	5.3	2,657	4.8	2,773	4.6	2,355	5.6
Total	**48,118**	**100.0**	**55,104**	**100.0**	**60,826**	**100.0**	**42,058**	**100.0**

(1) Other channels include the group insurance channel, online sales channel, insurance agencies and insurance brokers channel.

The table below sets forth a breakdown of the GWPs of Sunshine Life by FYPs and renewal premiums (首續期結構) for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
FYPs	**29,870**	**62.1**	**32,148**	**58.3**	**33,588**	**55.2**	**23,395**	**55.6**
Including: long-term insurance (more than one year)	27,737	57.7	30,306	55.0	31,804	52.3	21,649	51.5
– Including: regular premium	9,796	20.4	12,389	22.5	13,485	22.2	9,094	21.6
– Including: single premium	17,941	37.3	17,917	32.5	18,319	30.1	12,555	29.9
Including: short-term insurance (one year or below)	2,133	4.4	1,842	3.3	1,784	2.9	1,746	4.1
Renewal premiums	**18,248**	**37.9**	**22,956**	**41.7**	**27,238**	**44.8**	**18,663**	**44.4**
Total	**48,118**	**100.0**	**55,104**	**100.0**	**60,826**	**100.0**	**42,058**	**100.0**

Individual insurance agent channel

Sunshine Life has built a large team of individual insurance agents. As of June 30, 2022, Sunshine Life had approximately 62,000 individual insurance agents selling life and health insurance products to individual customers. During the Track Record Period, the individual insurance agent channel was a primary contributor to the value growth of Sunshine Life insurance business. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from the individual insurance agent channel amounted to RMB14,959 million, RMB15,796 million, RMB15,089 million and RMB8,468 million, respectively, accounting for 31.1%, 28.7%, 24.8% and 20.1% of the total GWPs of Sunshine Life, respectively.

The table below sets forth a breakdown of the GWPs of Sunshine Life from the individual insurance agent channel by product for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	**8,445**	**56.5**	**8,492**	**53.8**	**7,793**	**51.7**	**4,794**	**56.6**
– Traditional	3,031	20.3	5,105	32.4	5,827	38.6	4,042	47.7
– Participating	5,216	34.9	3,191	20.2	1,775	11.8	660	7.8
– Universal	198	1.3	196	1.2	191	1.3	92	1.1
Accident insurance	**383**	**2.6**	**332**	**2.1**	**276**	**1.8**	**105**	**1.2**
Health insurance	**6,131**	**40.9**	**6,972**	**44.1**	**7,020**	**46.5**	**3,569**	**42.2**
Total	**14,959**	**100.0**	**15,796**	**100.0**	**15,089**	**100.0**	**8,468**	**100.0**

The table below sets forth a breakdown of the GWPs of Sunshine Life by FYPs and renewal premiums from the individual insurance agent channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
FYPs	**4,654**	**31.1**	**4,186**	**26.5**	**3,330**	**22.1**	**2,107**	**24.9**
Including: long-term insurance (more than one year)	4,228	28.3	3,745	23.7	2,889	19.2	1,885	22.3
– Including: regular premium	3,974	26.6	3,474	22.0	2,749	18.3	1,802	21.3
– Including: single premium	254	1.7	271	1.7	140	0.9	83	1.0
Including: short-term insurance (one year or below)	426	2.8	441	2.8	441	2.9	222	2.6
Renewal premiums	**10,305**	**68.9**	**11,610**	**73.5**	**11,759**	**77.9**	**6,361**	**75.1**
Total	**14,959**	**100.0**	**15,796**	**100.0**	**15,089**	**100.0**	**8,468**	**100.0**

The table below sets forth a breakdown of the FYRPs by payment terms from the individual insurance agent channel of Sunshine Life for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Regular premium within five years (five years exclusive)	**1,309**	**32.9**	**258**	**7.4**	**316**	**11.5**	**306**	**17.0**
Regular premium with five years or above	**2,665**	**67.1**	**3,216**	**92.6**	**2,433**	**88.5**	**1,496**	**83.0**
Including:								
– Regular premium with ten to 20 years	877	22.1	526	15.1	343	12.5	176	9.8
– Regular premium with 20 years or above	1,551	39.0	1,199	34.5	779	28.3	328	18.2
Total	**3,974**	**100.0**	**3,474**	**100.0**	**2,749**	**100.0**	**1,802**	**100.0**

The table below sets forth some data of the individual insurance agent channel of Sunshine Life for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Average number of agents per month[(1)]	100,268	112,229	81,113	65,518
Average number of active agents per month[(2)]	30,842	23,468	13,598	13,107
Average productivity per agent per month (RMB)[(3)]	3,049	2,191	2,051	2,941
Average productivity per active agent per month (RMB)[(4)]	9,912	10,479	12,235	14,701
Average new policies per agent per month[(5)]	0.68	0.46	0.39	0.47
Average new policies per active agent per month[(6)]	2.21	2.22	2.30	2.34

(1) Average number of agents per month is the average of the number of agents at the beginning and at the end of the month. The average number of agents per month in the table is calculated by dividing the sum of the average number of agents for each month in a year by 12 and in a half year by 6.

(2) The average number of active agents per month in the table is calculated by dividing the sum of the average number of active agents for each month in a year by 12 and in a half year by 6. An agent is active in a month if the agent (i) has standard premiums no less than RMB1,000, and (ii) the agent sells at least one insurance policy.

(3) Average productivity per agent per month is the ratio of average standard FYRPs per month to the average number of agents per month during the period; standard FYRPs equals FYRPs with a term of more than one year multiplied by a conversion coefficient; the conversion coefficient for regular premium 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 premium with a term of more than ten years is 1.0.

(4) Average productivity per active agent per month is the ratio of the average standard FYRPs per month to number of active agents per month during the period.

(5) Average new policies per agent per month is the ratio of average new policies per month to the average number of agents per month during the period.

(6) Average new policies per active agent per month is the ratio of average new policies per month to the number of active agents per month during the period.

We are committed to the value growth of the individual insurance agent channel and continuously optimizing our business structure. In 2019, 2020, 2021 and the six months ended June 30, 2022, our GWPs of traditional life insurance from the individual insurance agent channel as a percentage of the total GWPs from this channel grew rapidly, accounting for 20.3%, 32.4%, 38.6% and 47.7%, respectively. Over the same periods, our GWPs of regular premium business from the individual insurance agent channel as a percentage of the total GWPs from this channel increased steadily, accounting for 95.6%, 95.7%, 96.3% and 96.6%, respectively. The FYRPs generated through the individual insurance agent channel decreased from RMB3,974 million in 2019 to RMB2,749 million in 2021, mainly because the life and health insurance industry is currently undergoing a profound transformation, shifting the focus from the number of agents to the improvement of quality and per capita productivity, which puts forward stricter requirements on the professionalism of individual agents. During this transitional stage, the decline in the number of individual insurance agents has led to the decline in the FYRPs. The percentage of FYRPs generated from insurance products with a term of five years or above increased significantly from 67.1% in 2019 to 88.5% in 2021, mainly because we are committed to value growth and increase the proportion of high-value insurance products with a five-year term or above through optimizing product portfolio. In the six months ended June 30, 2022, the FYRPs generated through the individual insurance agent channel were RMB1,802 million, and the percentage of FYRPs generated from insurance products with a term of five years or above was 83.0%. Since 2015, we have been transforming our individual insurance agent channel through optimizing business structure and strategically promoting certain products that provide our customers with insurance protection as well as long-term savings such as health insurance products and whole life insurance products. In the first half of 2022, the new business margin of half year's sales from the individual insurance agent channel reached 37.9%.

We are committed to increasing agent productivity and retention. Individual insurance agents generally enter into agency agreements with us. Such agents receive commissions and are not our employees. We are responsible for the recruitment, training and management of individual insurance agents. Staying on top of industry trends, we aim to build a vibrant, professional, top-performing and market-oriented team of individual insurance agents through our training system and scientific management system.

We have built our team of individual insurance agents targeting customers in different markets based on the region they live or work in, such as urban areas and counties. While maintaining our market share in third- and fourth-tier cities and counties, we have been launching "Breakthrough Projects" in core cities and provincial capitals since 2020. In 2021 and the six months ended June 30, 2022, the FYRPs generated in five core cities, namely Beijing, Shanghai, Guangzhou, Shenzhen and Ningbo and the urban areas of 19 provincial capitals, including Nanjing, Xi'an, Chengdu and Changsha were RMB285 million and RMB192 million, representing a period-on-period increase of 7.4% and 18.2%, respectively. Meanwhile, the professional competencies and productivity of insurance agents in the aforementioned regions have been significantly enhanced. Specifically, in 2021, the percentage of newly recruited insurance agents with tertiary education or higher reached 46.3%, representing an increase of 9.9 percentage points from 2020. In the six months ended June 30, 2022, the percentage of newly recruited insurance agents with tertiary education or higher reached 49.0%, representing an increase of 9.0 percentage points from the same period in 2021. In 2021 and the six months ended June 30, 2022, average productivity per active agent per month (based on annualized standard premiums) in the five core cities and the urban areas of the 19 provincial capitals exceeded RMB13,000 and RMB18,000, respectively, representing a period-on-period increase of 17.8% and 21.9%, respectively.

We have established a differentiated agent management system taking into account the regional disparity in economic development and per capita income among different cities. We have tailored our recruiting policy and team building incentives to meet the needs of local teams in recruitment, retention and development of individual insurance agents. Meanwhile, we have implemented various market incentives to encourage productivity, such as the Star of Sunshine (陽光之星) honor system, which ties agent commission closely with sales performance, policy persistency ratios and other performance indicators. In addition, we provide dedicated support and individual insurance studio plans for top-performing agents who have reached the Legacy (臻傳) standard, which is developed and established on the basis of the Million Dollar Round Table ("**MDRT**") standard. MDRT is a global professional trade association of life insurance and financial services professionals that recognizes significant sales achievements for insurance agents and financial advisers while working to develop professional and ethical sales practices. We continue to spread the value of "love and duty (愛與責任)" through systematic Sunshine welfare and care, including a parental support allowance, exclusive student grants for children, critical illness care fund and annual health examinations for senior managers, so as to enhance the degree of identification with our corporate culture and the sense of belonging of our agents.

We focus on the continuous growth and long-term development of agents, and are committed to establishing a market-based and customer-oriented system of agent training courses. For first- and second-tier cities, we have created and improved the needs-based insurance sales courses. Through the courses, we enhance the professional competencies of our agents in providing comprehensive financial planning and investment solutions for families looking to protect and build their wealth. For lower-tier cities, we have designed a service-oriented sales course system focusing on a relatively simple and frequent interactive service offering and product recommendations to meet the needs of mass-market customers for family risk protection. For top-performing agents, in addition to the basic training courses, our high-net-worth customer service center will provide them with fortune risk administrator ("**FRA**") courses, an advanced wealth planning and risk management training, including basic financial wealth management, comprehensive family risk protection and cash flow planning, legal and tax risk management for high-net-worth customers as well as fund practitioner qualification training. Through the FRA courses, we help our top-performing agents improve service quality throughout the entire service process to become "wealth management experts" for high-net-worth customers.

We continuously drive business growth in the individual insurance agent channel through product innovation. In 2019, we launched "Sunshine Rise Whole Life Insurance," which received the "Outstanding Insurance Product for 2020 Award (2020年度優秀保險產品獎)" in the 21st Century Asian Finance Annual Conference held by 21st Century Business Herald (21世紀經濟報道). The GWPs from such product were RMB2,083 million in 2020, ranking among Sunshine Life's top five products of the year. In 2021, we launched "Sunshine Protection for Children (陽光保少兒版)," which won the "Outstanding Innovation Product (優秀產品創新獎)" in the "Capital Market Summit and Golden Jubilee Award Selection Ceremony for 2021 (2021中國金禧獎評選)." With the increasing market penetration of commercial insurance, Sunshine Life launched the "Sunshine Protection (Exclusive Version) (陽光保(尊享版))," "Sunshine Security (Exclusive Version) (陽光護(尊享版))" and other products in February 2021 to meet the needs of existing customers for product diversification and additional insurance coverage. From the launch of these products to December 31, 2021, the FYPs from these two products reached nearly RMB239 million, accounting for 11.7% of the FYPs generated through the individual insurance agent channel for the same period. The number of new policies sold of these two products was approximately 45,000, accounting for 17.0% of new policies sold through the individual insurance agent channel for the same period.

We continuously empower the individual insurance agent channel through technological innovation. In March 2018, we launched the "All-in-one for Life (全能寶)" APP, a mobile intelligent business operation terminal providing support to agents through the entire process of business development. "All-in-one for Life" won the "Best Business Model Innovation Award of the Year (年度最佳業務模式創新獎)" at the China Insurance Innovation International Summit (中國保險業創新國際峰會) one year after its launch. This APP has greatly improved service efficiency and the customer experience. Specifically, the underwriting time was reduced from approximately five days to six minutes in the best-case scenario, and the average time for claim settlement was reduced from three days to 1.6 days. Our strong technological capabilities also provide comprehensive support for sales training and assistance for our individual insurance agents. We launched our sales trainer robot program across branches. Simulating real business scenarios of salespeople and customers, the sales trainer conducts non-conventional training using AI technology and helps salespeople quickly improve their sales performance. From its launch in May 2020 to June 30, 2022, our robot sales trainer uploaded a total of 155 courses, providing training for more than 72,000 employees, with on average approximately 10,000 active users monthly from August 2020 to June 2022.

The average number of agents per month of Sunshine Life's individual insurance agent channel decreased from 112,229 in 2020 to 65,518 in the six months ended June 30, 2022, mainly due to: (i) the industry-wide transformation of individual insurance agents, which is mainly manifested in the shift from focusing on the number of issued insurance policies to focusing on service quality; and (ii) by adopting more rigorous assessment standards, we optimized the sales team structure by retaining outstanding talents, thereby enhancing the competencies and productivity of individual insurance agents in their business development activities. In 2015, the relevant regulatory authority abolished the requirement for individual insurance agents to meet statutory qualification requirements, which led to an explosion in the number of newly recruited insurance agents. However, in recent years, such policy impact has diminished, while the difficulty of recruiting insurance agents is increasing across the PRC insurance industry as the demographic dividend has gradually receded in recent years and employment options have become more diversified. As a result of the decline in newly recruited insurance agents, our average number of agents per month has declined, which is in line with the market trend. Faced with such challenge, we aim to further improve the productivity of our insurance agents through tighter sales management (including strict control of agent sales process and close monitoring of sales operating indicators) and higher quality training and recruiting as well as enabling our insurance agents with new skills and tools such as financial planning and customer segmentation. In response to market changes, we have built an integrated, high-quality service system based on the essential needs of customers in different market segments to achieve long-term and in-depth customer management. See "— Customers and Customer Services."

Bancassurance channel

The bancassurance channel was another main contributor to Sunshine Life's total GWPs during the Track Record Period. We have established a multilayered and stable network consisting of large state-owned commercial banks, joint-stock commercial banks and city commercial banks. As of June 30, 2022, we had built collaborative relationships with 20 banks. The length of the collaborative relationships ranges from approximately one to 14 years. Through cooperation with these institutions, we have extended our bancassurance network to substantially all provinces, autonomous regions and municipalities in the PRC. As of June 30, 2022, Sunshine Life had 27,628 bancassurance branches and outlets. Bancassurance branches and outlets refer to branches and outlets of commercial banks that possess the qualifications necessary to conduct insurance business and that have entered into an agency agreement with us. Our cooperation agreements with these financial institutions are generally for a period of one to three years, and most contain automatic renewal clauses. Pursuant to our bancassurance arrangements with these institutions, we sell our life and health insurance products to their customers primarily through their branches and sales service outlets and pay such financial institutions sales commission accordingly. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from the bancassurance channel amounted to RMB26,281 million, RMB32,455 million, RMB39,050 million and RMB29,520 million, respectively, accounting for 54.6%, 58.9%, 64.2% and 70.2% of the total GWPs of Sunshine Life, respectively.

We tailor our product offerings according to the characteristics of the bancassurance channel and the needs of our customers. With a rich product portfolio, the main products sold through the bancassurance channel include traditional life insurance, health insurance, participating life insurance and universal life insurance.

The table below sets forth a breakdown of the GWPs of Sunshine Life by product from the bancassurance channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	**25,964**	**98.8**	**32,089**	**98.9**	**38,644**	**99.0**	**29,283**	**99.2**
– Traditional	5,918	22.6	11,735	36.2	18,037	46.2	16,165	54.8
– Participating	20,036	76.2	20,338	62.7	20,586	52.7	13,106	44.4
– Universal	10	0.0	16	0.0	21	0.1	12	0.0
Accident insurance	**7**	**0.0**	**7**	**0.0**	**7**	**0.0**	**2**	**0.0**
Health insurance	**310**	**1.2**	**359**	**1.1**	**399**	**1.0**	**235**	**0.8**
Total	**26,281**	**100.0**	**32,455**	**100.0**	**39,050**	**100.0**	**29,520**	**100.0**

The table below sets forth a breakdown of the GWPs of Sunshine Life by FYPs and renewal premiums from the bancassurance channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
FYPs	**22,265**	**84.7**	**25,212**	**77.7**	**27,855**	**71.3**	**19,438**	**65.8**
Including: long-term insurance (more than one year)	22,265	84.7	25,212	77.7	27,855	71.3	19,437	65.8
– Including: regular premium	4,657	17.7	7,712	23.8	9,847	25.2	7,017	23.7
– Including: single premium	17,608	67.0	17,500	53.9	18,008	46.1	12,420	42.1
Including: short-term insurance (one year or below)	–	0.0	–	0.0	–	0.0	1	0.0
Renewal premiums	**4,016**	**15.3**	**7,243**	**22.3**	**11,195**	**28.7**	**10,082**	**34.2**
Total	**26,281**	**100.0**	**32,455**	**100.0**	**39,050**	**100.0**	**29,520**	**100.0**

The table below sets forth a breakdown of the FYRPs by payment terms from the bancassurance channel of Sunshine Life for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Regular premium within five years (five years exclusive)	**3,479**	**74.7**	**5,458**	**70.8**	**6,428**	**65.3**	**4,470**	**63.7**
Regular premium with five years or above	**1,178**	**25.3**	**2,254**	**29.2**	**3,419**	**34.7**	**2,547**	**36.3**
Including:								
– Regular premium with ten to 20 years	38	0.8	27	0.4	17	0.2	10	0.1
– Regular premium with 20 years or above	35	0.8	55	0.7	44	0.4	17	0.2
Total	**4,657**	**100.0**	**7,712**	**100.0**	**9,847**	**100.0**	**7,017**	**100.0**

We have been focusing on value-based business development in the bancassurance channel. In 2019, 2020, 2021 and the six months ended June 30, 2022, our GWPs of regular premium business from the bancassurance channel accounted for 33.0%, 46.1%, 53.9% and 57.9% of the total GWPs from this channel, respectively. During the same periods, the FYRPs generated through the bancassurance channel were RMB4,657 million, RMB7,712 million, RMB9,847 million and RMB7,017 million, respectively, representing a year-on-year increase of 65.6% in 2020 and a year-on-year increase of 27.7% in 2021. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs of traditional life insurance from the bancassurance channel accounted for 22.6%, 36.2%, 46.2% and 54.8% of the total GWPs from this channel. The increase in the percentage of traditional life insurance products in the bancassurance channel is mainly due to the increase in our customers' preference for savings-oriented financial products, especially during a time when interest rates of banks' deposits have stayed relatively low. In response to customer needs, we focus on promoting products that provide customers with insurance protection and long-term savings such as "Zhen Ai Bei Zhi" and "Zhen Xin Bei Zhi" product series. Our signature regular premium product "Zhen Ai Bei Zhi Whole Life Insurance" won the "Innovative Insurance Product of the Year (年度創新力保險產品)" in the "Insurance Industry Selection of the 16th China Finance and Economics List (第十六屆中國財經風雲榜之保險行業評選)" sponsored by Hexun.com (和訊網) in 2018, and "Kangrui Beizhi" lifelong critical illness insurance won "the Most Popular Insurance Product of the Year (年度最受歡迎保險產品)" in the "China Ding Insurance Industry Awards Ceremony (中國鼎保險行業頒獎典禮)" jointly sponsored by china.com.cn (中國網) and insure123.cn (今日保) in 2019, leading to good sales and market reputation. "Zhen Xin Bei Zhi Whole Life Insurance" received the "Outstanding Insurance Product for 2021 (2021年度優秀保險產品)" in the event of "21st Century Asia Financial Competitiveness (21世紀亞洲金融競爭力)" organized by 21st Century Business Herald (21世紀經濟報道).

We enhanced channel competitiveness through systematic team building and professional development training. As of June 30, 2022, Sunshine Life had over 5,400 bancassurance salespeople responsible for providing timely service support and training courses to bank personnel at bancassurance branches and outlets on product features and sales techniques. The CBIRC has detailed regulations on bancassurance channel business. See "Regulation Overview — Insurance Agents and Insurance Brokers — Insurance Agency Business of Commercial Banks." We focus on the consistent outstanding performance of our bancassurance sales team through comprehensively enhancing their professional competencies. Specifically, we strive to improve the effectiveness of our training by continuously delivering high-quality courses and seamless learning experience to our bancassurance sales team, both online and offline. Therefore, we are able to enhance the professional skills and ensure the competitiveness of our bancassurance salespeople at all levels.

The table below sets forth the number of the bancassurance branches and outlets as well as salespeople of Sunshine Life as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Number of bancassurance branches and outlets[1]	24,225	31,006	32,513	27,628
Number of bancassurance salespeople	3,648	4,569	5,385	5,414

(1) Bancassurance branches and outlets refer to branches and outlets of commercial banks that possess the qualifications necessary to conduct insurance business and that have entered into an agency agreement with us.

Recently, commercial banks have initiated digital operations transformation and have been reducing their physical branches and outlets. Our Company has also reorganized our bancassurance branches and outlets in response to such trend. We have focused on high-quality branches and outlets, and reduced the number of contracted branches and outlets to 27,628 from January 2022 to June 2022. Meanwhile, the average number of active branches and outlets per month[1] and the average productivity per active branch and outlet per month have both increased.

(1) The average number of active branches and outlets per month is calculated by dividing the sum of the average number of active branches and outlets for each month in a year by 12 and in a half year by 6. An active branch and outlet refers to a bancassurance outlet and branch that achieved premiums larger than 0 in a month.

Our cooperation agreements with financial institutions are generally not exclusive. Each financial institution with which we cooperate may sell products of other insurance companies. We have taken various measures to encourage the bancassurance branches and outlets to prioritize the sales of our insurance products. Such measures include: (i) providing the banks with products catering to the requirements and needs of their customers; (ii) providing training courses to bank employees on product features and sales techniques; (iii) providing timely service support to bank employees; and (iv) working with banks to develop and implement information processing systems that are integrated with our core business information technology systems.

Integrated channel (formerly telesales channel)

The predecessor of the integrated channel was the telesales channel of Sunshine Life. Sunshine Life's growth benefited from the boom stages of telesales since 2008. From 2008 to 2018, the telesales business of Sunshine Life grew rapidly. With the development of China's Internet and insurance industry in recent years, business through traditional telesales channel had shown decreasing comparative advantages since 2019 as its disadvantages began to emerge. In 2020, Sunshine Life started actively transforming its telesales channel. Committed to integrated marketing and customer management, Sunshine Life combined telesales and marketing strategies evolving around private domain traffic and established an integrated channel. In 2019, 2020, 2021 and the six months ended June 30, 2022, our GWPs generated from the original telesales channel and the integrated channel amounted to RMB4,346 million, RMB4,196 million, RMB3,914 million and RMB1,715 million, respectively, accounting for 9.0%, 7.6%, 6.4% and 4.1%, of the total GWPs of Sunshine Life, respectively.

The table below sets forth a breakdown of the GWPs of Sunshine Life by product from the original telesales channel and the integrated channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		**2020**		**2021**		**2022**	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	**3,130**	**72.0**	**2,897**	**69.1**	**2,566**	**65.6**	**1,119**	**65.3**
– Traditional	2,942	67.7	2,727	65.0	2,416	61.8	1,058	61.7
– Participating	188	4.3	170	4.1	150	3.8	61	3.6
– Universal	–	0.0	–	0.0	–	0.0	–	0.0
Accident insurance	**604**	**13.9**	**568**	**13.5**	**462**	**11.8**	**199**	**11.6**
Health insurance	**612**	**14.1**	**731**	**17.4**	**886**	**22.6**	**397**	**23.1**
Total	**4,346**	**100.0**	**4,196**	**100.0**	**3,914**	**100.0**	**1,715**	**100.0**

The table below sets forth a breakdown of the GWPs of Sunshine Life by FYPs and renewal premiums from the integrated channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
FYPs	**1,017**	**23.4**	**742**	**17.7**	**570**	**14.6**	**131**	**7.6**
Including: long-term insurance (more than one year)	989	22.8	728	17.4	566	14.5	131	7.6
– Including: regular premium	989	22.8	728	17.4	566	14.5	131	7.6
– Including: single premium	–	0.0	–	0.0	–	0.0	–	0.0
Including: short-term insurance (one year or below)	28	0.6	14	0.3	4	0.1	–	0.0
Renewal premiums	**3,329**	**76.6**	**3,454**	**82.3**	**3,344**	**85.4**	**1,584**	**92.4**
Total	**4,346**	**100.0**	**4,196**	**100.0**	**3,914**	**100.0**	**1,715**	**100.0**

Through our integrated channel, we strive to utilize private domain traffic and build a customer-centric and big data-driven closed-loop customer management system, which achieves standardized and scalable online customer acquisition to conversion and retention. As of June 30, 2022, we had set up 14 self-built sales centers for the integrated channel and had over 1,600 salespeople or customer managers.

The table below sets forth a breakdown of the FYRPs by payment terms from the integrated channel of Sunshine Life for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Regular premium within five years (five years exclusive)	**–**	**0.0**	**–**	**0.0**	**–**	**0.0**	**–**	**0.0**
Regular premium with five years or above	**989**	**100.0**	**728**	**100.0**	**566**	**100.0**	**131**	**100.0**
Including:								
– Regular premium with ten to 20 years	989	100.0	658	90.4	434	76.7	103	78.6
– Regular premium with 20 years or above	–	0.0	70	9.6	130	23.0	22	16.8
Total	**989**	**100.0**	**728**	**100.0**	**566**	**100.0**	**131**	**100.0**

Other channels

Other channels of Sunshine Life include the group insurance channel, online sales channel, and insurance agencies and insurance brokers channel. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from other channels amounted to RMB2,532 million, RMB2,657 million, RMB2,773 million and RMB2,355 million, respectively, accounting for 5.3%, 4.8%, 4.6% and 5.6%, of the total GWPs of Sunshine Life, respectively.

The table below sets forth a breakdown of the GWPs of Sunshine Life by product from other channels for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Life insurance	**340**	**13.4**	**613**	**23.1**	**741**	**26.7**	**449**	**19.1**
– Traditional	119	4.7	422	15.9	481	17.3	318	13.5
– Participating	221	8.7	191	7.2	260	9.4	131	5.6
– Universal	–	0.0	–	0.0	–	0.0	–	0.0
Accident insurance	**602**	**23.8**	**333**	**12.5**	**187**	**6.7**	**81**	**3.4**
Health insurance	**1,590**	**62.8**	**1,711**	**64.4**	**1,845**	**66.6**	**1,825**	**77.5**
Total	**2,532**	**100.0**	**2,657**	**100.0**	**2,773**	**100.0**	**2,355**	**100.0**

The table below sets forth a breakdown of the GWPs of Sunshine Life by FYPs and renewal premiums from other channels for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
FYPs	**1,932**	**76.3**	**2,007**	**75.5**	**1,833**	**66.1**	**1,720**	**73.0**
Including: long-term insurance (more than one year)	253	10.0	619	23.3	495	17.8	196	8.3
– Including: regular premium	175	6.9	475	17.9	323	11.6	144	6.1
– Including: single premium	78	3.1	144	5.4	172	6.2	52	2.2
Including: short-term insurance (one year or below)	1,679	66.3	1,388	52.2	1,338	48.3	1,524	64.7
Renewal premiums	**600**	**23.7**	**650**	**24.5**	**940**	**33.9**	**635**	**27.0**
Total	**2,532**	**100.0**	**2,657**	**100.0**	**2,773**	**100.0**	**2,355**	**100.0**

The table below sets forth a breakdown of the FYRPs by payment terms from other channels of Sunshine Life for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Regular premium within five years (five years exclusive)	**10**	**5.7**	**33**	**6.9**	**17**	**5.3**	**7**	**4.9**
Regular premium with five years or above	**165**	**94.3**	**442**	**93.1**	**306**	**94.7**	**137**	**95.1**
Including:								
– Regular premium with ten to 20 years	35	20.0	124	26.1	61	18.9	20	13.9
– Regular premium with 20 years or above	130	74.3	318	66.9	241	74.6	99	68.8
Total	**175**	**100.0**	**475**	**100.0**	**323**	**100.0**	**144**	**100.0**

Group insurance channel

The group insurance channel of Sunshine Life focuses on institutional customers, typically financial institutions, state-owned enterprises, other enterprises and public institutions. We generally sell group insurance products through salespeople who have signed employment contracts or agency agreements with us. The products of this channel mainly include short-term accident insurance, health insurance and commercial pension products. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated through the group insurance channel were RMB1,826 million, RMB1,573 million, RMB1,618 million and RMB1,089 million, respectively, accounting for 3.8%, 2.9%, 2.7% and 2.6%, of the total GWPs of Sunshine Life, respectively. In 2019, we began to explore the transformation of our group insurance channel and vigorously promote worksite marketing. For example, we adopted a targeted marketing strategy to reach institutional customers with the aim of providing the employees and their families with cost-efficient group long-term insurance products that meet customers' needs for comprehensive insurance services. Such products include lifelong critical illness insurance, whole life insurance with an incremental sum assured and annuity insurance.

We timely respond to national policies and have achieved remarkable results in managing critical illness medical insurance projects and operating tax-deductible insurance business. In terms of managing critical illness medical insurance projects, during the Track Record Period, our critical illness insurance projects had achieved GWPs of more than RMB1,534 million, covering approximately 42 million people cumulatively, including the provincial/municipal critical illness projects in Chongqing and Tianjin as well as the critical illness project in Xiangyang, Hubei. We collaborated with the Xiangyang Medical Insurance Bureau to co-manage the critical illness project in Xiangyang, Hubei. During the process, we consistently focused on unification in collection, policies, personnel deployment, system management, medical management and payment standards, which kept the risks under control and created an innovative model in the industry. In Chongqing, Hunan and other regions, we have also promptly participated in regional medical insurance plans for the benefit of local residents (惠民保) that are led by local governments with joint participation by insurance companies and third-party digital platforms, aiming to address the medical issues of the general public with differentiated insurance solutions. In terms of the operation of tax-deductible insurance business, Sunshine Life became one of the first three insurance companies qualified to operate "Tax-deductible Health Insurance (稅優健康保險)" business in February 2016, and became one of the first insurance companies qualified to operate "Tax-deferred Pension Annuity (個人稅收遞延型養老保險)" insurance business in May 2018.

Online sales channel

The online sales channel of Sunshine Life mainly consists of the self-operated official website and third-party digital platforms. As of June 30, 2022, Sunshine Life collaborated with more than ten third-party digital platforms, including Ant Insurance Agency (螞蟻保) and WeSure (微保). In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated through the online sales channel were RMB293 million, RMB620 million, RMB646 million and RMB913 million, respectively, accounting for 0.6%, 1.1%, 1.1% and 2.2%, of the total GWPs of Sunshine Life, respectively.

Committed to innovation and development of new products and services leveraging cutting-edge technologies, Sunshine Life has promoted the digital transformation of its online sales channel. For example, Sunshine Life has created and continually updates an accurate pricing model through big-data analytics and customizes products through technology. Sunshine Life has been adhering to a customer-oriented strategy as it effectively expands the coverage of its customer base. Sunshine Life integrates internal resources, validating and optimizing the innovative sales model comprising e-commerce and telesales. In addition, Sunshine Life strengthens its collaboration with third-party digital platforms to diversify scenario-based product offerings and provide customers with one-stop solutions and services covering the entire process.

Insurance agencies and insurance brokers channel

The insurance agencies and insurance brokers channel of Sunshine Life focuses on collaborating with insurance agencies and brokers for the marketing and sales of our life and health insurance products. The products of this channel are mainly critical illness insurance and whole life insurance. As of June 30, 2022, Sunshine Life collaborated with 134 agencies and brokers through 32 provincial-level branches nationwide, and signed collaboration agreements with the headquarters of eight of these agencies and brokers. We control the appointment and dismissal of agencies and brokers based on our "red-yellow-blue" management methodology, monitor the risk factors through the "Sky Eye System (天眼系統)" and regularly evaluate the risks associated with such collaborations. Through those measures, we strive to improve the service quality control and risk management of the insurance agencies and insurance brokers channel. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated through the insurance agencies and insurance brokers channel were RMB413 million, RMB464 million, RMB509 million and RMB353 million, respectively, accounting for 0.9%, 0.8%, 0.8% and 0.8%, of the total GWPs of Sunshine Life, respectively.

Leveraging the resources of our Group, Sunshine Life provides customers with integrated solutions comprising insurance products and medical treatment services, as well as insurance products and health management through its insurance agencies and insurance brokers channel. Since 2021, we have focused more on collaboration with top-ranking insurance agencies and brokers firms in the market, designating service personnel and resources to top-performing insurance agencies and brokers firms and sharing our service resources tailored for high-net-worth customers with the insurance agencies and insurance brokers channel, including the "Sunshine Home (陽光人家)" elderly care community services.

Customers and Customer Services

Customers

Underpinned by our core value of "all for customers," we are committed to delivering outstanding customer service through continuously enhancing our operational efficiency. As of December 31, 2019, 2020, 2021 and June 30, 2022, Sunshine Life had approximately 9.0 million, 8.6 million, 8.7 million and 15.4 million individual customers, respectively, and approximately 17,000, 16,000, 10,000 and 9,000 institutional customers, respectively. Institutional customers of Sunshine Life are mainly business entities and social institutions. The number of Sunshine Life's individual customers increased significantly in the first half of 2022, mainly because we launched new Internet critical illness insurance products through collaborating with a large Internet platform since December 2021. The number of institutional customers of Sunshine Life decreased during the Track Record Period as we strategically ended certain projects with relatively low profitability. Although the number of institutional customers of Sunshine Life decreased, the GWPs of Sunshine Life from institutional customers remained relatively stable in 2021 compared to 2020.

The table below sets forth a breakdown of GWPs of Sunshine Life by region for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Chongqing	2,773	5.8	2,930	5.3	3,178	5.2	2,523	6.0
Guangdong	3,366	7.0	3,622	6.6	3,255	5.4	2,489	5.9
Zhejiang	1,742	3.6	2,223	4.0	2,478	4.1	2,294	5.5
Hubei	6,872	14.3	4,272	7.8	3,828	6.3	2,083	5.0
Henan	2,677	5.6	2,625	4.8	2,515	4.1	1,951	4.6
Shandong	2,475	5.1	3,142	5.7	3,039	5.0	1,827	4.3
Hebei	1,760	3.7	2,595	4.7	4,251	7.0	1,546	3.7
Anhui	1,577	3.3	2,016	3.7	2,254	3.7	1,445	3.4
Beijing	1,247	2.6	1,911	3.5	2,231	3.7	1,383	3.3
Gansu	1,315	2.7	1,801	3.3	2,172	3.6	1,200	2.9
Other regions	22,314	46.3	27,967	50.6	31,625	51.9	23,317	55.4
Total	**48,118**	**100.0**	**55,104**	**100.0**	**60,826**	**100.0**	**42,058**	**100.0**

In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated from our Group's top five largest customers combined accounted for less than 5% of our total GWPs generated in each of the respective period.

Customer Services

We provide high-quality comprehensive customer services through counter service staff at our branches, customer service specialists, insurance agents, hotlines and online platforms. As of June 30, 2022, Sunshine Life had a full-time customer service team with over 1,000 employees. Our customer services typically include new policy registration, follow-ups, preservation, claim settlement, complaints handling, renewal payments management and policy alerts. Our customer service team handles customer complaints in compliance with our internal policies. In addressing customers' complaints, we commit to liaise with customers for effective solutions in a timely manner.

During the Track Record Period and as of the Latest Practicable Date, we did not receive any complaints from customers which would, individually or collectively, have a material adverse effect on our business, financial position, results of operations and prospects.

In terms of basic services, we have set up a nationwide customer service hotline "95510" operating 24 hours a day, seven days a week. We have built a convenient, intelligent and efficient "mobile service ecosystem" through our three major digital platforms: our official WeChat account, the "My Home Sunshine" APP and the "All-in-one for Life" APP. As of June 30, 2022, the official WeChat account of Sunshine Life had provided a rich set of content to approximately 4.8 million users. As of June 30, 2022, the number of registered users of the "My Home Sunshine" APP exceeded 3.6 million. The "My Home Sunshine" APP launched online activities such as the "Brisk Walking (健步走)" program that enabled an interactive customer experience through the embedded check-in feature. As an innovative service portal of Sunshine Life, it helped our Company win the "Best Internet Insurance Innovation Service Award (最佳互聯網保險創新服務獎)" at the Second China Internet Insurance Development Forum in 2018.

In terms of value-added services, we have built a strong ecosystem evolving around our core insurance business to provide customers with customized services covering multiple scenarios. In terms of medical care and health management services, through Sunshine Union Hospital (陽光融和醫院) we provide our customers with high-end Hybrid PET-MR physical examination services, allowing customers to complete a full body examination in a single visit, which provides guidance for subsequent treatment and recovery. We launched the "Sunshine Union Direct Payment" service model to provide customers with a one-stop streamlined medical expense claim settlement service with application waiver and minimum waiting time. Sunshine Life has collaborated with medical and healthcare service providers in the industry to launch the "Three Care Free (三無憂)" series of products, to provide customers with health management planning services covering all stages. "Medicine Care Free (藥無憂)" includes services such as online medical consultation and prescription coupons. "Medical Care Free (醫無憂)" includes services such as video consultation, expedited registration and second medical opinions from specialized hospitals. "Health Care Free (康無憂)" includes comprehensive nutrition and health management services. We have entered into a strategic collaboration framework agreement with the exclusive China diagnostics partner of a world-class comprehensive medical service institution. We offer our high-net-worth customers a triple-layered service package covering different stages of critical illnesses, including preliminary screening, diagnosis and cross-border medical care and treatment. In terms of elderly care, in January 2021, we created the integrated service model comprising the Sunshine Life insurance policy and "Sunshine Home" elderly care community. Through integrating internal and external resources of our Group, we provide our customers with pre-arrival and post-stay services to meet their health and elderly care needs for all phases of their lives. The pre-arrival services include health services, and a vacationing residents program across different care communities and life services, while the post-stay services include comprehensive medical care, social entertainment and quality of life services. This innovative service model has solved the pain points for our customers caused by the previous lack of high-quality elderly care solutions, while contributing to the growth of our life and health insurance business. We have also launched the "Family Care Free (孝無憂)" at-home elderly care service system. Through integrating various elderly-friendly services, we provide those of our customers' parents who choose to live at home with value-added services including year-round video doctor consultation, online ordering of medication, outpatient visits, inpatient care express and year-round regular nurse visits to conduct basic physical examination and provide home exercise guidance.

We prioritize enhancing our customer experience across all touchpoints. In 2011, we obtained the ISO9001 international quality system certification. In 2015, we introduced the customer net promoter score ("**NPS**"), using NPS as a starting point to explore and build a refined customer experience management system. We have appointed customer experience officers who conduct feedback sessions with both customers and salespeople. In addition, based on customer surveys conducted by third parties, we strive to dig deeper into the needs of customers by focusing on exploring online and intelligent customer service strategy as well as continually upgrading the online platform, so as to further enhance the customer experience. In order to provide customers with convenient and intelligent services, we built a customer experience data platform and a digital customer experience management system in 2021. Starting with the submission of service requested by customers, the customer experience data platform tracks the operational steps in real time throughout the entire service process, promptly assists customers in the event of service interruptions, and creates a seamless customer experience. For each customer, we provide a complete and personalized customer journey through multiple digital platforms by streamlining the service process across such platforms.

We use 13-month and 25-month persistency ratios as key indicators to measure customer experience. The table below sets forth a breakdown of the 13-month and 25-month persistency ratios by Sunshine Life insurance business in general and individual insurance agent channel for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	(%)	*(%)*	*(%)*	*(%)*
Life insurance 13-month persistency ratio(1)	84.8	87.8	87.0	90.0
Of which: individual insurance agent channel	88.2	86.1	84.7	84.3
Life insurance 25-month persistency ratio(2)	82.0	74.7	76.7	76.5
Of which: individual insurance agent channel	85.1	80.9	78.3	78.7

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

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

Customers' ability to pay premiums and actual income generally declined due to the impacts of the COVID-19 pandemic to some extent. The 25-month persistency ratio of Sunshine Life decreased from 82.0% in 2019 to 76.7% in 2021, and remained relatively stable at 76.5% in the six months ended June 30, 2022.

Business Flow

Product development and pricing

Sunshine Life has a complete customer-centric, standardized and prudent product development process. The product management committee, consisting of relevant senior management members of Sunshine Life, is responsible for verifying and confirming the feasibility of product development projects. The committee has a product development working group and a secretariat responsible for executing and managing specific projects. The product development working group comprises professionals specialized in product development, actuaries, business, operations, finance, investment, information technology, risk management and compliance. After a new product is reviewed by the chief actuary and chief legal officer and approved by the product management committee, it is then filed with the CBIRC in accordance with the relevant filing regulations.

In order to ensure the feasibility and commercial viability of Sunshine Life's new products, our product development working group conducts extensive surveys with relevant business departments, sales teams, branches and customers. Through insurance consumer survey, we gain deep insights into customers' insurance protection needs and develop products closely aligned to such needs and preferences. We adopt a multidimensional approach to product evaluation which includes Company-level evaluation, Channel-level evaluation and customer evaluation. The evaluation guidelines are based on our "red-yellow-blue" management methodology and the evaluation criteria include risk, value and compliance. Applying the digital actuarial techniques, we developed "E-product," an automated pricing and product management platform to improve the efficiency of product R&D allowing us to seize market opportunities quickly and vigorously.

We are committed to seeking the best solution with our channel-specific pricing strategy while catering to customers' needs and satisfying stakeholders' expectations. Our pricing strategy focuses on ensuring long-term sustainable growth while creating value for customers. We price our life and health insurance products based on various operating and economic assumptions. The operating assumptions include mortality, morbidity and expense ratios, which are determined in accordance with our operating experience, industry experience and industry trends. The economic assumptions, such as investment returns, are determined in accordance with historical investment performance, future macroeconomic environment and expected changes in investment portfolio and industry standards. In determining the dividends of participating life insurance and crediting interest of universal life insurance products, we consider factors including customer expectations and actual investment returns, as well as our business operations and market competition. Before the launch of a product, we strive to act prudently by considering various factors such as the sales strategy, market competitiveness, profit and risks. After the product is reviewed by relevant specialists in the sales, finance, compliance and product development and actuarial departments and approved by the product management committee, we reach a consensus to ensure that the product meets both market demand and our strategic objectives. We also perform profitability analysis and risk assessment, regularly conduct retrospective analysis of pricing assumptions and historical experience, as well as formulate the relevant risk management strategy to manage the short- and long-term risk exposure of a particular product.

Underwriting and Claim Settlement

Our life and health insurance underwriting process involves application and risk evaluation processes that seek to determine the risks related to a particular applicant, including mortality, morbidity and insurance fraud risks, as well as consistency between the amount of risks that such applicant is willing and able to accept. We also consider the risk profile of the individuals to be insured, including health condition, occupation and financial status, as well as habits and preferences. In addition, we strive to capitalize on the power of technology to achieve automated digital underwriting and embed data analytics across our risk management process. As a result, we effectively streamline the underwriting process, improve underwriting efficiency and risk control capabilities. In 2019, we launched the "Smart Underwriting Brain (智能核保大腦)," a digital underwriting system comprising a high-risk customer identification model, smart underwriting engine, smart underwriting robot, smart underwriting AI and Skynet System. See "— Information technology — Multidimensional Big Data Analytics Solutions." In the same year, the "Smart Underwriting Brain" won the "Best Intelligent Risk Control Technology Innovation Award (最佳智能風控科技創新獎)" at the third China Insurance Technology Innovation International Summit and was recognized as the "Gold Medal Case of Service Innovation in 2019-2020 (2019-2020年度服務創新金牌案例)" by China Banking and Insurance News (中國銀行保險報).

We have a centralized control and verification mechanism for our underwriting operations. Sunshine Life's headquarters centrally make underwriting decisions. Provincial-level branches, sub-branches or sales service outlets have no authority to underwrite any life and health insurance policies unless with prior approval from headquarters. Sunshine Life's underwriters make underwriting decisions in accordance with the amount of risk to be assumed under a particular insurance policy and their authorization level. Senior underwriters conduct additional inspections on a certain percentage of the insurance policies to effectively control the risks in the underwriting process.

Sunshine Life has a multitiered underwriting authorization system, which has been programmed to automatically forward any insurance policies to be underwritten at a more senior level if the sum assured exceeds the authority of the initial underwriter.

Each of the underwriters is required to attend a series of training programs and pass annual internal qualification exams before being authorized to underwrite insurance policies. Sunshine Life monitors and reviews the performance of its underwriters annually according to the standards and procedures set out in the professional qualification system. The level of authorization is evaluated annually based on the underwriter's work experience and performance.

Sunshine Life's headquarters centrally handle the review and approval of life and health insurance claim settlement. The claim adjusters, who are authorized and administered by headquarters, review life and health insurance claims within their scope of authorization.

Sunshine Life's claim settlement service consists of claim investigation and claim adjustment. Sunshine Life's claim investigation team is responsible for verifying the authenticity of reported accidents and recording the investigative process in the investigation management system to support the settlement result. We benefit from prudent investigation practices related to the prevention and detection of fraud and misconduct, such as cross-checking reported accidents, claim documentation and claimant eligibility.

The claim adjustment team, comprising claim adjusters who are authorized and managed by headquarters, reviews life and health insurance claims within its scope of authorization and determines the claim payments based on the findings. The claim adjusters must pass annual internal exams to obtain or upgrade their authorization levels, which are evaluated and adjusted regularly based on their work experience and the performance of the departments or branches in which they work. In order to ensure more effective control over our risk exposures, our information technology and risk control system for the operation of our claim business leverages internal and external digital platforms as well as technologies such as AI and big data analysis to timely adjust claim rules and constantly improve the claim settlement service system.

In order to facilitate claim settlement, Sunshine Life promptly upgrades its service concept and introduces new technologies. In 2020, it launched an innovative service, "Smart Eyes on Claims (理賠智慧眼)," which enables intelligent identification, clarity check and intelligent verification through OCR technology. Such service simplifies the information entry process, improves accuracy and effectively reduces risks. In the same year, we applied for an invention patent for the "Smart Eyes on Claims" from the State Intellectual Property Office. The application is currently under review.

Actuarial Practice

As of June 30, 2022, Sunshine Life had a total of 39 actuarial professionals, primarily at Sunshine Life's actuarial and product development departments. The actuarial team is responsible for providing actuarial support to Sunshine Life's key business units such as the strategic planning and finance departments.

Sunshine Life's actuarial department is primarily responsible for the reserves and solvency ratios calculation, embedded value determination and experience analysis. The actuarial department periodically evaluates various reserves allocated by Sunshine Life according to the relevant accounting principles, to ensure that Sunshine Life's reserves (including unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance reserves) meet their future obligations. The actuarial department also tracks and monitors Sunshine Life's solvency condition. Regarding empirical analysis, the actuarial department regularly conducts internal empirical studies on mortality, morbidity, surrender rates and expenses, which form the bases for setting assumptions used in pricing, drawing of reserves and projection. Sunshine Life's actuarial team also performs regular valuations and analyses of Sunshine Life's embedded value and new business value to help improve its profitability and maintain stable long-term growth.

To adapt to the commercial challenges brought about by increased life expectancy, medical technology advancement and rising medical costs, we implemented the following measures:

- We prudently analyse and determine the types and features of products we develop, strategically diversifying them to hedge certain commercial risks. Catering to various protection needs of our customers, we provide diversified insurance protection including life insurance products and annuity insurance products, hedging naturally between longevity risk and mortality risk. We offer medical insurance products mainly with a term of one year or below and therefore we can adjust the insurance liabilities or premium rates through products upgrades according to the actual experience and the development in the medical environment. One of our long-term medical insurance products developed in the first half of 2022 is built with adjustable premium rates. When specific trigger conditions are met, for instance, a loss ratio exceeding a pre-agreed level, we have the right to adjust the premium rate, which can lower the risk associated with increased medical cost. In some of our medical insurance terms, we set out clear definition for specific therapies, for instance, chemotherapy and radiotherapy, to avoid material impact caused by emerging new therapies and adapt to the challenges brought about by medical technology development;

- We fully consider our past mortality and morbidity experience and expectation of current and future experience, prudently build our actuarial assumptions. On one hand, for annuity products that face relatively high longevity risks brought about by increased life expectancy, we add mortality improvement factors on top of base mortality rate assumption to account for the tendency of increasing life expectancy in future demographics. On the other hand, for critical illness insurance products and part of long-term medical insurance products, we have set assumptions such as morbidity deterioration factors and medical cost inflation rates, respectively. In addition, we regularly conduct retrospective analysis of our actuarial assumptions to ensure that they reflect our actual experience and expectation of the future experience; and

- We maintain stable long-term partnership with multiple reinsurers. Through reasonable reinsurance arrangement we diversify our risks. During the development phase of certain products, we collect quotes from various reinsurers to gauge their opinions, especially those on the trends of risks such as increasing medical cost. Such practice helps us to determine our premium rates in an informed and reasonable manner. We also have reinsurance arrangement for our health insurance business, transferring a portion of risks involved and lowering their negative impact on our business.

Reserves

Sunshine Life is required to allocate reserves to provide for its future benefit obligations under its life and health insurance policies pursuant to PRC insurance laws and regulations as well as PRC GAAP. The reserves include unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance (one year and above) reserves.

Sunshine Life allocates unearned premium reserves for its unexpired insurance liabilities under the short-term life insurance contracts as at the date of assessment. The unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums with deductions made for first-day expenses. Subsequent to the initial recognition, unearned premium reserves are released over the terms of the contract using the 365ths method.

Sunshine Life allocates claim reserves that cover incurred and reported claims, claims incurred but not reported and claim handling costs for short-term life insurance business. Sunshine Life determines claim reserves based on actuarial assumptions, relevant actuarial methods and statistical procedures. The calculation also takes into account historical claim settlement data and future trends.

Sunshine Life allocates life insurance reserves and long-term health insurance reserves for its unexpired life insurance liabilities and long-term health insurance liabilities, respectively. Sunshine Life determines life insurance reserves and long-term health insurance reserves based on relevant actuarial assumptions such as mortality, morbidity, surrender rates, discount rates and expenses, which are provided in compliance with PRC GAAP. Sunshine Life conducts an adequacy test on such reserves based on the information available at balance sheet dates and adjusts the amount if there is any deficiency.

As of June 30, 2022, the reserves allocated by Sunshine Life before reinsurance amounted to RMB226,222 million.

The table below sets forth the reserves allocated by Sunshine Life before reinsurance as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions)			
Long-term insurance contracts (more than one year)	128,216	162,225	200,899	224,686
Short-term insurance contracts (one year and below)	1,024	962	1,058	1,536
Unearned premium reserves	334	305	254	720
Claim reserves	690	657	804	816
Total	**129,240**	**163,187**	**201,957**	**226,222**

In accordance with relevant regulatory requirements of the MOF and CBIRC, we have established a comprehensive reserve management system which covers reserve valuation management and relevant internal control management for the reserves allocated by Sunshine Life. To ensure timely accrual of an appropriate amount of reserves in accordance with applicable laws and regulations, reserves allocated by Sunshine Life are subject to yearly external audit, during which external auditor conducts specialized audit procedures for the reserves. The external auditor issued unqualified auditor's reports as of December 31, 2019, 2020, 2021 and June 30, 2022. The reserves allocated by Sunshine Life as of December 31, 2019, 2020, 2021 and June 30, 2022, were all in compliance with applicable laws and regulations.

Reinsurance

To control and diversify the overall exposure to potential future claim loss and expand our underwriting capacity, Sunshine Life reinsures a portion of the risk that it assumes under the life and health insurance policies in exchange for a portion of premiums it receives in respect of these policies. According to the risks and characteristics of the insurance business, we mainly reinsure relevant insurance risks through quota share reinsurance and surplus reinsurance. In addition, we also transfer accumulated accidental risks through catastrophe reinsurance agreements concluded based on excess compensation.

Sunshine Life determines the retention amounts and cession ratio according to relevant insurance laws and regulations in the PRC and business development needs. See "Regulatory Overview — Cooperation with Reinsurance." Sunshine Life has entered into reinsurance agreements with various leading reinsurance companies to lower the concentration risk of reinsurance.

Sunshine Life selects reinsurance companies based on their international ratings, financial strength, service level, insurance clauses, claim settlement efficiency and price. Generally, Sunshine Life selects international reinsurance companies with A- or above ratings and domestic reinsurance companies with a proven track record. Sunshine Life monitors the financial condition of these reinsurers on an ongoing basis, and regularly conducts reviews of its reinsurance arrangements.

In 2019, 2020, 2021 and the six months ended June 30, 2022, Sunshine Life ceded to reinsurers RMB997 million, RMB886 million, RMB1,295 million and RMB1,283 million, respectively, accounting for 2.1%, 1.6%, 2.1% and 3.1%, respectively, of its GWPs. During the Track Record Period, none of these reinsurers defaulted on or delayed payment of any life and health insurance-related reinsurance obligations to Sunshine Life.

PROPERTY AND CASUALTY INSURANCE

Overview

We provide property and casualty insurance products and services mainly through Sunshine P&C. In 2019, 2020, 2021 and the six months ended June 30, 2022, Sunshine P&C's GWPs accounted for 99.7%, 99.9%, 100.0% and 99.9% of our GWPs generated from property and casualty insurance business, respectively. Unless otherwise specified, this section shall only describe the business of Sunshine P&C. Less than two years after its establishment in July 2005, Sunshine P&C achieved profitability. According to data published by the CBIRC and the Insurance Association of China, Sunshine P&C ranked seventh among 87 PRC property insurance companies with a market share of 2.7% in terms of OPI in 2020. In 2019, 2020, 2021 and the six months ended June 30, 2022, Sunshine P&C's OPI was RMB39,501 million, RMB37,270 million, RMB40,531 million and RMB20,857 million, respectively.

We have comprehensive property and casualty insurance product lines, offering more than 4,000 property and casualty insurance products to customers, covering automobile insurance, guarantee insurance, accident and short-term health insurance, liability insurance, commercial property insurance and agricultural insurance. During the Track Record Period, automobile insurance was our most important property insurance product in terms of OPI. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI of our automobile insurance products was RMB24,613 million, RMB24,103 million, RMB23,176 million and RMB12,504 million, respectively, accounting for 62.3%, 64.7%, 57.2% and 60.0%, respectively, of the total OPI of Sunshine P&C.

We have established an expansive property and casualty insurance sales and service network, covering all provinces, autonomous regions and municipalities in China. As of June 30, 2022, Sunshine P&C had established 36 provincial-level branches, 1,881 city-level sub-branches, county-level sub-branches and sales service outlets as well as 2,083 EA outlets. As of the same date, our sales team consisted of approximately 44,000 individual insurance agents and 15,000 in-house salespeople. We also cross-sell property and casualty insurance products through Sunshine Life's individual insurance agent channel. We develop new channels that are different from the traditional ones to optimize the existing sales network layout. Such efforts mainly include the expansion of the EA outlets channel and online sales channel. We empower the EA outlets channel by our digital technology platform and our renowned Sunshine brand. Through such channels, we encourage exclusive agents to start their own businesses and constantly explore and identify insurance needs from surrounding communities. Through collaboration with Internet platforms, we continue to explore the insurance needs of new consumer groups in the Internet era through the online sales channel. Based on the needs of individual Internet platforms and their customers, we offer customized products with easy-to-understand and affordable coverage.

We have a large and solid customer base and a high-quality customer service system for our property and casualty insurance business. As of December 31, 2019, 2020, 2021 and June 30, 2022, Sunshine P&C had approximately 13.0 million, 15.0 million, 17.2 million and 16.9 million individual customers, respectively, and approximately 0.5 million, 0.4 million, 0.4 million and 0.8 million institutional customers, respectively. We have set up a nationwide customer service hotline "95510" operating 24 hours a day, seven days a week. Customers have access to our online services through the official website of Sunshine P&C at www.4000-000-000.com. Our online service tools also bring customers ease of use by providing them with a full range of online services such as preservation and claim settlement.

Our property and casualty insurance business has won many awards. The main honors and awards received during the Track Record Period include:

Awards for enterprise service and recognition:

- the "Annual Outstanding Property and Casualty Insurance Company (年度卓越財產保險公司)" in the "2019 China Golden Tripod Awards (2019中國金鼎獎)" sponsored by National Business Daily (每日經濟新聞) in 2019

- the "Annual Excellent Customer Service Insurance Company (年度卓越客戶服務保險公司)" in the "2020 China Insurance Industry Billboard (2020中國保險行業風雲榜)" sponsored by National Business Daily (每日經濟新聞) in 2020

- the "Annual Insurtech Innovation Award (年度保險科技創新)" in the "21st Century Asian Financial Competitiveness Assessment and Selection (21世紀亞洲金融競爭力評選)" sponsored by 21st Century Media Corporation (21世紀傳媒) in 2020

- the "Annual Excellent Customer Experience Insurance Company Award (年度卓越客戶體驗保險公司)" in the "Excellent Financial Enterprise Ceremony (卓越金融企業盛典)" sponsored by the Economic Observer (經濟觀察報) in 2020

Awards for products:

- the "2020 Ark Prize for Golden Insurance Product (2020金牌保險產品方舟獎)" for Love Health Million-coverage Medical Insurance (愛健康百萬醫療) in the "Assessment and Selection of the Ark Prizes for China's Insurance Industry (中國保險業方舟獎評選)" organized by Securities Times in 2020

- the "2021 Insure123.cn • Top 10 Commercial Health Insurance Recommended Products Award (2021今日保•十佳商業健康保險推薦產品)" in the "High-end Seminar of China Health Industry and Health Insurance (中國健康產業與健康保險高端研討會)" sponsored by insure123.cn (今日保) and Chinese Health Association (中國健康管理協會) in 2021

Property and Casualty Insurance Products

Our property and casualty insurance products comprise automobile insurance and non-automobile insurance products. Automobile insurance includes commercial automobile insurance and compulsory automobile insurance. Non-automobile insurance mainly includes guarantee insurance, accident and short-term health insurance, liability insurance, commercial property insurance and agricultural insurance.

The table below sets forth a breakdown of the OPI of Sunshine P&C's insurance business by product for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Automobile insurance	**24,613**	**62.3**	**24,103**	**64.7**	**23,176**	**57.2**	**12,504**	**60.0**
– Commercial automobile insurance	16,873	42.7	16,042	43.0	14,598	36.0	7,990	38.4
– Compulsory automobile insurance	7,740	19.6	8,061	21.7	8,578	21.2	4,514	21.6
Non-automobile insurance	**14,888**	**37.7**	**13,167**	**35.3**	**17,355**	**42.8**	**8,353**	**40.0**
– Guarantee insurance	8,574	21.7	5,590	15.0	7,397	18.2	3,168	15.2
– Accident and short-term health insurance	2,683	6.8	3,465	9.3	5,047	12.5	2,440	11.7
– Liability insurance	1,650	4.2	1,773	4.8	2,055	5.1	1,144	5.5
– Commercial property insurance	769	1.9	828	2.2	905	2.2	593	2.8
– Agricultural insurance	119	0.3	163	0.4	240	0.6	256	1.2
– Others[1]	1,093	2.8	1,348	3.6	1,711	4.2	752	3.6
Total	**39,501**	**100.0**	**37,270**	**100.0**	**40,531**	**100.0**	**20,857**	**100.0**

(1) Others mainly include engineering insurance, cargo insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

The table below sets forth the expense ratio, loss ratio and combined ratio of Sunshine P&C's insurance business for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(%)	(%)	(%)	(%)
Expense ratio(1)	43.2	42.3	38.5	34.5
Loss ratio(2)	56.8	58.4	66.6	64.3
Combined ratio(3)	100.0	100.7	105.1	98.8

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

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

(3) Combined ratio refers to the sum of the loss ratio and the expense ratio. It is the indicator of a P&C insurance company's underwriting profitability. The financial profit or loss of a P&C insurance company can be affected by many factors, such as investment income, other operating income and expenses, non-operating income and expenses, and income tax expense, among others, in addition to underwriting profit or loss. Therefore, a combined ratio of over 100% only indicates underwriting loss, but not definite financial loss.

The combined ratio of Sunshine P&C increased from 2019 to 2021, primarily due to the increase in the combined ratio of automobile insurance. In the first half of 2022, Sunshine P&C has recorded underwriting profits. See "— Automobile Insurance."

In 2020, the increase in the loss ratio of Sunshine P&C's insurance business was caused by the increase in the loss ratio of both automobile insurance products and non-automobile insurance products. Specifically, the increase in the loss ratio of automobile insurance products was primarily due to the nationwide implementation of the unified personal injury compensation standard for urban and rural residents, resulting in a significant increase in claim payments for in-force insurance policies. The increase in the loss ratio of non-automobile insurance products was primarily due to the impact of the COVID-19 pandemic, which affected the short-term repayment capacity of Sunshine P&C's customers of guarantee insurance, resulting in a year-on-year increase in net claim payments.

In 2021, the increase in the loss ratio of Sunshine P&C's insurance business was mainly caused by the increase in the loss ratio of automobile insurance products. The increase in automobile insurance products' loss ratio was primarily due to (i) the impact of the comprehensive reform of automobile insurance industry launched by the CBIRC in September 2020, which led to lower premium per unit, but contributed to a significant improvement on the degree and scope of risk protection for automobile insurance customers; and (ii) the enlarged losses and claims caused by the catastrophic floods in Henan Province in 2021.

In the six months ended June 30, 2022, the loss ratio of Sunshine P&C's insurance business was improved, primarily due to the decrease in the loss ratio of automobile insurance products, liability insurance products and commercial property insurance products. In terms of automobile insurance products, we continuously optimized the "intelligent life table for automobile insurance (車險智能生命表)" through big data and AI algorithms to continuously improve our pricing capabilities and to enhance our capability of responding to the comprehensive reform of the automobile insurance industry and streamlining business opportunities. Specifically, based on traditional actuarial pricing system, we enhanced risk assessment in relation to automobile insurance products with the help of big data analysis of automobile-related information, such as the brand and price of the automobiles and the number of claims made in recent three years. With improved risk assessment, we enhanced capabilities of pricing and streamlining business opportunities as we adopted relatively competitive pricing strategies for automobile insurance products with relatively low risks while we strictly controlled the pricing for products with relatively high risks. In terms of non-automobile insurance products, we strive to enhance our capabilities in relation to risk identification and pricing. We set detailed rules for evaluating and adjusting ultimate loss ratios and enhance precise pricing for different products, industries and regions. Specifically, we have internal policies and rules such as *the Rule for Adjusting Ultimate Loss Ratios (終極賠付率調整規則)* that set mechanisms to evaluate ultimate loss ratios based on the risk assessment of different products, industries and regions, taking into consideration risk factors such as the claim settlement history and significant claims in relation to different products, industries and regions. Also, seasonality contributed to the improvement of loss ratio in the six months ended June 30, 2022, as severe natural disasters occurred in 2020 and 2021 while none in the six months ended June 30, 2022.

The table below sets forth a breakdown of the expense ratio of Sunshine P&C's insurance business by product for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	(%)	*(%)*	*(%)*	*(%)*
Automobile insurance	**38.8**	**38.3**	**31.5**	**29.5**
Commercial automobile insurance	43.8	43.7	35.3	32.3
Compulsory automobile insurance	27.9	27.1	24.8	24.7
Non-automobile insurance	**52.9**	**50.0**	**48.8**	**42.9**
Guarantee insurance	49.2	41.0	41.9	37.4
Accident and short-term health insurance	63.7	66.4	61.8	47.6
Liability insurance	48.2	52.5	51.5	52.1
Commercial property insurance	93.4	82.4	65.9	64.0
Agricultural insurance	44.9	55.4	45.8	31.8
Others[(1)]	43.1	49.5	35.9	38.1

(1) Others mainly include engineering insurance, cargo insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

The table below sets forth a breakdown of the loss ratio of Sunshine P&C's insurance business by product for the Track Record Period:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2022
	(%)	*(%)*	*(%)*	*(%)*
Automobile insurance	**58.3**	**59.5**	**81.2**	**67.6**
Commercial automobile insurance	57.3	58.2	77.7	64.2
Compulsory automobile insurance	60.7	62.3	87.3	73.4
Non-automobile insurance	**53.5**	**56.2**	**45.1**	**58.8**
Guarantee insurance	56.7	60.9	38.4	64.5
Accident and short-term health insurance	33.0	34.3	35.6	47.2
Liability insurance	64.1	63.4	52.6	50.9
Commercial property insurance	59.4	67.9	74.8	45.7
Agricultural insurance	79.2	89.4	76.2	81.2
Others[(1)]	62.6	65.6	86.4	79.5

(1) Others mainly include engineering insurance, cargo insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

The table below sets forth a breakdown of the combined ratio[(1)] of Sunshine P&C's insurance business by product for the Track Record Period:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2022
	(%)	*(%)*	*(%)*	*(%)*
Automobile insurance	**97.1**	**97.8**	**112.7**	**97.1**
Commercial automobile insurance	101.1	101.9	113.0	96.4
Compulsory automobile insurance	88.6	89.4	112.1	98.1

	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
	(%)	*(%)*	*(%)*	*(%)*
Non-automobile insurance	**106.4**	**106.2**	**93.9**	**101.7**
Guarantee insurance	105.9	101.9	80.3	102.0
Accident and short-term health insurance	96.7	100.7	97.4	94.7
Liability insurance	112.3	115.9	104.1	103.0
Commercial property insurance	152.8	150.3	140.7	109.7
Agricultural insurance	124.1	144.8	122.0	113.1
Others(2)	105.7	115.1	122.3	117.6

(1) Combined ratio refers to the sum of the loss ratio and the expense ratio.

(2) Others mainly include engineering insurance, cargo insurance, special risk insurance, hull insurance, homeowner insurance and credit insurance.

We plan to improve our profitability mainly by continuously (i) improving the profitability of our products by enhancing product management and improving capabilities in relation to risk identification and pricing; (ii) optimizing our business structure and enhancing our risk control to increase the portion of projects with strong performance; and (iii) improving our closed-loop cost management and lowering our operational costs. Specifically, we will continue to apply diversified pricing strategies for different products, catering to their respective characteristics. In terms of automobile insurance products, we will continue to strengthen the application of the "intelligent life table for automobile insurance" management system. We will use big data technology to analyze indicators such as customer behavior data, internal costs data and pricing of similar products in the PRC insurance market. Based on big data risk pricing and intelligent recommendation of market pricing, we aim to achieve optimal decisions and value development of automobile insurance. Typically, with regard to electric vehicles which are more intelligent and data-oriented, we plan to improve the risk pricing model by gradually establishing and enriching data from the internet of vehicles, and apply the model in accurate identification of customer risks. We will also improve our research and analysis regarding the differences of electric vehicles from different brands and their technical data, so that we can build a claim system tailored for electric vehicles, which can cover automobile parts supply and damage evaluation. In addition, we will provide damage evaluation related trainings to our claim adjusters to improve their relevant professional skills.

Automobile Insurance

Automobile insurance is our most important property and casualty insurance product in terms of OPI, and mainly includes commercial automobile insurance and compulsory automobile insurance. In 2019, 2020, 2021 and the six months ended June 30, 2022, our OPI from automobile insurance was RMB24,613 million, RMB24,103 million, RMB23,176 million and RMB12,504 million, respectively, accounting for 62.3%, 64.7%, 57.2% and 60.0%, of the OPI of Sunshine P&C, respectively; and the combined ratio was 97.1%, 97.8%, 112.7% and 97.1%, respectively.

Since 2015, the CIRC and the CBIRC have launched several reforms of the automobile insurance industry, including the reform of the commercial auto insurance terms and rates management system and the comprehensive reform of automobile insurance. Such reforms increased the liability limits of compulsory automobile insurance, expanded the liability coverage of commercial automobile insurance and gave property and casualty insurance companies more autonomy in setting the rates of commercial automobile insurance, which had impacts on both market competition and actuarial pricing systems. See "Risk Factors — Risks Relating to Our Business and Industry — Changes in demand for automobiles and the emergence of new energy vehicles, as well as evolving changes in the PRC regulations in relation to automobile insurance, could have a material adverse effect on our business, financial condition and results of operations." The comprehensive reform of automobile insurance has lowered the basic premiums of commercial automobile insurance and raised the discount on insurance rate for customers who had not made claims during the previous period. Affected by the comprehensive reform of automobile insurance in the PRC's property and casualty insurance industry, the average premiums and expenses per vehicle declined across the industry. According to the data published by the CBIRC, the average premium paid for vehicles was RMB2,763 as of September 30, 2021, or 21% lower than that before the comprehensive automobile insurance reform. The expense ratio for automobile insurance nationwide was 27.8% as of September 30, 2021, representing a year-on-year decrease of 13.5 percentage points. Our automobile insurance business also has been affected to a certain extent, resulting in a decrease of our OPI from automobile insurance from 2019 to 2021.

From 2019 to 2021, the increase in our automobile insurance products' combined ratio was first due to the nationwide implementation of the unified personal injury compensation standard for urban and rural residents, resulting in a significant increase in claim payments for in-force insurance policies. Secondly, the loss ratio of our automobile insurance experienced a significant increase during the Track Record Period mainly because (i) the impact of the comprehensive reform of automobile insurance industry launched by the CBIRC in September 2020, which led to lower premium per unit, but contributed to a significant improvement on the degree and scope of risk protection for automobile insurance customers; and (ii) the enlarged losses and claims caused by the catastrophic floods in Henan Province in 2021. Faced with the increase in loss ratio, we have adopted the following measures. First, we optimize the "intelligent life table for automobile insurance (車險智能生命表)" through big data and AI algorithms to continuously improve our pricing capabilities. Secondly, continuously enhance our sales efforts focusing on customer segmentation under the guidance of the "intelligent life table for automobile insurance," so as to improve our profitability, promote and expand our underwriting business. Thirdly, we strive to enhance our capability of managing target customers through continually identifying customers' needs, providing diversified risk protection solutions and enhancing customer experience. Therefore, in the first half of 2022, our automobile insurance business has recorded underwriting profits.

We drive the growth of our automobile insurance business with the "intelligent life table for automobile insurance." Through such model, we continuously improve underwriting standards, risk identification and risk control capabilities. In addition, we strive to enhance the underwriting profitability of our automobile insurance business by improving sales training programs and facilitating sales activities with sales tools. Meanwhile, we continue to segment our customers and develop scenario-based insurance products with diversified risk protection solutions closely aligned to our customers' needs. We promote our automobile insurance business through expanding our channels such as telesales, EA outlets, online sales and cross-selling, efficiently managing third-party channels such as automobile 4S stores and automobile dealerships as well as promoting strategic collaboration with automobile manufacturers.

We offer a wide range of differentiated value-added services to our customers in our automobile insurance business to enhance customer satisfaction and loyalty, including non-accident roadside assistance, automobile safety inspection, delivery for inspection and chauffeur services to meet customers' personalized needs.

Commercial Automobile Insurance

Commercial automobile insurance mainly covers loss of or damage to underwritten vehicles, third-party liabilities, passenger liabilities and relevant riders. In 2019, 2020, 2021 and the six months ended June 30, 2022, our OPI from commercial automobile insurance was RMB16,873 million, RMB16,042 million, RMB14,598 million and RMB7,990 million, respectively, accounting for 68.6%, 66.6%, 63.0% and 63.9%, of our OPI from automobile insurance, respectively. Affected by the comprehensive reform of automobile insurance industry, the average premiums per vehicle of automobile insurance industry has declined across the industry and the growth rate of automobile insurance industry was adversely affected. See "– Automobile Insurance." Our commercial automobile insurance business also has been affected to a certain extent, resulting in a decrease of our OPI from commercial automobile insurance from 2019 to 2021.

With our understanding of the industry and our customers, we developed the first "life table for automobile insurance (車險生命表)" in the PRC property and casualty insurance industry in 2009, which was the predecessor of our "intelligent life table for automobile insurance." Through such model, we use data analysis and digital tools to improve risk identification capabilities, operational efficiency and pricing capabilities. To respond to the comprehensive reform of automobile insurance, since 2020, we have upgraded the traditional automobile insurance pricing model with AI and big data technology to establish the "intelligent life table for automobile insurance" management system. Having been fully implemented since the second half of 2021, such management system is capable of customized pricing through its embedded automobile insurance pricing model based on big data analysis of individuals, vehicles and behaviors. Moving from concept to reality, we have achieved "individual price for each customer and vehicle (一人一車一價)" and enhanced pricing efficiency and accuracy.

Compulsory Automobile Insurance

Sunshine P&C is one of the first PRC insurance companies approved by the CIRC to provide compulsory automobile insurance products. Compulsory automobile insurance is a mandatory insurance policy that covers, within the limits of liability, bodily injuries and property damages of a third party (other than passengers in the insured vehicle or the insured party) in a traffic accident caused by the insured vehicle. In 2019, 2020, 2021 and the six months ended June 30, 2022, our OPI of compulsory automobile insurance was RMB7,740 million, RMB8,061 million, RMB8,578 million and RMB4,514 million, respectively, accounting for 31.4%, 33.4%, 37.0% and 36.1%, of our OPI of automobile insurance, respectively.

Non-automobile Insurance

Our non-automobile insurance products consist mainly of guarantee insurance, accident and short-term health insurance, liability insurance, commercial property insurance and agricultural insurance. We have been developing the non-automobile insurance business, particularly in segments of agricultural insurance, health insurance and policy-supported insurance, for which we continue to seek relevant operating qualifications and expand business scope. In 2019, 2020, 2021 and the six months ended June 30, 2022, our OPI from non-automobile insurance was RMB14,888 million, RMB13,167 million, RMB17,355 million and RMB8,353 million, respectively, accounting for 37.7%, 35.3%, 42.8% and 40.0%, of OPI of Sunshine P&C, respectively.

Guarantee Insurance

The guarantee insurance products of Sunshine P&C include personal guarantee insurance products with a low sum assured and loan guarantee insurance products for small and medium-sized enterprises. Sunshine P&C has established a separate organizational structure to operate guarantee insurance business. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from guarantee insurance of Sunshine P&C was RMB8,574 million, RMB5,590 million, RMB7,397 million and RMB3,168 million, respectively, representing 21.7%, 15.0%, 18.2% and 15.2%, of OPI of Sunshine P&C, respectively. Affected by COVID-19 pandemic and Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (關於審理民間借貸案件適用法律若干問題的規定) implemented in August 2020 on loan interest rate, we further strengthened customer screening procedures, which led to the decrease of premiums from guarantee insurance business. In 2021, with the orderly resumption of work and production, small- and medium-sized enterprises, individual entrepreneurs and other economic entities were in need for more small-scale but stable funding. This created a strong demand for financing, leading to an increase in our premiums for guarantee insurance in 2021. The expense ratio of our guarantee insurance decreased from 49.2% in 2019 to 41.0% in 2020, mainly because we took the initiative to strengthen expense control to further reduce sales expense given the impact of the COVID-19 pandemic and the Supreme People's Court's restriction on loan interest rates. The combined ratio of our guarantee insurance decreased from 105.9% in 2019 to 80.3% in 2021 primarily because we have been continuously optimizing our customer base, risk management and operating model in recent years, the loss ratio has been continuously decreasing and driving the improvements in our underwriting capacity and profits. The recurring COVID-19 pandemic and adverse macro factors materially affected the short-term repayment capacity of our customer base from guarantee insurance, resulting in a year-on-year increase in net claim payments in the first half of 2022, with the loss ratio rising to 64.5% and the combined ratio rising to 102.0%. Facing the short-term increase in the loss ratio, we took the following measures: (i) strengthening risk monitoring by regions, channels and products, and implementing differentiated risk control policies for different customer group to mitigate risks; (ii) deploying post-insurance agent in advance, optimizing debt collection model and system and implementing differentiated debt collection strategies to improve the efficiency in debt collection on short-term overdue accounts and recover losses; and (iii) targeting high-quality customer base and increasing the proportion of high-quality customer segments to further enhance our asset quality.

We launched the guarantee insurance product named "Sunshine e-insurance (陽光e保)" in December 2020. It is connected to the PBOC credit system, enabling individual customers with assets such as mortgaged houses, cars, social security provident funds and credit cards to complete the application for insurance, withdrawal and repayment online. We have also established an intelligent operations system covering pre-insurance risk review and post-insurance monitoring and management to provide customers with a convenient and efficient underwriting service experience. We have increased the development and expansion of performance guarantee insurance products and constantly explored business opportunities for policy-supported projects. We have been qualified to operate "Tariff Guarantee Insurance (關稅履約保證險)" business since 2019. Sunshine P&C launched the "Travel Agency Service Quality Guarantee Insurance (旅行社旅遊服務質量保證金履約保證險)" in June 2021 to help travel agencies manage their needs for working capital and bank facilities, as well as alleviate their operating pressure.

We set up a comprehensive front-to-end risk control system through process control, data-driven decision-making and system support, aiming to effectively manage customer acquisition. In the process, we first complete information collection and customer authorization electronically, then use data risk control models for customer risk assessment, and further set up manual verification to eliminate risks such as fraud and litigation. Finally, we confirm the customers' intentions through remote signing and provide the necessary notification for customers to protect their interests. The main application systems of our guarantee insurance business include a customer application APP, a risk decision engine, an underwriting system and a contracting system. In the future, we intend to further classify relevant markets in relation to features of segmented customer bases for different guarantee insurance products depending on regional economic developments and market changes, so as to reasonably allocate resources for business expansion.

Accident and Short-term Health Insurance

Accident and short-term health insurance aim to provide survival benefits in the event of death or disability of the insured party caused by accident during the insured period, or provide reimbursements in the form of inpatient care subsidy or of actual medical expenses incurred by the insured party as a result of an accident or specific disease during the incurred period (generally for one year or less). In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from accident insurance of Sunshine P&C was RMB1,784 million, RMB1,838 million, RMB2,042 million and RMB713 million, respectively, representing 4.5%, 4.9%, 5.0% and 3.4%, of the OPI of Sunshine P&C, respectively; and the OPI from short-term health insurance was RMB899 million, RMB1,627 million, RMB3,005 million and RMB1,727 million, respectively, representing 2.3%, 4.4%, 7.5% and 8.3%, of OPI of Sunshine P&C, respectively.

Sunshine P&C is committed to making accident and short-term health insurance one of the most caring insurance products. We mainly carry out product R&D and promotion from three aspects. First, from the aspect of responding to the PRC national strategy, we are committed to developing commercial health insurance in order to serve the multilayered national healthcare security system, promoting collaboration between our commercial health insurance and the basic medical insurance, and promptly participating in various local government projects. Secondly, from the aspect of aiming to serve the real economy, we provide group accident and short-term health insurance to help companies care for their employees. Thirdly, from the aspect of serving individual customers, we continually enrich product portfolios and provide comprehensive protection solutions aligned with the risk protection needs of our customers and their families in daily life and their work environment. Sunshine P&C maximizes the value of its existing customer base, continuously optimizes its product offerings through innovation to meet its customers' diverse needs and strives to enhance its profitability through a multiproduct sales strategy targeting individual customers. For example, we developed "Carefree Rides (駕乘無憂)," an accident insurance product for drivers and passengers, to address the risks faced by many of our automobile insurance customers when traveling. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from this product were RMB131 million, RMB228 million, RMB445 million and RMB192 million, respectively. Furthermore, aiming to fulfill the gap between people's increasing medical needs and the current social security reimbursement limits, we have developed the "Love Health (愛健康)" product series. It is a high-sum-assured health insurance product series focusing on medical compensation, which integrates medical insurance, out-of-pocket expenses and medical services. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs from this product series were RMB130 million, RMB571 million, RMB1,222 million and RMB288 million, respectively. Since the second half of 2021, the insurance industry in China has implemented the related regulations of the CBIRC on the management of the Internet products, causing the sales of such products to decline, and premium income of Sunshine P&C in the first half of 2022 has also declined as a result.

In recent years, following elevated public health awareness, diversified medical needs and favorable policies, health insurance products have been increasingly accepted by more customers. In addition, we believe that the growing aging population in China is expected to fuel demand for health insurance products. See "Industry Overview — Current Condition of the PRC Insurance Market — Key Drivers for the Development of the PRC Insurance Industry — Aging population and changes in family structure have driven demand for protection insurance products." Looking forward, we believe that the health insurance business has tremendous growth potential and we will continue to focus on regions with a high concentration of aging population as well as provinces and cities with a high level of government-enterprise cooperation to plan our business expansion accordingly.

Liability Insurance

Our liability insurance products include employer liability, public liability, product liability and professional indemnity insurance to protect the insured party from liability for third-party damages. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from our liability insurance reached RMB1,650 million, RMB1,773 million, RMB2,055 million and RMB1,144 million, respectively, representing 4.2%, 4.8%, 5.1% and 5.5% of the OPI of Sunshine P&C, respectively. The loss ratio of our liability insurance decreased from 64.1% in 2019 to 52.6% in 2021, and further to 50.9% in the six months ended June 30, 2022. We have greatly reduced the loss ratio of our liability insurance in recent years by improving our risk identification and pricing capabilities.

We believe that with continuous economic development, the increasing sophistication of the legal system and the public's enhanced awareness of legal rights in China, more individuals and institutions maintain liability insurance to protect themselves from liability. We pay close attention to the development of the insurance regulatory environment in the PRC, and continue to experiment with product innovations by launching new liability insurance products, including "Continued Enforcement Liability Insurance (繼續執行責任險)" and environmental pollution liability insurance.

In January 2019, we launched the continued enforcement liability insurance, an innovative product in the industry, to assist the courts in solving the difficulty in enforcement. After the execution applicant is insured, we will issue the letter of indemnity for continued enforcement liability insurance to the court. According to the letter of indemnity, the court will resume the evaluation and auction procedures of the property of the person subject to enforcement in accordance with the law, so as to accelerate the realization process of the enforcement case. According to the insurance contract, we will compensate the third party during the insurance period for losses arising from errors made by the insured party (execution applicant) in applying for court enforcement. The product has won the "Outstanding Award of Innovative Insurance Products of the Year (年度創新型保險產品卓越獎)" at the tenth "'Golden Fortune' Award Presentation Ceremony (第十屆'金理財'獎頒獎典禮)" of the 2019 SSE Wealth Management Forum (2019上證財富管理論壇) held by Shanghai Securities News (上海證券報). In addition, our "Oil Spill Environmental Pollution Liability Insurance (溢油環境污染責任險)"

won the "Green Finance Pioneer Innovation Award (綠色金融先鋒創新獎)" in the "Model Case of Innovative Green Finance for 2020 (2020年度優秀綠色金融創新案例)" organized by the Financial Society of Shenzhen (深圳金融學會).

Commercial Property Insurance

Our commercial property insurance products include basic commercial property, comprehensive commercial property, all-risk commercial property, machine damage and business interruption insurance products. This product line covers buildings, structures and decoration equipment, machinery and ancillary equipment, communications equipment and tools, finished products, semi-finished products and raw materials. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from our commercial property insurance products amounted to RMB769 million, RMB828 million, RMB905 million and RMB593 million, respectively, representing 1.9%, 2.2%, 2.2% and 2.8%, of the total OPI of Sunshine P&C, respectively. In recent years, we have strengthened our cost control and adjusted reinsurance arrangements and the expense ratio of our commercial property insurance has been continuously decreasing. The loss ratio of our commercial property insurance increased during the Track Record Period, primarily due to (i) the relatively high regional concentration risk of our commercial property insurance with relatively low risk dispersion; and (ii) the occurrence of natural disasters during the Track Record Period, such as flooding in south China in 2020, catastrophic floods in Henan Province and typhoon In-fa in 2021. To improve our profitability, we have actively (i) enhanced our capabilities in relation to risk identification and pricing, and set detailed rules for evaluating and adjusting ultimate loss ratios and enhance precise pricing for different products, industries and regions. Specifically, we have internal policies and rules such as *the Rule for Adjusting Ultimate Loss Ratios (終極賠付率調整規則)* that set mechanisms to evaluate ultimate loss ratios based on the risk assessment of different products, industries and regions, taking into consideration risk factors such as the claim settlement history and significant claims in relation to different products, industries and regions; (ii) strengthened business management by segments by adjusting business structure, strictly managing high-risk businesses and loss-making businesses, which has led to a year-on-year decrease of 30 percentage points in combined ratio of our commercial property insurance in the first half of 2022; (iii) reduced risk accumulation in areas prone to natural disasters, which has led to a year-on-year decrease of 5.2 percentage points in the risk concentration in the provinces of Gansu, Qinghai, Tibet, Yunnan and Shanxi that are prone to earthquake disasters in the first half of 2022; and (iv) continuously enhanced our cost management by allocating expenses in advance by insurance category, adjusting loss ratio and expense ratio concurrently in the process, and through system control and early warning measures. Therefore, in the six months ended June 30, 2022, the combined ratio of our commercial property insurance has decreased significantly.

Our commercial property insurance customers include large and medium-sized enterprises, such as Fortune 500 companies. We are also committed to providing insurance products and services that satisfy the needs of SMEs in the PRC and endeavor to provide them with comprehensive insurance solutions. In May 2016, we launched the "Boss Relieved (老闆安心)" series of comprehensive commercial property insurance products covering 13 real economy sectors, including accommodation, food and beverage, hairdressing and retail business for SMEs. This low-premium product is both simple and flexible, covering the risks of employers, premises, food safety, cash loss, property loss and business interruption.

Agricultural Insurance

Our agricultural insurance products mainly include crops, livestock and forest insurance. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from our agricultural insurance products amounted to RMB119 million, RMB163 million, RMB240 million and RMB256 million, respectively, representing 0.3%, 0.4%, 0.6% and 1.2%, of the total OPI of Sunshine P&C, respectively. The combined ratio, loss ratio and expense ratio of our agricultural insurance fluctuated during the Track Record Period, primarily because (i) we mainly operated agricultural insurance business in four provinces in China before 2020 with relatively small amount of premium income, relatively weak regional risk dispersion capability and relatively high loss ratio; (ii) natural disasters such as typhoons in 2020 had raised the loss ratio of our agricultural insurance in 2020; and (iii) to seize the growth opportunities brought about by favorable public policies, such as the Notice on Further Clarifying the Conditions for Agricultural Insurance Business Operation (《關於進一步明確農業保險業務經營條件的通知》), the Notice on the Key Work of Banking and Insurance Industry in Serving "Three Rural Issues" in 2020 (《關於做好2020 年銀行業保險業服務"三農"領域重點工作的通知》) and the Guidance on Promoting the High Quality Development of Banking and Insurance Industry (《關於推動銀行業和保險業高質量發展的指導意見》) issued by the CBIRC in 2020, we increased investments in service outlets, staff and technologies in relation to agricultural insurance business in 2020, which resulted in an increase in the expense ratio of our agricultural insurance in 2020. As we were qualified to operate agricultural insurance business in 31 provinces, autonomous regions, municipalities and cities under separate planning in China as of June 30, 2022, we were able to lower our regional concentration risk. In addition, we have actively (i) lowered our product concentration risk by expanding our agricultural insurance product categories; and (ii) improved underwriting and claim settlement capabilities through technology empowerment. Therefore, in the first half of 2022, the combined ratio of our agricultural insurance has decreased. In the medium and long term, our goal is to achieve a breakeven or small profit in the agricultural insurance business.

Our agricultural insurance customers include farmers, large livestock farming enterprises and agroforestry planting enterprises. We constantly seek participation in policy-supported agricultural insurance projects. We launched policy-supported agricultural plantation insurance projects in regions such as Heilongjiang Province, and obtained government subsidies. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from our policy-supported agricultural plantation insurance was RMB92 million, RMB114 million, RMB131 million and RMB135 million, respectively, accounting for 77.3%, 69.9%, 54.6% and 52.8%, of the OPI from our agricultural insurance, respectively. In addition, we will continue to develop agricultural insurance products with local characteristics. We have developed and launched products such as cost insurance and price insurance products for local agriculture such as forestry, fruit and vegetable production in Shaanxi, Chongqing and Inner Mongolia. Through such products, we aim to contribute to the development of the local agricultural economy in the aforementioned regions.

Others

We also provide other property insurance products such as engineering, cargo, special risk, hull and homeowner insurance. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from such insurance business reached RMB1,093 million, RMB1,348 million, RMB1,711 million and RMB752 million, respectively, representing 2.8%, 3.6%, 4.2% and 3.6%, of the total OPI of Sunshine P&C, respectively. The loss ratio of Sunshine P&C's other insurance increased from 62.6% in 2019 to 86.4% in 2021, and decreased to 79.5% the six months ended June 30, 2022. Due to the wide range of business sectors and the volatility of the business structure, it is more susceptible to factors like significant claims and catastrophic events, including typhoons and floods, resulting in fluctuations in loss ratio during the Track Record Period.

We are committed to the development of railway transportation engineering insurance. From 2020 to June 2022, we have successively provided insurance services for railway projects in several cities, including Nanchang, Chongqing, Hefei and Zhengzhou, with a sum assured of more than RMB35,000 million. Besides providing compensation for natural disasters and accidents encountered during construction, we also offer risk control services before and during the insured period in the form of "insurance plus service" to put forward improvement measures for potential safety hazards, and support the construction of railway projects in many locations nationwide.

In terms of hull insurance, we collaborated with a well-known PRC shipbuilding corporation. The sum assured for various types of shipbuilder's risks insurance projects reached RMB4.1 billion in 2021 and RMB2.2 billion in the six months ended June 30, 2022, including several types such as the liquefied natural gas carrier, the multipurpose oceanographic research vessel and the self-elevating unit.

Sales Channel

We market and sell our property and casualty insurance products through a nationwide multichannel sales network. As of June 30, 2022, our sales network for property and casualty insurance products consisted of:

- the sales team of Sunshine P&C, consisting of approximately 44,000 individual insurance agents and 15,000 in-house salespeople;

- 36 provincial-level branches, 1,881 city-level sub-branches, county-level sub-branches and sales service outlets as well as 2,083 EA outlets;

- 1,648 sideline insurance agencies and 519 specialized insurance agencies; and
- 267 insurance brokers.

The agency sales channel and direct sales channel are the two most important sales channels for our P&C insurance products in terms of OPI. We directly manage and control our direct sales channel and have significant control over our individual insurance agents. In 2019, 2020, 2021 and the six months ended June 30, 2022, the aggregate OPI generated from our direct sales and individual insurance agents channels was RMB23,660 million, RMB23,715 million, RMB25,282 million and RMB14,000 million, respectively, accounting for 59.9%, 63.6%, 62.4% and 67.1%, of Sunshine P&C's total OPI, respectively.

The table below sets forth a breakdown of the OPI of Sunshine P&C by sales channel for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Agency sales channel	**27,101**	**68.6**	**27,183**	**72.9**	**29,380**	**72.5**	**14,491**	**69.5**
– Individual insurance agents	12,929	32.7	15,520	41.6	16,694	41.2	8,807	42.2
– Sideline insurance agencies	4,402	11.2	3,861	10.4	3,466	8.6	1,745	8.4
– Specialized insurance agencies	9,770	24.7	7,802	20.9	9,220	22.7	3,939	18.9
Direct sales channel	**10,731**	**27.2**	**8,195**	**22.0**	**8,588**	**21.2**	**5,193**	**24.9**
Insurance brokers channel	**1,669**	**4.2**	**1,892**	**5.1**	**2,563**	**6.3**	**1,173**	**5.6**
Total	**39,501**	**100.0**	**37,270**	**100.0**	**40,531**	**100.0**	**20,857**	**100.0**

Sunshine Life and Sunshine P&C have no overlapping individual insurance agent. However, we cross-sell our property and casualty insurance products through the sales channel of Sunshine Life subject to relevant requirements. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from cross-selling property and casualty insurance products through the sales channel of Sunshine Life reached RMB1,712 million, RMB1,718 million, RMB1,576 million and RMB763 million, respectively, representing 4.3%, 4.6%, 3.9% and 3.7%, of the total OPI of Sunshine P&C, respectively.

Agency sales channel

The agency sales channel is the most important channel for our property and casualty insurance products in terms of OPI. Insurance agents that sell our property and casualty insurance products for commission are classified as individual insurance agents, sideline insurance agencies and specialized insurance agencies. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI of Sunshine P&C through the agency sales channel accounted for 68.6%, 72.9%, 72.5% and 69.5%, of the total OPI of Sunshine P&C, respectively.

Individual insurance agents are individuals who enter into agency agreements with us, receive compensation through commissions and are not our employees. We are responsible for the recruitment, training and management of individual insurance agents. We attach great importance to sales training for individual insurance agents, which includes corporate culture, professional ethics, information relating to insurance products and marketing. As of December 31, 2019, 2020, 2021 and June 30, 2022, Sunshine P&C had approximately 46,000, 49,000, 46,000 and 44,000 individual insurance agents, respectively. We provide online smart service tools for individual insurance agents to effectively support their remote business development.

Sideline insurance agencies are appointed companies which primarily engage in a business other than the insurance agency business, but use their sales channels to sell insurance products of the insurance companies they represent. The CBIRC issued the Regulatory Provisions on Insurance Agents on November 12, 2020, pursuant to which sideline agencies refer to the entities which make use of the relevant convenience of their principal businesses and insurance to engage in sideline insurance agency businesses in accordance with applicable law. Our sideline insurance agencies include automobile dealerships, banks and postal savings bank branches. We typically sell standard or fixed-price insurance policies that do not require complicated underwriting skills or negotiation through sideline insurance agencies. As of December 31, 2019, 2020, 2021 and June 30, 2022, we sold property insurance products through 3,671, 2,285, 1,950 and 1,648 sideline insurance agencies and their branches, respectively. We terminated collaborations with certain intermediaries that had relatively low productivity, which led to the decrease in the number of sideline insurance agencies during the Track Record Period. We provide necessary training to sideline insurance agencies to ensure that their salespeople are familiar with our products and possess relevant sales skills. Sideline insurance agency is one of the sales channels for our property insurance products. Among them, automobile 4S stores and automobile dealerships are important sales channels of automobile insurance and important sales channels for products related to the use of automobiles such as accident insurance, homeowner insurance and liability insurance. As of June 30, 2022, Sunshine P&C had established strategic collaborative relations with various well-known domestic automobile manufacturers to cover various domestic mainstream automobile brands, and it had established collaborative relationships with more than 10,000 automobile 4S stores. In the meantime, Sunshine P&C has been seeking collaboration opportunities in terms of new energy vehicles insurance. In addition, we sell property and casualty insurance products to customers through policy banks, large state-owned commercial banks, joint-stock banks, city commercial banks and rural commercial banks.

Specialized insurance agencies are institutional intermediaries established in accordance with relevant PRC laws and regulations and engage in insurance agency business within the scope of authorization provided by the insurers they represent. As of December 31, 2019, 2020, 2021 and June 30, 2022, Sunshine P&C entered into agency agreements with 2,079, 839, 521 and 519 specialized insurance agencies and their branches, respectively. As of December 31, 2021, Sunshine Life and Sunshine P&C had a total of 51 overlapping intermediaries, including five insurance brokers and 46 specialized insurance agencies.

We strive to promote sales innovation and extend our service network. We created the EA outlets sales channel to establish a simple and standardized operating model by integrating a digital platform and bricks and mortar stores. Through the EA outlets sales channel, our exclusive agents can sell our insurance products, which encourages our agents to start their own businesses and explore and identify insurance needs from surrounding communities. We continually optimize staffing, location and layout of the EA outlets by using our big-data technology, and directly manage our exclusive agents through Sunshine P&C's management platform. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from EA outlets channel of Sunshine P&C reached RMB1,213 million, RMB1,897 million, RMB2,132 million and RMB1,234 million, respectively. As of June 30, 2022, we had 2,083 EA outlets across the country, covering a large geographical area.

Additionally, we have strengthened collaboration with Internet platforms to sell our property insurance products, especially in segments such as automobile insurance and health insurance. We have gradually formed a business model through deep integration of Internet channels such as short-video platforms and daily life scenarios such as consumption, travel and healthcare. We have established a closed-loop operation and management system by integrating product R&D, business cooperation, technology sharing and operational management. Through the intermediate platform for Internet businesses, we have achieved a quick launch of the third-party interface online, fast automatic financial reconciliation and fast online settlement of small claims for health insurance. In addition, through the intermediate platform for Internet business, we have launched an intelligent customer follow-up chatbot to improve efficiency of customer follow-ups. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI generated by Sunshine P&C through the third-party online sales channel accounted for 3.3%, 5.0%, 7.6% and 4.7%, of the OPI of Sunshine P&C, respectively.

During the Track Record Period, we entered into contracts with some large internet insurance intermediaries to sell property insurance, short-term accident insurance and short-term health insurance products, such as return freight insurance, domestic travel insurance and inpatient medical insurance. We believe that the internet insurance intermediaries with which we have established collaborative relations are in compliance with relevant PRC laws and regulations. Our customers entered into insurance contract on the online platform of the internet insurance intermediaries. Our customers can enjoy convenient online insurance services, such as claim settlement services, through our self-operated digital platforms (official website, Wecom account, Sunshine Auto•Life APP and WeChat mini-program). See "Regulatory Overview — Market Behaviors — Internet Insurance Business."

According to the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》), the Notice of the General Office of the China Banking Regulatory Commission on Further Regulation of Matters Relating to the Internet Life Insurance Business of Insurance

Institutions (《中國銀保監會辦公廳關於進一步規範保險機構互聯網人身保險業務有關事項的通知》) and other relevant regulations, if an insurance company cooperates with an insurance intermediary to carry out Internet insurance business, it should choose an insurance intermediary with capability to operate in compliance with the relevant regulations for information disclosure, information reporting, and establishment of sound technical measures and security system. See "Regulatory Overview — Market Behaviors — Internet Insurance Business." Our PRC Legal Advisor is of the view that our cooperation with the Internet insurance intermediaries is in compliance with the relevant PRC laws and regulations in material respects, on the basis that (i) we have established a full process management system for entrusted cooperation and internal control system in accordance with the relevant regulations, and our internal control consultant has reviewed our sales procedures (including commission and brokerage expense management) and has not identified any material defects; (ii) we have fulfilled our information disclosure obligations on time and on a regular basis; and (iii) we have not been subject to relevant administrative penalties from the CBIRC or other relevant governmental authorities in relation to the cooperation with Internet insurance institutions during the Track Record Period.

Direct sales channel

We conduct the direct sales of our property and casualty insurance products through our in-house salespeople who are employed at Sunshine P&C's branches and sales service outlets as well as our sales hotline. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from direct sales channel accounted for 27.2%, 22.0%, 21.2% and 24.9%, respectively, of the OPI of Sunshine P&C.

Our in-house salespeople are responsible for selling our P&C insurance products directly to customers, especially those with more complicated terms, higher risks and possibly complicated underwriting procedures, such as commercial property insurance for large enterprises, engineering insurance, hull insurance and special risks insurance. As of December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, our direct sales channel had approximately 17,000, 17,000, 15,000 and 15,000 in-house salespeople, respectively, who were engaged in the property and casualty insurance business.

Among them, non-automobile insurance professional salespeople are one of the main channels for us to maintain long-term relationships with our property and casualty insurance customers. Sunshine P&C has built a sales team for institutional customers providing services for institutional customers such as state-owned enterprises and institutions as well as large, medium-sized, small and micro-sized private enterprises. As of June 30, 2022, the sales team for institutional customers of Sunshine P&C had reached more than 1,800 people, mainly including the following subgroups of sales force:

- Core customers team: The team targets specific industries and segments to conduct group sales activities by providing customers with a package of pre-sales, in-sales and post-sales services;

- Bancassurance team: As the leading force to connect with banks and other financial institutions, the team targets banks and other financial institutions to promote and expand in-depth collaboration with our financial customers;

- Policy-supported business team: Focusing on direct government purchase, policy-supported business and business brought by transformation of certain government functions, the team strives to constantly enhance its professional competence in relation to the business development of our policy-supported insurance.

According to the risk profiles of different industries and enterprises of different scales, we have customized corresponding insurance products and services for our institutional customers. For example, we developed a series of "Boss Relieved" products for small and micro-sized enterprises to cover multiple industries and provide diversified risk protection solutions. See "— Property and Casualty Insurance Products — Non-automobile Insurance — Commercial Property Insurance."

Sunshine P&C was one of the earliest insurance companies qualified in the PRC to start telesales business. We established our telesales center in 2008 and offer insurance products such as family automobile insurance, accident insurance, homeowner insurance and short-term health insurance. As of June 30, 2022, Sunshine P&C had established telesales centers in seven cities, namely Beijing, Chengdu, Xinxiang, Zaozhuang, Nanning, Shangrao and Qiqihar, to provide services covering all provinces, cities and autonomous regions in the PRC. As of June 30, 2022, we had 3,646 telesales representatives. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from telesales amounted to RMB3,255 million, RMB3,217 million, RMB3,513 million and RMB1,802 million, respectively, accounting for 8.2%, 8.6%, 8.7% and 8.6%, of the total OPI from the property and casualty insurance business, respectively.

Meanwhile, Sunshine P&C has been exploring the potential of the direct sales channel and improving private domain customer management through our WeCom account. We have expanded our market reach through innovative customer-centric approaches such as direct online connection, offline interaction and high-frequency interaction via our WeCom account.

Insurance brokers channel

We also market and sell property insurance products through our insurance brokers channel. Insurance brokers usually represent corporate customers seeking property insurance products and have valuable customer resources. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from insurance brokers channel accounted for 4.2%, 5.1%, 6.3% and 5.6% of the OPI of Sunshine P&C, respectively.

As of December 31, 2019, 2020, 2021 and June 30, 2022, we sold our property insurance products through 699, 308, 283 and 267 insurance brokers and their branches, respectively. The number of insurance brokers and their branches decreased during the Track Record Period, mainly because we strategically terminated the collaboration with some of them with lower productivity.

Customers and Customer Services

Customers

As of December 31, 2019, 2020, 2021 and June 30, 2022, Sunshine P&C had approximately 13.0 million, 15.0 million, 17.2 million and 16.9 million individual customers, respectively, and approximately 0.5 million, 0.4 million, 0.4 million and 0.8 million institutional customers, respectively. Our institutional customers include state-owned enterprises and institutions as well as large, medium-sized, small and micro-sized private enterprises. The number of individual customers of Sunshine P&C increased from 2019 to 2021 primarily due to the increasing number of customers of automobile insurance and accident and short-term health insurance. In the first half of 2022, the number of individual customers of Sunshine P&C remained stable. The number of Sunshine P&C's institutional customers increased significantly in the first half of 2022 mainly because we launched Internet guarantee insurance, property damage insurance and other insurance products through collaborating with a large Internet platform, leading to the growth of our e-commerce customers. Despite the continuous increase in the number of Sunshine P&C customers, GWPs of Sunshine P&C decreased from 2019 to 2021, mainly due to the declined average premiums per vehicle as a result of the comprehensive reform of automobile insurance industry launched by the CBIRC in September 2020. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs generated from our Group's five largest customers combined accounted for less than 5% of our GWPs generated in each of the respective period.

We have a nationwide customer base. The table below sets forth a breakdown of the OPI of Sunshine P&C by region for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Shandong	4,114	10.4	4,228	11.3	4,709	11.6	2,522	12.1
Henan	3,366	8.5	3,442	9.2	3,633	9.0	2,014	9.7
Zhejiang	2,917	7.4	2,769	7.4	3,509	8.7	1,637	7.8
Hebei	2,643	6.7	2,417	6.5	2,617	6.5	1,529	7.3
Guangdong	2,101	5.3	1,993	5.3	2,095	5.2	1,091	5.2
Sichuan	1,465	3.7	1,508	4.0	1,765	4.4	957	4.6
Jiangsu	1,829	4.6	1,642	4.4	1,834	4.5	942	4.5
Anhui	1,499	3.8	1,511	4.1	1,586	3.9	740	3.5
Beijing	919	2.3	1,087	2.9	1,443	3.6	637	3.1
Hubei	1,028	2.6	883	2.4	1,094	2.7	634	3.0
Others	17,620	44.7	15,790	42.5	16,246	39.9	8,154	39.2
Total	**39,501**	**100.0**	**37,270**	**100.0**	**40,531**	**100.0**	**20,857**	**100.0**

Customer Services

Adhering to our core value "all for customers," we are committed to establishing a convenient customer service system, and constantly providing warm, professional and reliable services.

We have set up a nationwide unified customer service hotline "95510," a centralized cloud-based customer service center operating 24 hours a day, seven days a week, providing case investigation and claim settlement, policy inquiry, policy reservation, consultancy and complaint, road rescue, natural disaster alert and other services. In 2014, the cloud-based customer service center obtained the Customer Operations Performance Center ("**COPC**") high-performance standard certification. In the fifth (2021) China Customer Service Festival, our cloud-based customer service center won several awards, including "Best Employer (最佳僱主單位)" and "Excellent Service Brand (優秀服務品牌)."

Our customer service team based in our cloud-based customer service center handles customer complaints in compliance with our internal policies. In addressing customers' complaints, we commit to liaising with customers for effective solutions in a timely manner. During the Track Record Period and as of the Latest Practicable Date, we did not receive any complaints from customers which would have a material adverse effect on our business, financial position, results of operations and prospects.

We endeavor to continually upgrade the claim settlement service system. We developed and launched the "paperless, one-stop, 24-hour claim service (免單證、一環節、24小時賠付)" "speedy claim" feature. We also launched the "One-click Compensation (一鍵賠)" smart tool that connects customers with our online claim settlement staff to complete the claim settlement process. In addition, with our integrated medical and insurance resources, we built a "Companionship with love (愛陪伴)" team to provide innovative claim settlement services synthesizing online nursing care and offline personal injury treatment. In 2021, based on the AR intelligent loss assessment technology, we developed and launched "Quick Claims (閃賠寶)" to streamline the service process and improve claim service efficiency. This is a one-stop automobile insurance claim service for small claim cases featuring on-site loss assessment, quality commitment, guaranteed repairs and direct and fast compensation.

We are committed to boosting empathy in our customer service through value-added services. We have established a nationwide non-accident roadside assistance service network to provide emergency rescue services such as towing and jump-start services for automobile insurance customers across the country. We provide customers with one-stop automobile insurance services through telesales and online sales channels, including insurance underwriting, bill delivery, premiums collection and annual inspection assistance. We have established a customer relationship management ("**CRM**") platform to implement segmented customer management and provide differentiated value-added services to customers.

We value customer service innovation. Based on our customer data platform, we use big data analysis, data mining, cloud computing, AI and other technologies to study and identify potential needs of our customers as well as gaining precise insights into our customers. We provide services to our customers through online platforms such as the "Sunshine Auto•Life (陽光車•生活)" APP and the official WeChat account of Sunshine P&C. The online platforms cover four major scenarios namely policy inquiry, claim forecast, product recommendation and service use. As of June 30, 2022, the number of registered users of the "Sunshine Auto•Life" APP exceeded 8.5 million. Meanwhile, we improved interaction with customers through the official WeChat account of Sunshine P&C. As of June 30, 2022, the number of followers of the official WeChat account of Sunshine P&C reached 3.24 million. We use a robot program to report claims using speech recognition technology, and have achieved customer self-service assisted by our robot program across 148 service scenarios at the cloud-based customer service center.

We are committed to providing professional risk control services to our institutional customers. Specifically, we have established a risk control expert team providing services such as loss prevention consultation, fire safety assessment, business continuity audit, safety training and other services for institutional customers. As of June 30, 2022, our expert risk control team consisted of approximately 449 members. In 2021 and the six months ended June 30, 2022, we provided risk control services to approximately 3,900 and 1,551 institutional customers, respectively. In addition, we introduced innovative technologies to risk control management and provided institutional customers with advanced services such as infrared thermal image detection and satellite remote sensing monitoring to identify potential electrical and fire hazards and monitor surface subsidence for major construction projects.

We continuously improve our customer service and have established a closed-loop customer experience management system covering system-wide sales, underwriting, claim settlement and a cloud-based customer service center. Through an in-depth customer survey, we understand the needs and pain points of our customers and collect relevant information related to customer experience in order to redesign and develop our service process according to customer needs. At the same time, we have adopted the NPS mechanism, which is an effective tool to check and score every touchpoint of our customer service. Through such mechanism, we continually enhance our customer experience. We have built a team of customer experience officers and set up an "Official Service Day (主官服務日)" to effectively obtain customer feedback from top to bottom within our Group, which represents our customer-centric strategy and enhances our service quality.

Business Flow

Product Development and Pricing

We have adopted a product development system that emphasizes product development under centralized supervision for our property and casualty insurance business. All branches of Sunshine P&C shall not introduce, modify or develop insurance products without prior approval from the headquarters. In addition to the professional product development team at headquarters, Sunshine P&C also recruits and trains part-time product development personnel at the branch level to identify local market demands and develop products with regional appeal.

Sunshine P&C's product development process includes brain storming, idea screening, proposal assessment, product design, regulatory filing, product promotion, product monitoring and evaluation. This system is supervised by Sunshine P&C's product management committee, designated actuary and legal counsel, who are collectively responsible for monitoring and managing Sunshine P&C's risk exposures at the relevant stages.

Typically, the price of our property and casualty insurance products is determined by generally accepted actuarial principles and the relevant requirements of the CBIRC. As of June 30, 2022, Sunshine P&C had a team of 40 actuarial professionals. With an advanced risk pricing management system, professional actuarial teams, massive historical data of claim settlement, extensive market research and in-depth customer demand analysis, Sunshine P&C possesses comprehensive risk identification capability and digitalized precise market pricing capability.

Sunshine P&C applies diversified pricing strategies to different products by considering the characteristics of the insurance involved. Among them, the "intelligent life table for automobile insurance" management system is adopted when pricing automobile insurance products. The system is an operation management system based on big data risk pricing and intelligent recommendation of market pricing to achieve optimal decisions and lead the value development of automobile insurance. See "— Property and Casualty Insurance Products — Automobile Insurance — Commercial Automobile Insurance." We use big data technology to analyze indicators such as customer behavior data, internal costs data and pricing of similar products in the PRC insurance market to conduct dynamic market pricing based on accurate identification of customer risks.

We adopt customized pricing strategies for commercial property insurance products depending on the types of insured targets. Given the disparity in geographical regions, risk management capabilities and the severity of catastrophes, commercial property insurance products are usually tailored to different customers and, as a result, their pricing, after taking into consideration the risk profile and specific protection needs of customers, is generally subject to negotiation.

Underwriting and Claim Settlement

Sunshine P&C has established a centralized control and verification mechanism, including a tiered authorization system, for its underwriting and claim settlement operations to help ensure effective cost control and risk management. It has built and strictly enforced standardized underwriting decision-making mechanisms and related operating procedures. Depending on the amount of risks to be assumed under a particular insurance policy and the authorization level of the underwriters, underwriting decisions are made by underwriters at the headquarters of Sunshine P&C or by underwriters stationed at the relevant branches. The information technology system of Sunshine P&C has been programmed to automatically forward any insurance policy to be underwritten, or any claim to be adjusted, to staff at a more senior level if the insured or claim settlement amount exceeds the authorization level of the handling staff. The level of authorization for each underwriter and claim adjuster is regularly reviewed, evaluated and adjusted accordingly, based on their work experience and performance.

The underwriters and claim adjusters of Sunshine P&C are required to pass annual internal qualification exams. Their performance is regularly monitored and reviewed by Sunshine P&C according to standards and procedures outlined in the professional qualification system. This system is the basis for adjusting their authorization levels and determining their compensation and other performance incentives. Moreover, Sunshine P&C provides a variety of training opportunities to improve the professional skills of its underwriters and claim adjusters.

Sunshine P&C has designed different underwriting and claim adjustment guidelines for different lines of insurance products, and revised these guidelines according to its business development plans. Where appropriate, Sunshine P&C also conducts site visits for special risk objects before making an underwriting decision. Sunshine P&C pays attention to customers' disaster prevention and loss prevention management, and provides customers with disaster prevention and loss prevention services, capitalizing on its extended risk management experience. Through proactive risk management, Sunshine P&C helps its customers reduce the frequency and severity of their losses, which, in turn, enhances its profitability. Sunshine P&C has also established standardized claim adjustment procedures. Sunshine P&C seeks to effectively control its risk exposures in its claim settlement operations by improving the claim settlement information system, strictly enforcing the segregation of key posts, and increasing the frequency of on-site investigations at the scene of accidents, as well as through regular audits by random sampling.

In recent years, Sunshine P&C has continued to promote the application of insurance technologies in underwriting and claim settlement, and has developed a series of smart tools for claim settlement to improve its efficiency, risk control capabilities and customer experience. We provide a full range of online services through online service tools, including underwriting and claim settlement, to enhance the customer experience. The APP and WeChat applets developed by us can assist customers with uploading data, receiving claim settlement data, and keeping track of claim settlement progress in real time. In particular, for minor automobile insurance cases, we have established a fast claim settlement mechanism. Customers do not need to provide any documents, and the compensation will be made immediately after the amount of such compensation is confirmed. Our "One-click Compensation" smart tool allows the entire loss assessment and claim settlement for small claim cases to be completed promptly. Through such tool, customers can initiate a video connection with our claim settlement experts. The claim settlement experts determine the accident responsibility and on-site losses of a case via real-time videos, and complete the investigation and damage determination in a short time. The tool drastically reduces the on-site waiting time for customers, thereby further enhancing customer experience. In 2021 and the six months ended

June 30, 2022, "One-click Compensation" had completed approximately 1.2 million and 0.47 million claim settlement services. Customers can also request on-site services. Our claim settlement experts will mobilize local claim settlement personnel to initiate a connection with back-end experts after arriving at the scene to jointly conduct investigation. We provide online claim settlement tools for minor property cases involving homeowner insurances, agriculture insurances or liability insurances. These tools enable online reporting, uploading of claim information, online video claim settlement and online claim progress inquiries. When a customer puts in a claim request for a case that does not require on-site investigation, the customer will receive compensation quickly after uploading relevant materials. When an on-site investigation is required, we can initiate a remote video connection with the customer to quickly determine the losses of minor cases. For a complicated case, the customer can start a real-time video connection with many of our claim settlement experts at the same time. By determining the accident responsibility and on-site losses of the case, many claim settlement experts can be connected at the same time to quickly complete the investigation and the loss determination of the case. The diversified integration of online tools has greatly saved customers' time, achieved rapid claim settlement and further enhanced customer experience. In addition, we established the Sunshine Injury Assessment Center based at the Sunshine Union Hospital, which is staffed with medical experts with an average clinical experience of over five years to conduct centralized reviews of nationwide personal injury cases. This innovative personal injury claim settlement platform connects each stage of the review process and enables us to centrally manage the entire process from the initial injury assessment to the final review of claims, which won third prize in the 2020 Fintech Development Award selection sponsored by the People's Bank of China (中國人民銀行2020年金融科技發展獎).

Actuarial Practice

Reserves

Sunshine P&C maintains reserves, mainly including unearned premium reserves and claim reserves pursuant to PRC Insurance Law and other regulations, as well as PRC GAAP. Sunshine P&C considers insurance contracts with homogeneous insurance risks as a measurement unit when determining reserves.

Sunshine P&C maintains unearned premium reserves for its unexpired insurance liabilities as of the date of reserve assessment, which is mainly calculated based on the unearned premium method. At inception of insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for brokerage expenses, insurance guarantee fund and other acquisition costs. An adequacy test is performed based on the available information on the assessment date to ensure the adequacy of reserves for the insurance contract liabilities, and the reserves will be adjusted based on the test results.

Claim reserves are insurance contract liabilities provided for insurance claims which have occurred but are not yet settled. Claim reserves include incurred and reported reserves, incurred but not reported reserves as well as claim expense reserves. When we determine insurance contract liabilities, we also consider the time value of money and the risk margin.

Sunshine P&C determines its claim reserves with reasonable actuarial assumptions calculated according to relevant actuarial methods and statistical procedures. The calculation also takes into account historical claim settlement data and future trends, including changes in the future macroeconomic, regulatory and judicial environment, and adjustments to the underwriting and claim settlement policies of the company. Sunshine P&C reviews and revises these reserves periodically as additional information becomes available. We reflect the adjustments resulting from changing the assessment of claim reserves in our operating results.

As of June 30, 2022, the reserves maintained by Sunshine P&C before reinsurance amounted to RMB37,975 million.

The table below sets forth the reserves maintained by Sunshine P&C before reinsurance as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions)			
Property and casualty insurance contracts				
Unearned premium reserves	24,034	22,772	23,990	25,097
Claim reserves	9,251	9,942	12,529	12,878
Total	**33,285**	**32,714**	**36,519**	**37,975**

Pursuant to the requirements of the Accounting Standards for Enterprises No. 25 — Original Insurance Contracts and Accounting Standards for Enterprises No. 26 — Reinsurance Contracts promulgated by the MOF, and the Measures for the Administration of Reserves for Non-life Insurance Business of Insurance Companies promulgated by the CBIRC, Sunshine P&C has established a comprehensive reserve management system which covers reserve valuation management and relevant internal control management for the reserves allocated by Sunshine P&C. To ensure timely accrual of an appropriate amount of reserves in accordance with applicable laws and regulations, reserves allocated by Sunshine P&C are subject to yearly external audit during which external auditor conducts specialized audit procedures for the reserves. The external auditor issued unqualified auditor's reports as of December 31, 2019, 2020, 2021 and June 30, 2022. In addition, as requested by the CBIRC, we need to conduct a retrospective analysis of the reserve valuation results of the previous two years at the end of each quarter, by calculating the deviation of unearned premium reserves and claim reserves from valuation date to the time of retrospection. The retrospective analysis of the reserves allocated by Sunshine P&C as of December 31, 2019, 2020, 2021 and June 30, 2022 presented no unfavorable results. The reserves allocated by Sunshine P&C as of December 31, 2019, 2020, 2021 and June 30, 2022 were all in compliance with applicable laws and regulations. For detailed regulatory requirements, see "Regulatory Overview — Miscellaneous — Reserves."

Reinsurance

Sunshine P&C cedes a certain portion of the P&C insurance risks it underwrites to reduce risk exposure, improve underwriting capacity and maintain stability and control and reduce potential business volatilities.

We determine our retention amounts per risk unit and our reinsurance structure based on the relevant insurance laws and regulations in the PRC and the needs of our P&C insurance business development. See "Regulatory Overview — Cooperation with Reinsurance." A risk unit refers to the probable maximum loss ("**PML**") that an insurer would be expected to incur on a policy. Sunshine P&C determines its reinsurance arrangements based on the risk characteristics, retention amounts and the overall cumulative liabilities of different property and casualty insurance products to formulate reinsurance arrangements and determine the reinsurance structure, so as to ensure that we manage our retention in accordance with the risk unit classification, keep our cumulative liabilities under control and maintain sufficient protection against catastrophe risk. For insurance products with high PML and high concentrations of risk, the reinsurance agreements are on a quota-share basis, under which a ceding company reinsures a contractually determined proportion of the sum assured for each risk unit, and on an excess-of-loss basis, under which a reinsurer is responsible for the loss in excess of a sum assured or deductible amount, subject to a pre-determined ceiling. Regarding insurance products with low PML and diversified risk exposure, such as automobile insurance products and short-term health insurance products, we usually do not make reinsurance arrangements. In addition, regarding agriculture insurance products, we have entered into a quota-share reinsurance contract with a Chinese agricultural reinsurance company since 2021, under which the insurer and reinsurer share premiums and losses according to a fixed percentage. The table below sets forth the maximum retention amounts per risk unit of Sunshine P&C as of June 30, 2022:

Property and casualty insurance products	**Maximum retention amounts**
	(RMB in millions)
Accident insurance	15
Guarantee insurance	300
Liability insurance	80
Commercial property insurance	225
Engineering insurance	225
Cargo insurance	24
Hull insurance	20

Sunshine P&C selects reinsurance companies based on their ratings, financial strength, service level, insurance clauses, claim settlement efficiency and price. Sunshine P&C generally selects international reinsurance companies with ratings of A- or above and domestic reinsurance companies with a proven track record.

In 2019, 2020, 2021 and the six months ended June 30, 2022, Sunshine P&C ceded to reinsurers RMB1,294 million, RMB1,769 million, RMB2,109 million and RMB1,029 million, respectively, accounting for 3.3%, 4.7%, 5.2% and 4.9%, respectively, of its total GWPs. As of June 30, 2022, none of these reinsurers had defaulted on the payment of any reinsurance obligation to Sunshine P&C.

The table below sets forth the insurance premiums ceded to reinsurers by two major products of Sunshine P&C for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in Millions)*
Automobile insurance	2	3	8	12
Non-automobile insurance	1,292	1,766	2,101	1,017
Total	**1,294**	**1,769**	**2,109**	**1,029**

The table below sets forth certain information on our property and casualty insurance policies that are subject to significant liabilities as of June 30, 2022, which were our top ten P&C policies valid as of June 30, 2022 in terms of the sum assured. As the number of insured is relatively large for each policy of liability insurance and accident insurance listed in the table above, the insurance amount and liability per risk is relatively low. We did not make reinsurance arrangement for these insurance policies.

No.	Customer	Background	Sum assured	Insurance type	Number of insured People
			(RMB in millions)		
1	Customer A	Local government institution in charge of healthcare	487,956	Accident insurance	1,626,519
2	Customer B	Local government institution in charge of healthcare	287,928	Employer liability insurance	719,820
3	Customer C	Local government institution in charge of healthcare	281,947	Accident insurance	402,562

No.	Customer	Background	Sum assured	Insurance type	Number of insured People
			(RMB in millions)		
4	Customer D	Local public institution that offers medical insurance services	187,226	Accident insurance	450,000
5	Customer E	Local government institution in charge of poverty alleviation in the countryside	181,441	Accident insurance	4,536,022
6	Customer F	Local government institution in charge of healthcare	177,538	Accident insurance	329,262
7	Customer G	Local public institution that offers healthcare services	139,587	Accident insurance	1,861,154
8	Customer H	Insurance plan for the benefit of local residents	122,291	Accident insurance	539,202
9	Customer I	Local public institution that offers social medical insurance services	104,514	Accident insurance	34,838
10	Customer J	Local government institution in charge of healthcare	90,029	Accident insurance	238,626

Sunshine Surety

Overview of Sunshine Surety Business

Sunshine Surety primarily provides credit and guarantee insurance products to SMEs and individual customers. In 2019, 2020, 2021 and the six months ended June 30, 2022, the GWPs of Sunshine Surety were RMB153 million, RMB25 million, RMB14 million and RMB21 million, respectively.

Sunshine Surety is mainly engaged in guarantee insurance and reinsurance business of the above-mentioned businesses. Sunshine Surety uses an online sales model to digitalize its business process, sets a goal for strategic transformation and strives to "build a leading credit data company in the financial industry." It also formulates a two-wheeled development model by integrating insurance and data technology. In 2020 and before, Sunshine Surety's core business was financing credit guarantee insurance for individual customers and small and micro-sized enterprises. In 2021, Sunshine Surety started a comprehensive strategic transformation by exiting from the financing related business according to the current risk control capabilities, innovatively exploring non-financing business and optimizing resource allocation. As of June 30, 2022, Sunshine Surety has launched the letter of guarantee business relating to the bid guarantee of construction projects, performance guarantee of construction projects and foreclosure guarantee.

Ye Dai Bao Business of Sunshine Surety

Having engaged in Ye Dai Bao (業貸保) business since 2016, Sunshine Surety provided loan credit guarantee insurance to individual customers who provided real estate as collateral. The individual customers obtained loans from loan providers with credit enhancement methods including providing real estate collateral and insuring their credit risks with Sunshine Surety. Under the Ye Dai Bao business model, Sunshine Surety guarantees the repayment of the loan to the loan provider (the insured) by the borrower (the policyholder) as agreed. In the event that the borrower defaults on the loan, the loan provider has the right to claim against Sunshine Surety. Upon making claim payments to the loan provider, Sunshine Surety is entitled to make subrogated recovery by recovering directly from the defaulted borrowers or through priority recovery from the sale of the collateral provided by the defaulted borrowers. The loan providers engaged in Ye Dai Bao business were primarily trust schemes funded by Sunshine Life and Sunshine P&C, as well as third-party funders, and the borrowers were primarily referred to Sunshine Surety by loan facilitators.

Since 2018, there have been incidents where the policyholders under the Ye Dai Bao business failed to repay the principal and interest of the loan as agreed. Having been requested to fulfil their repayment obligations, some policyholders filed complaints against Sunshine Surety since April 2019, requesting to invalidate the insurance contracts, release the collateral and not to make claim payments to the insured. Their major claims include (i) that they were not aware of the insurance application, (ii) the policies were signed by persons other than the policyholder, or (iii) the premiums were paid by persons other than the policyholder. We believe that these customer complaints did not have material impact on the Group's business and financial condition because the executed mortgage contract and the policy under the Ye Dai Bao business are valid and binding on the parties thereto as advised by our PRC Legal Advisor. In addition, we received complaints that Sunshine Surety was in cooperation with certain loan facilitator to misappropriate funds from the loans. Our Directors confirm that Sunshine Surety is independent of such loan facilitator and has no cooperation with the loan facilitator other than customer referral. Sunshine Surety did not misappropriate or instruct any party to misappropriate the loan funds.

As of June 30, 2022, the accumulated premium income from the Ye Dai Bao business of Sunshine Surety was approximately RMB345.6 million with a total sum assured of approximately RMB35,958.8 million. As of June 30, 2022, Sunshine Surety has underwritten a total of 9,869 policies under the Ye Dai Bao business, among which 8,826 policies were expired and unclaimed, 1,042 policies were claimed and settled and one policy was unexpired and unclaimed. The premium income from the 1,042 claimed and settled policies accounted for 12.7% of the total accumulated premium income, and the sum assured in the 1,042 claimed and settled policies accounted for 9.5% of the total sum assured under the Ye Dai Bao business. As of June 30, 2022, we had made claim payments of approximately RMB2,741.2 million to the insured for the claim settlement of the 1,042 claimed and settled policies, and we have recovered the claim payments of RMB1,789.2 million. As of June 30, 2022, the claim payments to be recovered under the Ye Dai Bao business amounted to RMB898.8 million. Sunshine Surety is actively and continuously pursuing recovery of such claim payments by multiple legal and compliant ways. In particular, Sunshine Surety had priority in proceeds from the sale of collateral to recover the claim payments, and the provision made for such receivables amounted to RMB220.8 million. We made the provision for the claim payments to be recovered under the Ye Dai Bao business in accordance with our accounting policies and based on the assumed economic losses that we may incur during or after the subrogated recovery, taking into consideration factors such as the status of the relevant mortgaged real estates, real estate market price fluctuation and assumed disposal costs. Sunshine Surety incurred underwriting loss from Ye Dai Bao business in 2019 and 2020, respectively. Since September 2021, Sunshine Surety has fully withdrawn from all financing credit guarantee insurance business. As of the Latest Practicable Date, Sunshine Surety had no plan to restart business that offer financing credit guarantee insurance to individual customers. We believe that the insurance contract liabilities assumed by Sunshine Surety under the Ye Dai Bao business has no material impact on the Group's operations and financial condition.

In addition, Sunshine Surety was subject to administrative penalties associated with the Ye Dai Bao business imposed by relevant local branches of the CBIRC (the "**Ye Dai Bao Administrative Penalty**") during the Track Record Period. See "– Legal and Regulatory Proceedings and Compliance – Regulatory Inspections and Administrative Penalties."

Sunshine Surety was fined for RMB0.78 million in 2021, representing less than 0.01% of our audited net assets as of June 30, 2022 and less than 0.01% of our net profit in the first half of 2022, which did not have a material adverse impact on our operations and results. Sunshine Surety was also ordered to suspend initiating new financing credit guarantee insurance business for one year. As Sunshine Surety has already significantly scaled down its Ye Dai Bao business since 2020 as part of its business strategy, we believe that suspension from initiating new business of financing credit guarantee insurance for one year would have no material adverse impact on our business development.

Our PRC Legal Advisor is of the view that, save for the Ye Dai Bao Administrative Penalty disclosed herein, to the best of their knowledge, the trust arrangement in the Ye Dai Bao business and the overall operation of credit guarantee insurance business did not violate the then effective PRC laws and regulations in material respects. Apart from the Ye Dai Bao Administrative Penalty, as of the Latest Practicable Date, there was no other administrative penalty imposed by the CBIRC or its local branches in relation to the Ye Dai Bao business, nor was there any ongoing regulatory investigation in respect thereof. Our PRC Legal Advisor is of the view that, despite the Ye Dai Bao Administrative Penalty imposed on Sunshine Surety, the trust contract, loan contract, mortgage contract and other transaction documents under Ye Dai Bao are still valid and binding on the parties thereto, including the borrowers, the loan providers and Sunshine Surety.

ASSET MANAGEMENT AND INVESTMENT

Overview

Asset management is one of our core business segments, providing strong support for our long-term stable operation and development. We take "asset-liability matching" as the core principle, continuously optimizing our investment management capabilities and enhancing our core competitiveness. As a professional asset management company, Sunshine AMC is the entrusted asset manager of our Group, through which we manage the insurance funds within our Group and carry out third-party asset management business. To effectively improve our asset-liability management and matching, we have set up respective investment management department in each of our Company, Sunshine Life, Sunshine P&C and Sunshine Surety (the "**Entrustors**") to be responsible for asset-liability management, strategic asset allocation, entrusted investment management and alternative investment management.

We have a comprehensive research framework, covering the macroeconomy and policies, asset allocation and investment strategies, fixed-income, industries and listed companies. We are capable of comprehensive asset allocation while focusing on diversified returns across asset classes. Meanwhile, with cumulative knowledge acquired through extensive research and investment experiences, our research team has grown, providing a broad range of perspectives and insights while possessing global asset allocation capabilities. In addition, our research team has developed an investment strategy model, aiming at systematizing and visualizing the investment insights with the help of business intelligence tools.

As of December 31, 2019, 2020, 2021 and June 30, 2022, our Group's total investment assets amounted to RMB282,570 million, RMB353,364 million, RMB388,678 million and RMB416,267 million, respectively, of which our Group's investment assets entrusted to Sunshine AMC amounted to RMB260,297 million, RMB326,043 million, RMB312,120 million and RMB339,545 million. As of December 31, 2019, 2020, 2021 and June 30, 2022, the AUM entrusted by Group amounted to RMB271,205 million, RMB337,415 million, RMB311,913 million and RMB340,151 million, respectively[1]. The remaining amount of assets are self-managed by our Company, Sunshine Life, Sunshine P&C and Sunshine Surety, or entrusted to external professional institutions for management. As of December 31, 2021 and June 30, 2022, the AUM entrusted to external professional institutions (investment managers) by the Group amounted to RMB6,729 million and RMB7,158 million, respectively[1]. In addition, Sunshine AMC also carries out third-party asset management business.

1. AUM entrusted by Group contains asset management products recorded at net value, other non-investment assets (such as other receivables and other assets), as well as financial assets sold under agreements to repurchase.

The table below sets forth the breakdown of our Group's total investment assets by amount entrusted to Sunshine AMC, amount self-managed and amount entrusted to external professional institutions as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Investment assets entrusted to Sunshine AMC	260,297	92.1	326,043	92.3	312,120	80.3	339,545	81.6
Self-managed investment assets	22,273	7.9	27,321	7.7	69,572	17.9	69,034	16.6
Investment assets entrusted to external professional institutions	–	–	–	–	6,986	1.8	7,688	1.8
Total investment assets of the Group	**282,570**	**100.0**	**353,364**	**100.0**	**388,678**	**100.0**	**416,267**	**100.0**

During the Track Record Period, the amount of AUM entrusted to Sunshine AMC grew steadily. The table below sets forth information of the AUM entrusted to Sunshine AMC as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
AUM entrusted by Group	271,205	68.8	337,415	60.3	311,913	47.7	340,151	44.2
AUM entrusted by third parties	123,037	31.2	222,439	39.7	341,708	52.3	429,299	55.8
Total	**394,242**	**100.0**	**559,854**	**100.0**	**653,621**	**100.0**	**769,450**	**100.0**

The decrease in the percentage of AUM entrusted by our Group year by year was caused by the different growth rates of internal and external AUM entrusted to Sunshine AMC. On one hand, regulatory rules support and encourage insurance asset management institutions to be more market-oriented in terms of their third-party asset management businesses. The regulation on asset management business, the Guidance on Regulating Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106) (關於規範金融機構資產管理業務的指導意見(銀發[2018]106號)), formulates uniform regulatory standards according to the types of asset management products, sets consistent rules for similar asset management business, and implements fair market access and supervision. As a result, insurance asset management institutions enjoy the same treatment as other financial institutions. Sunshine AMC has endeavored to develop its investment management capabilities, differentiating itself from other asset management institutions leveraging its own competitive advantages while actively communicating with the other institutions, which has led to a significant and rapid growth of the amount of AUM entrusted by third parties. On the other hand, to comply with the requirements on investment capability and primary responsibilities of insurance institutions by the CBIRC, certain of our Group's assets (including equity and real estate assets) were adjusted to be managed independently by the Entrustors, partially resulting in a corresponding decrease in the amount of AUM entrusted to Sunshine AMC by our Group in 2021. Pursuant to the Notice by the CBIRC of Issues Concerning Optimizing the Regulation of the Investment Management Capabilities of Insurance Institutions (No.45 of 2020 of the CBIRC), only insurance entities are entitled to equity and real estate investment management capability. Insurance asset management institutions with product management capability in debt investment schemes may only offer consulting services and technical support for real estate investments, and those with product management capability in equity investment schemes may only offer equity investment consulting services and technical support. Therefore, the Entrustors shall independently make decisions and manage these two types of assets, equity and real estate, by themselves.

Sunshine AMC is an important market participant entrusted to conduct global assets allocation of insurance funds. It has accumulated abundant experience in long-term asset management with different investment approaches across multiple lines in the field of asset management and investment. It possesses investment management capabilities across asset classes, investment channels and markets. As of June 30, 2022, we have investment management capabilities and qualifications for credit risk management, stock investment, use of derivatives, debt investment schemes, equity investment schemes and qualified domestic institutional investors (境內資金境外投資受託人).

In addition, Sunshine AMC also endeavors to develop third-party businesses by providing professional asset management, investment consultancy and other services to insurers, banks and other institutional customers and qualified individual investors through insurance asset management products and customized special accounts, so as to help customers achieve steady asset appreciation. Our third-party asset management capabilities are widely recognized across the industry. Sunshine AMC was selected as the "Insurance Asset Management Institution Worthy of Trust (值得託付保險資管機構)" by the Economic Observer (經濟觀察報) from 2017 to 2021, and the "Excellent Insurance Asset Management Company of the Year (年度卓越保險資管公司)" by National Business Daily (每日經濟新聞) for 2016 as well as from 2018 to 2021. Sunshine AMC was awarded "Best Financial Institution in Risk Management of the Year (年度金牌風控力金融機構)" by Financial Management (《金融理財》) in 2016 and 2021, and "Best Insurance Asset Management Company of the Year (年度金牌保險資產管理公司)" by Financial Management in 2018 and 2020. It also won the "First Insurance Investment Golden Bull Award (首屆保險投資金牛獎)" for its two products in 2021.

Sunshine Life entrusts a small portion of its insurance funds to external professional institutions as investment managers to carry out investment management business in accordance with the regulatory requirements for entrusted investment management of insurance funds. All of the external professional investment management institutions engaged by Sunshine Life are public fund management companies that meet regulatory requirements.

The investment agreements between Sunshine Life and external investment managers generally set out key terms including investment scope, performance benchmark and management fee, in accordance with the corresponding investment strategies. The scope of investment includes standardized products such as bonds, stocks, and money market funds. The management fee typically includes a base management fee set at a fixed rate per year and an incentive fee, which is certain percentage of the return exceeding the performance benchmark agreed by Sunshine Life and the external investment managers. Meanwhile, Sunshine Life has set a range of allocation strategies, investment ratio limits, credit rating limits, industry concentration and individual stock or bond concentration limits in the investment agreements and guidelines, and we closely monitor the portfolio performance through annual, quarterly and monthly reporting mechanisms from the investment managers. Furthermore, Sunshine Life has established accountability mechanisms to ensure that investment managers and asset custodians perform their duties with due diligence and the entrustments to external professional investment management institutions comply with legal and regulatory requirements.

Sunshine Life regularly monitors risk indicators of each third-party entrusted investment portfolio, such as maximum dropdown and volatility, risk-return indicators such as Sharpe ratio and Calmar ratio, and the risk diversification provided by correlation between different portfolios, so as to dynamically identify and evaluate the investment risks of the third-party entrusted investment portfolio. Sunshine Life is able to redeem the third-party entrusted investment portfolio if necessary. In addition, Sunshine Life has set up a restricted list of stocks and bonds for the third-party entrusted investment portfolio and prohibits external investment managers from trading the securities in the list.

Meanwhile, Sunshine Life has incorporated the risk management of the third-party entrusted investment portfolio into its comprehensive risk management framework. Sunshine Life assesses, manages and controls the risk of the overall investment portfolio, including the third-party entrusted investment portfolio, through risk indicators such as value at risk (VAR), Beta value and basis point value, risk management tools such as stress testing and sensitivity analysis, as well as market risk limit and credit risk limit. See "— Risk Management — Monitoring and Management of Major Risks — Market Risk" and "— Risk Management — Monitoring and Management of Major Risks — Credit Risk."

We greatly value our talent and aim at building an outstanding, experienced and professional asset management team. As of June 30, 2022, our Group had a total of 148 employees in the professional investment and research team, among which, 134 had a master's degree or above. Our professional asset management team includes 113 employees with more than five years of relevant experience, and 66 with more than ten years of experience.

We strive to achieve long-term stable returns by keeping risks under control, which not only depends on professional team building and continuous engaging in macroeconomic and industry research, but also depends on a comprehensive and rigorous risk management framework. We have established a risk management framework consisting of three lines of defense, being business departments, risk management departments and internal audit departments. Our Company has built a risk monitoring system covering the entire process before, during and after the investment activity and formulated detailed business processes and risk monitoring indicators to effectively control risks.

Asset Management and Investment Mechanism

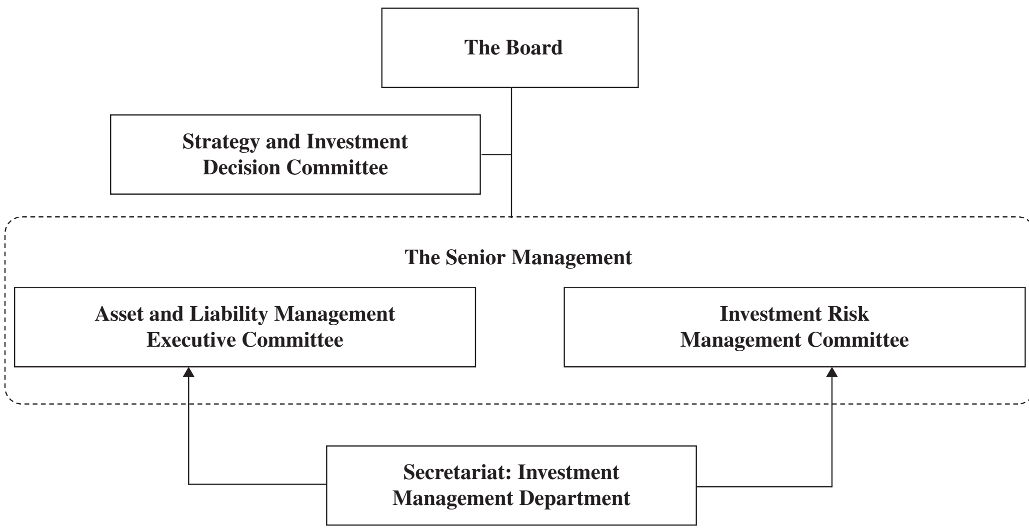
We have established a scientific asset management and investment mechanism, which is effectively implemented during the ordinary course of our asset management and investment. In terms of investment philosophy, we adhere to the core income oriented and value-based investment strategy to pursue high-quality core assets and achieve long-term stable investment returns that match the liabilities.

Investment Decision-making System and Management Process

The Board of Directors bears the ultimate responsibility for the asset allocation and investment policies of investment assets, risk management and internal control of the Company. The strategy and investment decision committee under the Board is responsible for investment management tasks, supervising the effectiveness of the strategic management and investment decision-making system, as well as undertaking responsibilities related to the Company's asset and liability management.

The Company has established the asset and liability management executive committee and the investment risk management committee under its senior management, which are responsible for asset and liability management, investment management, daily operation and management of insurance funds, and investment decision-making within the authorization of the Board of Directors.

The chart[1] below sets out our Company's organizational structure for asset management and investment activities as of the Latest Practicable Date:



(1) Sunshine Life, Sunshine P&C and Sunshine Surety's organizational structure of the asset management and investment activities is similar to that of our Company. Sunshine Life's organizational structure includes an asset and liability management committee and a strategy and investment decision committee under the board of directors, an asset and liability management executive committee and an investment management committee at the management level, as well as a secretariat bearing executive responsibility: the investment management center; Sunshine P&C's organizational structure includes a strategy and investment decision committee under the board of directors, an asset-liability management executive committee and investment management committee at the management level, as well as a secretariat bearing executive responsibility: the investment management department; Sunshine Surety's organizational structure includes a strategy and investment decision committee under the board of directors, an asset-liability management executive committee at the management level, as well as an asset-liability management working group. Sunshine AMC's investment management committee is the decision-making body for its entrusted asset investment business, with specific executive departments, including the securities business division and the asset securitization division.

The table below sets out responsibilities of the various personnel, departments and committees (both external and internal) responsible for our asset management and investment activities as of the Latest Practicable Date:

Managerial Level	Name of the Committee	Chairman	Other Members	Responsibilities of the Committee
The Board of Directors	Strategy and Investment Decision Committee	Li Ke	Ma Guangyuan, Peng Jihai	To review, advise and formulate recommendations to the Board of Directors on matters including: (i) our investment principles, development outlook, investment policies and strategies and the management system submitted by the strategy and investment management related departments; and (ii) the overall objectives and strategies of our asset-liability management; the organizational system, decision-making system and risk management policies for asset-liability management and asset allocation management; and the asset allocation policies and their adjustment plans.
The Management	Asset and Liability Management Executive Committee	Zhang Weigong	Li Ke, Peng Jihai, Nie Rui and Wang Zhenling	(i) Review the asset allocation policies and related adjustment plans and assess the impact of the asset allocation policy on our asset-liability matching position; (ii) Control and manage the risks related to asset-liability management and asset allocation; (iii) Formulate our annual plans for business development and strategy; (iv) Determine our annual investment portfolio plan and allocate the investment quota; and (v) Review our investment assets and post-investment management.

Managerial Level	Name of the Committee	Chairman	Other Members	Responsibilities of the Committee
The Management	Investment Risk Management Committee	Peng Jihai	Nie Rui, Ma Xiang, Liu Xin, Guan Lei and Song Wenlei	(i) Operate and manage insurance fund investment and formulate investment decisions within the scope of its authorization, including investment project initiation, investment decision, post-investment management of significant matters and exit decisioning; and (ii) Provide professional advice for subsidiaries' investment projects according to our Group's overall risk control objectives and strategy implementation.

See "Directors, Supervisors and Senior Management" for the qualifications and relevant experience of Mr. Zhang Weigong, Mr. Li Ke, Mr. Peng Jihai, Mr. Nie Rui and Ms. Wang Zhenling. Qualifications and relevant experience of other members are set forth below:

Name	Age	Degree	Position	Work Experience	Professional Qualifications Held
Mr. Ma Xiang	51	Master of Accounting	Deputy General Manager of Sunshine AMC	Mr. Ma Xiang joined the Group in September 2010. Prior to joining the Group, Mr. Ma Xiang worked for Harvest Fund Management Co., Ltd.	No

Name	Age	Degree	Position	Work Experience	Professional Qualifications Held
Mr. Liu Xin	39	Ph.D. in Electronics and Electrical Engineering	General Manager of the Investment Management Department of Sunshine Insurance Group and Investment Director of Sunshine Life	Mr. Liu Xin joined the Group in October 2016. Prior to joining the Group, Mr. Liu Xin worked for China United Life Insurance Co., Ltd.	Fellow of Institute & Faculty of Actuaries UK and Financial Risk Manager (FRM)
Mr. Guan Lei	40	Master of Business Administration	Deputy Director of the Office of the Chairman of the Board and Deputy General Manager of the Investment Management Department of Sunshine Insurance Group, General Manager of the Risk Management Department and Compliance and Legal Department of Sunshine AMC	Mr. Guan Lei joined the Group in 2010. Prior to joining the Group, Mr. Guan Lei worked for American International Assurance Co., LTD. Beijing Branch.	No
Mr. Song Wenlei	55	Master in Industrial Foreign Trade	General Manager of Strategic Investment Development Department of Sunshine AMC	Mr. Song Wenlei joined the Group in May 2018. Prior to joining the Group, Mr. Song Wenlei worked for China Capital Management Co., Ltd.	No

Asset and Liability Management

Asset and liability management is critical for the management of insurance funds. We determine investment objectives and constraints such as allocation, duration, expected returns and risk limits in accordance with our insurance business development plans. In determining the medium- to long-term and annual investment objectives and asset allocation strategies we focus on asset-liability matching, assessing and determining the risk and return profile of major asset classes through deliberative research and profound experience, as well as balancing multiple factors such as investment income, solvency ratios, liquidity level and risk limits. Our goal is to continuously optimize the asset allocation structure and maintain the mismatch of assets and liabilities at a reasonable level. Specifically, we manage assets and liabilities by insurance accounts, and match them in respect of maturity structure, cost-benefit and cash flow:

- In terms of maturity structure matching, we comprehensively consider factors such as the future interest rate environment, current liabilities' durations and their potential changes, current assets' durations and the availability of investable assets to determine the duration targets and their respective ranges of fixed-income assets in each insurance account.

- In terms of cost-benefit matching, we regularly monitor the cost rate of liabilities to ensure that the investment yield reaches or exceeds the cost rate of liabilities.

- In terms of cash flow matching, we dynamically monitor the liquidity requirements of liabilities and make reasonable forecasts to ensure the forward-looking and effective liquidity management of each insurance account.

In addition, we have established an interactive mechanism between assets and liabilities. Asset allocation effectively matches the requirements of liabilities and balances the aforementioned multidimensional goals, while the liability side (such as cost of liabilities, risk protection and duration) fully takes account of its impact on the asset side, so as to enhance dynamic asset-liability matching, effectively control overall risks and maintain a reasonable level of solvency, asset-liability regulatory ratings and external credit ratings, among other things.

The CBIRC officially enacted the regulatory rules governing the insurance asset-liability management in 2019, formulating and implementing differentiated supervision over insurance companies according to the asset and liability management capability assessment and quantitative assessment score. The asset and liability management capability assessment looks into a series of factors including foundation and environment, internal control and procedures, models and tools, and performance assessment and management reports. The quantitative assessment includes maturity structure matching, cost-benefit matching and cash flow matching. The CBIRC adopts a percentage system for both asset and liability management capability assessment and quantitative assessment, giving higher scores to those with stronger asset and liability management capability and asset-liability matching status. However, the results of the capability assessment are only fed back to each insurance company from Level 1 to Level 10, with Level 1 being the highest score.

During the Track Record Period, we have implemented asset allocation strategies for Sunshine Life, Sunshine P&C and Sunshine Surety, taking into account the characteristics of insurance liabilities and matching the cash flow, cost and maturity requirements of future liabilities as appropriate. In recent years, Sunshine Life and Sunshine P&C have been continuously enhancing their asset and liability management and quantitative matching capabilities, thereby effectively limiting and controlling asset-liability mismatches. In 2019, 2020 and 2021, according to the CBIRC quantitative assessment scores for asset-liability management, Sunshine P&C was graded 86, 81 and 76, respectively, while Sunshine Life was graded 85, 87 and 74, respectively. The quantitative assessment scores for asset-liability management of Sunshine Life decreased from 87 in 2020 to 74 in 2021, mainly because the market fluctuations negatively affected Sunshine Life's investment returns at the end of 2021, and, as a result, lowered some of the cost-benefit matching score by ten points. The quantitative assessment scores for asset-liability management of Sunshine P&C decreased from 86 in 2019 to 81 in 2020 and further to 76 in 2021, mainly due to the impact of comprehensive reform of auto insurance and natural disasters in the past two years, which increased the cost of liabilities and lowered the cost-benefit matching score by five points for two consecutive years. Despite the unfavorable circumstances affecting the quantitative assessment scores, both Sunshine Life and Sunshine P&C improved their levels of asset and liability management capability and their quantitative assessment scores improved from Level 3 in 2019 to Level 2 in 2020. According to the results of the CBIRC's asset and liability management capability assessment, Sunshine P&C was rated Level 3 (85-90 points) and Level 2 (90-95 points, ranking in the top five) in 2019 and 2020, respectively; and Sunshine Life was rated Level 3 (85-90 points) and Level 2 (90-95 points, ranking in the top ten) for the same periods, respectively.[1] The results of the 2021 regulatory capability assessment have not yet been announced. The improvement of Sunshine P&C's and Sunshine Life's capability assessment results indicates a good asset-liability matching performance in general.

Asset Allocation Management

Based on assets-liability management, our Company, Sunshine Life, Sunshine P&C and Sunshine Surety strictly comply with the relevant regulations of the CBIRC and formulate, implement, supervise and adjust asset allocation policies, considering solvency, liability characteristics and other relevant factors and based on macroeconomic trends and our long-term development plan. The strategic asset allocation plans (SAA), annual asset allocation plans and investment guidelines must be reviewed and approved by the senior management and the board of directors of us and our insurance subsidiaries. The SAA is a strategic arrangement for medium- to long-term asset allocation, with a minimum of three years, and is evaluated on an annual rolling basis.

Based on the SAA, our Company, Sunshine Life, Sunshine P&C and Sunshine Surety formulate the annual asset allocation plan according to the asset and liability positions, target weight and risk tolerance, while taking into consideration the analysis of macroeconomic trends and financial markets for the following year. The asset allocation plan is a one-year asset allocation strategy, including annual expected return, target weight and floating range for each asset class, as well as restrictions on investment activities. The asset allocation plan covers the entrusted investments (i.e. assets entrusted to Sunshine AMC and external professional institutions) and the self-managed investments of the Entrustors, each of which is implemented and carried out under the annual asset allocation plan of the Entrustors.

1 In 2020, according to the CBIRC's asset and liability management capability assessment grading, among P&C insurance companies, one was rated as Level 1 and four were rated as Level 2; among life insurance companies, three were rated as Level 1 and seven were rated as Level 2.

The Entrustors have established a professional team in charge of asset allocation in the investment management department. As of June 30, 2022, the aforementioned professional team consisted of 20 members, all of whom hold a master's degree or above. 70% of the members have more than five years of relevant experience and 40% have more than ten years of relevant experience. In addition, six of the team members have professional certifications of actuaries, certified public accountants (CPA) or financial risk management (FRM). Sunshine AMC, as the Entrustee, sets up a Macro Strategy and Asset Allocation Center with functional departments responsible for macro research, strategy research and asset allocation. The Entrustors and the Entrustee collaborate closely to ensure the effective implementation of asset allocation strategies and investment portfolio rebalancing through communication and coordination mechanisms on regular and ad hoc basis.

The annual asset allocation plans and investment guidelines mainly take account of the following investable assets:

- Liquid assets, mainly including cash, cash deposits and securities purchased under agreements to resell;

- Fixed-income financial assets, mainly including term deposits, negotiated deposits, government bonds, corporate bonds, finance bonds, interbank certificates of deposit, bond funds, money market funds, debt investment schemes and fixed-income collective investment trust schemes;

- Equity financial assets, mainly including stocks, equity funds, unlisted equities, private equity funds, equity investment schemes and other equity wealth management products; and

- Other assets, mainly including investment properties and investments in associates and joint ventures.

In terms of entrusted investment assets, following the annual asset allocation plans, the Entrustors prudently formulate the investment guidelines which specify investment scope, investment targets, investment duration, investment limits, compliance and risk management for the entrusted assets, and put forward requirements on return, liquidity and risk tolerance, among other things, to restrain the management of insurance funds. The investment assets entrusted to Sunshine AMC mainly include stocks, funds, bonds, deposits, debt investment schemes, insurance asset management products, as well as other financial instruments or products recognized by the CBIRC.

Sunshine AMC strictly complies with the entrusted investment management agreements, investment guidelines and relevant regulatory requirements, and formulates tactical asset allocation("**TAA**") strategies based on the characteristics of insurance funds by analyzing and evaluating macroeconomic conditions and capital markets, and carries out the necessary procedures such as monthly allocation meetings and investment management committee meetings regularly. But all tactical adjustments must be made within the annual floating range for each asset class. Sunshine AMC distributes the approved TAA strategy to each investment department, and the investment managers are responsible for implementing the allocation strategy, while the relevant functional departments responsible for allocation management and risk management supervise the implementation process. Sunshine AMC independently conducts risk assessments of the entrusted investment and goes through the entire decision-making process, promptly manages the selections of investment assets and investment timings, conducts post-investment management, and takes the responsibility for the compliance of the investments.

If the actual allocation weight exceeds the floating range of the annual asset allocation plan, the Entrustors and the Entrustee will discuss and determine a feasible rebalancing plan, and the Entrustee will complete the adjustment within the period specified in the investment guidelines. In addition, in the event of sudden changes in macroeconomic conditions, market environment or relevant policies on the management of insurance funds that may have a significant impact on our investments, or during the implementation of the allocation strategy, if the Entrustors believe it is necessary to make significant adjustments to the asset allocation strategy, the Entrustors and the Entrustee may organize discussions on the adjustment plan of the asset allocation target weights and floating ranges, which will be implemented after necessary procedures.

During the Track Record Period, the Entrustors strived to strictly comply with the relevant regulations of the CBIRC and the asset allocation policies approved by the management and the Board of Directors related to the management of insurance funds. Our asset allocation complies with applicable PRC laws and regulations in all material aspects. See "Regulatory Overview — Deployment of Insurance Funds — Ratios Oversight."

Sunshine P&C's operating cash flow differed from the forecasting in 2019 due to significant claims, while lacking of high-quality non-standard debt assets in the market at the time. As a result, the allocation weights of certain assets deviated from the investment policies and guidelines established and approved by the board of directors. Specifically, the actual allocation weight of held-to-maturity fixed-income assets was below the lower limit of the floating range by three to four percentage points set forth in the asset allocation policies. Such deviation was caused by the difference between the actual asset allocation weight and Sunshine P&C's own target weight of asset allocation, and did not violate the relevant regulations of the CBIRC. Based on the actual situation at that time, Sunshine P&C therefore adjusted its annual allocation plan under the above-mentioned necessary procedures.

Our self-managed assets mainly include bank deposits, property investments and equity investments. Our Company, Sunshine Life and Sunshine P&C have formulated internal policies such as "Measures for the Management of Equity Investments," "Measures for the Management of Investment Properties" and "Measures for the Management of Authorization of Investment Decision," which stipulate the authority for investment decision-making process. The investment process goes through a whole decision-making process covering five aspects, including project collection, initial project evaluation, project approval, project demonstration and project decision.

With respect to the post-investment and risk management process, our Company, Sunshine Life and Sunshine P&C have established risk management policies such as the "Risk Management Practices for Equity Investments", "Risk Management Practice for Investment properties" and "Risk Classification Management Measures for Insurance Assets" to carry out regular valuations on investment projects, monitor changes in risks, and respond to and handle potential risks of investment projects in a timely manner. Specifically, we conduct daily risk monitoring after signing the investment agreement, including daily tracking and monitoring of negative public opinions of the targets, major changes in the industry or market that may affect our development and the issuance and implementation of relevant regulatory policies. We also carry out quarterly tracking and evaluation on the risks of the projects and prepare quarterly post-investment management reports.

Fixed-Income Investments and Equity Investments

For fixed-income financial assets, we invest in government bonds, finance bonds issued by policy banks, high-grade credit bonds with good liquidity and low credit risk as well as fixed-income financial products with relatively high credit ratings. We continue to strengthen our investment in core fixed-income assets, especially long-term interest rate bonds and high-quality non-standard debt assets, to meet the demand on the liability side.

We are committed to long-term value-based equity investments by focusing on industry-leading stocks and high-quality growth stocks, as well as funds with a good reputation and outstanding performance. In respect of the allocation strategy for equity investments, we pay attention to the long-term growth and growth quality of the target companies and adhere to the principle of long-term value-based investment to continuously strengthen our strategic core equity assets.

Insurance Asset Management Products

The insurance asset management product business of Sunshine AMC has developed steadily. Sunshine AMC completed filings for its product innovation capability in the infrastructure investment scheme and real estate investment scheme[1] in 2013 and 2014, respectively. Sunshine AMC has set up a professional service team focusing on industries such as transportation, infrastructure, industrial manufacturing, energy and power as well as business services. The team provides customers with solutions such as debt investment schemes and equity investment schemes. As of June 30, 2022, Sunshine AMC had issued a total of 37 debt and equity investment schemes with a cumulative volume of RMB42,002 million.

1 Following the Notice of Issues Concerning Optimizing the Regulation of the Investment Management Capabilities of Insurance Institutions by the CBIRC in 2020, the relevant investment management capabilities have changed to debt investment schemes management capabilities and equity investment schemes management capabilities.

Sunshine AMC started its insurance asset management portfolio product business in 2014. Sunshine AMC has gradually established a comprehensive product portfolio over the years to meet the needs of various investors. Investors include financial institutions such as banks and insurers as well as general industrial and commercial enterprises. The outstanding performance of Sunshine AMC's products has also been recognized by investors and mainstream media. In May 2021, Sunshine AMC won the "Insurance Asset Management Portfolio Product Golden Bull Award (組合類保險資管產品金牛獎)" at the first "China Insurance Investment Golden Bull Award (中國保險業投資金牛獎)" held by the China Securities Journal (中國證券報).

Sunshine AMC abides by its fiduciary responsibilities to formulate multidimensional asset management practices throughout the life cycle of a product: (i) to conduct performance analysis on asset management products, use various financial technology tools to meet customers' needs for investment management, and improve the feasibility and suitability of new products; (ii) establish a management system for asset management products and formulate standardized operating procedures; (iii) collaborate with legal and compliance departments as well as risk management and post-investment to jointly identify risks before investment, proceed with projects in compliance with relevant regulations and form a regular review mechanism after the investment to examine and evaluate actual results; and (iv) build a technology-based product management system to standardize the operational process and improve work efficiency.

Risk Management

We attach great importance to risk management and control by setting up a comprehensive top-down risk management system, unifying the risk management and compliance standards in asset management, establishing a sound risk management and response mechanism through all stages of investment activities and strengthening asset allocation monitoring and post-investment management in our daily work. Under the overall risk framework of our Group, our Company and subsidiaries formulate reasonable strategic asset allocation plans by taking full account of the business nature, size and risk profiles on the liability side, and overall development strategy, capital strength and total risk tolerance. Our Company and subsidiaries entrust insurance asset management to Sunshine AMC through asset management agreements and investment guidelines, which typically include asset allocation plans, risk indicators and constraints on investments. Major investment matters beyond the scope of authorization shall be reported to Entrustors for review.

Under the uniform risk management framework of our Group, Sunshine AMC has also established a standardized and sound risk management system consisting of the Board of Directors, the risk management committee and the risk management department. In addition, Sunshine AMC also established an independent "three lines of defense" mechanism. The business departments are the first line of defense. By conducting investment business under risk management policies and procedures, it is responsible for identifying, monitoring and controlling risk during investment activities. Specialized departments such as risk management, legal and compliance as well as credit risk management form the company's second line of defense. It establishes a robust risk management system and risk limit framework covering market risk, credit risk, liquidity risk, operation and compliance risk, among other things. It participates in the whole process of investment management through pre-investment assessment, investment monitoring and post-investment evaluation and timely manage risks through qualitative and quantitative risk and performance analysis reports. As the third line of defense for risk management, the independent audit department under the centralized management of our Group is responsible for inspecting the results of risk management performed by the first and second line of defenses as well as conducting post-investment audit.

Sunshine AMC consistently develops and improves its risk management system. It has established a system covering domestic and international investment transactions, risk management, credit rating and post-investment management. It also factors the requirements of certain quantitative indicators into the investment transaction and risk management system to ensure that investment risks are controlled in real time. The quantitative indicators are generated considering contractual agreements, investment guidelines, investment committee resolutions and risk limits. Guided by the concept of automation and intellectualization, Sunshine AMC strives to continuously improve its risk management system, achieve the automated delivery of risk assessment information and enhance the timeliness and accuracy of risk alerts through technological empowerment.

Investment Performance and Composition of Investment Portfolio

As of December 31, 2019, 2020, 2021 and June 30, 2022, our Group's total investment assets amounted to RMB282,570 million, RMB353,364 million, RMB388,678 million and RMB416,267 million, respectively. In 2019, 2020, 2021 and the six months ended June 30, 2022, our total investment yield amounted to 5.8%, 6.5%, 5.4% and 4.2% (annualized), respectively, and our net investment yield amounted to 5.8%, 5.2%, 4.6% and 4.3% (annualized), respectively. We have established a diversified investment portfolio and our investment products include term deposits, bonds, stocks, funds, wealth management products, investment properties, unlisted equities and other types of domestic and overseas investments. We carried out our overseas investments in a prudent manner during the Track Record Period. As of December 31, 2019, 2020, 2021 and June 30, 2022, our financial investments in overseas market accounted for 5.9%, 6.2%, 5.7% and 5.0% of the Group's total investment assets, respectively. Our financial investments in overseas market mainly consist of bonds, stocks, exchange-traded funds, equity investments and private equity funds.

The table below sets forth the information relating to the composition of our investment portfolio as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Fixed-income financial assets	**179,890**	**63.6**	**239,634**	**67.8**	**253,209**	**65.1**	**295,305**	**71.0**
Term deposits	13,946	4.9	28,942	8.2	22,401	5.8	22,340	5.4
Bonds	101,763	36.0	143,769	40.7	163,356	42.0	192,465	46.2
Policy loans	8,157	2.9	9,289	2.6	10,464	2.7	10,729	2.6
Wealth management products(1)	41,961	14.8	45,891	13.0	44,443	11.4	44,085	10.6
Other debt investments(2)	14,063	5.0	11,743	3.3	12,545	3.2	25,686	6.2
Equity financial assets	**52,422**	**18.6**	**61,927**	**17.6**	**72,020**	**18.6**	**70,291**	**16.8**
Stocks	24,247	8.6	25,606	7.2	33,856	8.7	35,733	8.6
Equity funds	6,762	2.4	10,011	2.8	10,732	2.8	6,930	1.7
Wealth management products(1)	13,529	4.8	15,434	4.4	20,402	5.2	20,840	5.0
Other equity investments(3)	7,884	2.8	10,876	3.2	7,030	1.9	6,788	1.5
Investments in associates and joint ventures	**32,494**	**11.5**	**32,470**	**9.2**	**28,795**	**7.4**	**29,958**	**7.2**
Investment properties	**6,519**	**2.3**	**7,511**	**2.1**	**9,372**	**2.4**	**9,229**	**2.2**
Cash and cash equivalents and others(4)	**11,245**	**4.0**	**11,822**	**3.3**	**25,282**	**6.5**	**11,484**	**2.8**
Total	**282,570**	**100.0**	**353,364**	**100.0**	**388,678**	**100.0**	**416,267**	**100.0**

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

(2) Other debt investments mainly include statutory deposits, bond funds and money market funds.

(3) Other equity investments include unlisted equities, preferred shares and equity perpetual bonds.

(4) Cash and cash equivalents and others mainly include cash deposits and securities purchased under agreements to resell.

The table below sets forth the information relating to investment assets entrusted to Sunshine AMC as of the dates indicated:

	As of December 31,									As of June 30,		
	2019			2020			2021			2022		
	The Group's total investment assets	Entrusted to Sunshine AMC	Proportion of the Group	The Group's total investment assets	Entrusted to Sunshine AMC	Proportion of the Group	The Group's total investment assets	Entrusted to Sunshine AMC	Proportion of the Group	The Group's total investment assets	Entrusted to Sunshine AMC	Proportion of the Group
	(RMB in millions)		*(%)*	*(RMB in millions)*		*(%)*	*(RMB in millions)*		*(%)*	*(RMB in millions)*		*(%)*
Fixed-income financial assets	**179,890**	**164,579**	**91.5**	**239,634**	**217,693**	**90.8**	**253,209**	**233,848**	**92.4**	**295,305**	**274,595**	**93.0**
Term deposits	13,946	13,800	99.0	28,942	24,091	83.2	22,401	22,200	99.1	22,340	22,200	99.4
Bonds	101,763	101,763	100.0	143,769	143,132	99.6	163,356	161,192	98.7	192,465	189,867	98.7
Policy loans	8,157	–	–	9,289	–	–	10,464	–	–	10,729	–	–
Wealth management products	41,961	41,961	100.0	45,891	45,891	100.0	44,443	44,443	100.0	44,085	44,085	100.0
Other debt investments	14,063	7,055	50.2	11,743	4,579	39.0	12,545	6,013	47.9	25,686	18,443	71.8
Equity financial assets	**52,422**	**51,769**	**98.8**	**61,927**	**61,224**	**98.9**	**72,020**	**41,095**	**57.1**	**70,291**	**41,235**	**58.7**
Stocks	24,247	24,247	100.0	25,606	25,606	100.0	33,856	22,932	67.7	35,733	27,477	76.9
Equity funds	6,762	6,616	97.8	10,011	9,763	97.5	10,732	10,588	98.7	6,930	6,800	98.1
Wealth management products	13,529	13,189	97.5	15,434	15,147	98.1	20,402	5,804	28.4	20,840	5,723	27.5
Other equity investments	7,884	7,717	97.9	10,876	10,708	98.5	7,030	1,771	25.2	6,788	1,235	18.2
Investments in associates and joint ventures	**32,494**	**32,241**	**99.2**	**32,470**	**32,169**	**99.1**	**28,795**	**17,378**	**60.4**	**29,958**	**18,681**	**62.4**
Investment properties	**6,519**	**5,496**	**84.3**	**7,511**	**6,442**	**85.8**	**9,372**	**–**	**–**	**9,229**	**–**	**–**
Cash and cash equivalents and others	**11,245**	**6,212**	**55.2**	**11,822**	**8,515**	**72.0**	**25,282**	**19,799**	**78.3**	**11,484**	**5,034**	**43.8**
Total	**282,570**	**260,297**	**92.1**	**353,364**	**326,043**	**92.3**	**388,678**	**312,120**	**80.3**	**416,267**	**339,545**	**81.6**

The table below sets forth the information relating to our Group's total investment performance for the Track Record Period:

	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2022
	(RMB in millions)			
Net investment income[1]	14,880	15,773	16,458	8,311
Realized gains[2]	872	4,639	5,826	2,215
Unrealized gains or losses	1,350	1,534	(2,172)	49
Impairment loss on investment assets	(2,388)	(2,474)	(1,016)	(2,422)
Total investment income[3]	**14,714**	**19,472**	**19,096**	**8,153**
Net investment yield (%)[4]	**5.8**	**5.2**	**4.6**	**4.3**
Total investment yield (%)[5]	**5.8**	**6.5**	**5.4**	**4.2**

(1) Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, operating lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits.

(2) Realized gains include realized capital gains from securities investments.

(3) Total investment income refers to the sum of net investment income, realized gains and unrealized gains or losses, less impairment loss on investment assets.

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

(5) Total investment yield equals total investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. The net investment yield and total investment yield for the six months ended June 30, 2022 have been annualized. In the calculation of the annualized investment yield, only net investment income such as interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, operating lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits are annualized while realized gains, unrealized gains and losses, impairment losses on investment assets and interest on securities sold under agreements to repurchase are not annualized.

The table below sets forth the investment performance of assets managed by Sunshine AMC and other entities for the Track Record Period:

	Year ended December 31, 2019			2020			2021			Six months ended June 30, 2022		
	(RMB in millions)											
	Entrusted to Sunshine AMC	**Others**	**The Group**	**Entrusted to Sunshine AMC**	**Others**	**The Group**	**Entrusted to Sunshine AMC**	**Others**	**The Group**	**Entrusted to Sunshine AMC**	**Others**	**The Group**
Total investment income	13,921	793	14,714	18,107	1,365	19,472	13,195	5,901	19,096	8,467	(314)	8,153

The table below sets forth the investment yield of our Group's investment assets entrusted to Sunshine AMC for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022 (annualized)**
Total Investment Yield (%)	6.0	6.5	4.3	5.0
Net Investment Yield (%)	5.6	5.0	4.4	4.6

The table below sets forth a breakdown of the Group's net investment yields and total investment yields by asset classes during the Track Record Period:

	Year Ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
	Amount	Total Investment Yield	Net Investment Yield	Amount	Total Investment Yield	Net Investment Yield	Amount	Total Investment Yield	Net Investment Yield	Amount	Total Investment Yield (annualized)	Net Investment Yield (annualized)
	(RMB in millions)	%	%	*(RMB in millions)*	%	%	*(RMB in millions)*	%	%	*(RMB in millions)*	%	%
Fixed income financial asset	**8,867**	**5.2**	**6.3**	**9,302**	**4.4**	**4.9**	**11,657**	**4.7**	**4.6**	**6,740**	**4.6**	**4.2**
Interest income	10,632			10,357			11,408			5,755		
Realized gains/(losses), net	(1,290)			(676)			(203)			1,046		
Unrealized gains/(losses), net	(128)			(102)			28			(93)		
Impairment	(347)			(277)			424			32		
Equity financial assets	**3,439**	**7.2**	**2.7**	**9,175**	**16.0**	**4.6**	**5,347**	**8.0**	**3.2**	**(1,366)**	**0.3**	**4.4**
Dividend Income	1,289			2,631			2,168			1,549		
Realized gains/(losses), net	2,159			5,308			6,572			(604)		
Unrealized gains/(losses), net	1,477			1,718			(2,268)			143		
Impairment	(1,486)			(482)			(1,125)			(2,454)		
Others[(1)]	**2,408**	**5.0**	**6.1**	**995**	**1.9**	**5.5**	**2,092**	**3.6**	**5.0**	**2,779**	**6.6**	**3.5**
Total investment income	**14,714**	**5.8**	**5.8**	**19,472**	**6.5**	**5.2**	**19,096**	**5.4**	**4.6**	**8,153**	**4.2**	**4.3**

(1) Others include investments in associates and joint ventures, investment properties, cash and cash equivalents and others.

Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, operating lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits. Total investment income refers to the sum of net investment income, realized gains and fair value gains and losses, less impairment losses on investment assets. The total investment yields for the years ended December 31, 2020 and 2021 were higher than the net investment yields for the same periods, mainly because the Group realized certain equity investments in accordance with the capital market conditions and the Group's own investment strategy.

The table below sets forth the information relating to our Group's investment portfolio by investment purposes for the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	Carrying amount	proportion	Carrying amount	proportion	Carrying amount	proportion	Carrying amount	proportion
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Financial assets at fair value through profit or loss	24,190	8.6	24,141	6.8	12,161	3.1	19,717	4.7
Available-for-sale financial assets	77,334	27.4	109,872	31.1	159,501	41.0	160,775	38.6
Held-to-maturity financial assets	62,568	22.1	83,788	23.7	84,093	21.6	116,682	28.0
Investments in associates and joint ventures	32,494	11.5	32,470	9.2	28,795	7.4	29,958	7.2
Loans and others	85,984	30.4	103,093	29.2	104,128	26.9	89,135	21.5
Total	**282,570**	**100.0**	**353,364**	**100.0**	**388,678**	**100.0**	**416,267**	**100.0**

Fixed-Income Financial Assets

Term Deposits

As of December 31, 2019, 2020, 2021 and June 30, 2022, term deposits accounted for 4.9%, 8.2%, 5.8% and 5.4%, respectively, of our Group's total investment assets, which were deposited in a number of commercial banks in China. As of December 31, 2019, 2020, 2021 and June 30, 2022, the total deposits we had placed in our top five commercial banks amounted to RMB13,750 million, RMB21,465 million, RMB19,130 million and RMB19,100 million, respectively, accounting for 98.6%, 74.2%, 85.4% and 85.5% of our term deposits, respectively.

The table below sets forth a breakdown of the book value of our Group's term deposits by maturity as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Within three months (inclusive)	84	0.6	4,708	16.3	15	0.1	34	0.2
Three months to one year (inclusive)	2,892	20.7	3,534	12.2	186	0.8	16,605	74.3
One to three years (inclusive)	3,270	23.4	18,000	62.2	20,700	92.4	4,201	18.8
Three to five years (inclusive)	7,700	55.3	2,700	9.3	1,500	6.7	1,500	6.7
Total	**13,946**	**100.0**	**28,942**	**100.0**	**22,401**	**100.0**	**22,340**	**100.0**

Bonds

Bonds primarily comprise government bonds, corporate bonds, finance bonds and other bonds. As of December 31, 2019, 2020, 2021 and June 30, 2022, bonds accounted for 36.0%, 40.7%, 42.0% and 46.2%, respectively, of our Group's investment assets. The table below sets forth a breakdown of our Group's bond investments by bond types as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Government bonds	40,461	39.8	75,271	52.4	100,646	61.6	103,388	53.7
Corporate bonds(1)	18,073	17.7	13,962	9.7	14,640	9.0	15,987	8.3
Finance bonds	27,223	26.8	27,890	19.4	37,067	22.7	37,195	19.3
Others(2)	16,006	15.7	26,646	18.5	11,003	6.7	35,895	18.7
Total	**101,763**	**100.0**	**143,769**	**100.0**	**163,356**	**100.0**	**192,465**	**100.0**

(1) Including medium-term notes, non-financial institution bonds, government-supported institution bonds and convertible bonds.

(2) Including interbank deposits and asset-backed securities.

Government Bonds

Government bonds have maturities of up to 50 years and pay tax-exempt interest. We invest in both listed and unlisted government bonds with longer maturities in general, of which 87.7% have a term to maturity of over ten years. As of December 31, 2019, 2020, 2021 and June 30, 2022, government bonds (issued by the PRC government) represented 14.3%, 21.3%, 25.9% and 24.8% of our Group's total investment assets, respectively.

The table below sets forth the breakdown of our Group's investments in government bonds by maturity as of the dates indicated:

	Carrying value	**Percentage**
	(RMB in millions)	*(%)*
As of December 31, 2019		
Within three months (inclusive)	969	2.4
Three months to one year (inclusive)	1,369	3.4
One to five years (inclusive)	5,101	12.6
Five to ten years (inclusive)	1,382	3.4
Over ten years	31,640	78.2
Total	**40,461**	**100.0**
As of December 31, 2020		
Within three months (inclusive)	–	0.0
Three months to one year (inclusive)	795	1.1
One to five years (inclusive)	16,204	21.5
Five to ten years (inclusive)	1,217	1.6
Over ten years	57,055	75.8
Total	**75,271**	**100.0**
As of December 31, 2021		
Within three months (inclusive)	10	0.0
Three months to one year (inclusive)	2,180	2.2
One to five years (inclusive)	8,719	8.7
Five to ten years (inclusive)	1,799	1.8
Over ten years	87,938	87.3
Total	**100,646**	**100.0**

	Carrying value	Percentage
	(RMB in millions)	*(%)*
As of June 30, 2022		
Within three months (inclusive)	313	0.3
Three months to one year (inclusive)	1,484	1.4
One to five years (inclusive)	9,109	8.8
Five to ten years (inclusive)	1,822	1.8
Over ten years	90,660	87.7
Total	**103,388**	**100.0**

Corporate Bonds

Corporate bonds include medium-term notes, non-financial institution bonds, government-supporting institution bonds and convertible bonds. Insurance companies in the PRC are permitted to invest in unsecured bonds publicly issued by non-financial institutions in the PRC. Although corporate bonds may have lower liquidity than most other types of fixed-income securities, these bonds generally earn higher yields than most other fixed-income instruments. As of June 30, 2022, over 96.0% of our corporate bonds had a credit rating of AAA by domestic rating agencies calculated based on the carrying value on the same date. As of December 31, 2019, 2020, 2021 and June 30, 2022, corporate bonds accounted for 6.4%, 4.0%, 3.8% and 3.8% of our Group's total investment assets, respectively.

The table below sets forth the breakdown of our Group's investments in corporate bonds by maturity as of the dates indicated:

	Carrying value	Percentage
	(RMB in millions)	*(%)*
As of December 31, 2019		
Within three months (inclusive)	415	2.3
Three months to one year (inclusive)	3,669	20.3
One to five years (inclusive)	11,540	63.9
Five to ten years (inclusive)	1,462	8.1
Over ten years	987	5.4
Total	**18,073**	**100.0**

	Carrying value	Percentage
	(RMB in millions)	*(%)*
As of December 31, 2020		
Within three months (inclusive)	408	2.9
Three months to one year (inclusive)	1,059	7.6
One to five years (inclusive)	10,137	72.6
Five to ten years (inclusive)	1,381	9.9
Over ten years	977	7.0
Total	**13,962**	**100.0**
As of December 31, 2021		
Within three months (inclusive)	191	1.3
Three months to one year (inclusive)	2,716	18.6
One to five years (inclusive)	9,646	65.9
Five to ten years (inclusive)	1,953	13.3
Over ten years	134	0.9
Total	**14,640**	**100.0**
As of June 30, 2022		
Within three months (inclusive)	1,010	6.3
Three months to one year (inclusive)	1,667	10.4
One to five years (inclusive)	11,444	71.7
Five to ten years (inclusive)	1,731	10.8
Over ten years	135	0.8
Total	**15,987**	**100.0**

Finance Bonds

Finance bonds include policy finance bonds and bonds issued by finance institutions, of which policy finance bonds are bonds issued by China Development Bank, the Export-Import Bank of China and Agricultural Development Bank of China, and generally traded through the interbank market. As of June 30, 2022, 57.5% of our domestic finance bonds were policy finance bonds, while 87.4% of the non-policy finance bonds received an issuer rating of AAA calculated based on the carrying value on the same date. As of December 31, 2019, 2020, 2021 and June 30, 2022, finance bonds accounted for 9.6%, 7.9%, 9.5% and 8.9% of our Group's total investment assets, respectively.

The table below sets forth the breakdown of our Group's investments in finance bonds by maturity as of the dates indicated:

	Carrying value	**Percentage**
	(RMB in millions)	*(%)*
As of December 31, 2019		
Within three months (inclusive)	370	1.4
Three months to one year (inclusive)	241	0.9
One to five years (inclusive)	10,553	38.7
Five to ten years (inclusive)	9,779	35.9
Over ten years	6,280	23.1
Total	**27,223**	**100.0**
As of December 31, 2020		
Within three months (inclusive)	42	0.2
Three months to one year (inclusive)	3,721	13.3
One to five years (inclusive)	6,551	23.5
Five to ten years (inclusive)	10,280	36.8
Over ten years	7,296	26.2
Total	**27,890**	**100.0**
As of December 31, 2021		
Within three months (inclusive)	490	1.3
Three months to one year (inclusive)	997	2.7
One to five years (inclusive)	13,445	36.3
Five to ten years (inclusive)	14,406	38.8
Over ten years	7,729	20.9
Total	**37,067**	**100.0**
As of June 30, 2022		
Within three months (inclusive)	406	1.1
Three months to one year (inclusive)	685	1.8
One to five years (inclusive)	17,935	48.3
Five to ten years (inclusive)	10,051	27.0
Over ten years	8,118	21.8
Total	**37,195**	**100.0**

Policy Loans

Policy loans refer to loans for which the insurance contracts entered into between the insured parties and our Group can be used as collateral within the term of the insurance contracts upon the insured party's application, and the amounts of loans do not exceed a certain percentage of the cash value of the insurance contracts at the time of the loan application. As of December 31, 2019, 2020, 2021 and June 30, 2022, policy loans accounted for 2.9%, 2.6%, 2.7% and 2.6% of our Group's total investment assets, respectively.

Fixed-income Wealth Management Products

Fixed-income wealth management products include fixed-income insurance asset management portfolio products and debt investment schemes issued by insurance asset management companies, and fixed-income collective investment trust schemes issued by trust companies. Our fixed-income wealth management products include products issued by financial institutions including Bank of Communications Trustee Limited, Minmetals International Trust Co., Ltd, China Resources Shenzhen International Trust, Ping An of China Asset Management (Hong Kong) Co., Ltd., Taikang Asset Management (Hong Kong) Company Limited and Pacific Asset Management Co., Ltd.

For the risk management of fixed-income wealth management products, we mainly focus on three aspects: asset allocation, product selection and portfolio management. We formulate our strategic asset allocation plan and set upper and lower limits of asset allocation weights on the basis that our overall risk is strictly controlled within our established risk appetite. Meanwhile, we prefer debt investment schemes in industries including infrastructure, public services and energy that are in line with national industrial policy guidelines. We continually monitor and strictly manage the credit risk throughout the full life cycle of the investment, including fundraising, investment, management and exiting, and establish an overall and individual risk alert framework covering all investment fields, varieties and instruments to ensure that the risks of investment assets in the entire process are thoroughly assessed and controlled.

As of December 31, 2019, 2020, 2021 and June 30, 2022, fixed-income wealth management products accounted for 14.8%, 13.0%, 11.4% and 10.6% of our Group's total investment assets, respectively.

As of June 30, 2022, calculated based on the carrying value on the same date, 94.3% of the debt investment schemes and trust schemes we held received credit ratings of AAA. In terms of industry distribution, our target assets are allocated across different industries, including non-banking financial services, infrastructure, public services and energy.

Other Debt Investments

Other debt investments include loans and receivables, statutory deposits, bond funds and money market funds. As of December 31, 2019, 2020, 2021 and June 30, 2022, our other debt investments accounted for 5.0%, 3.3%, 3.2% and 6.2% of our Group's total investment assets, respectively.

Equity Financial Assets

For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, the investment yield of the Group's equity financial assets was 7.2%, 16.0%, 8.0% and 0.3% (annualized), respectively, with an average of 7.9% and a standard deviation of 6.4%.

Our investments in equity financial assets include stocks, equity funds, equity wealth management products and other equity investments, such as preferred shares, equity perpetual bonds and unlisted equity. Among these equity financial assets, stocks, equity funds, preferred shares and equity perpetual bonds are publicly offered, while equity wealth management products are privately offered.

Stocks

Stocks are listed shares traded in the secondary market. Qualified PRC insurance companies are permitted to invest their insurance funds directly in stocks of companies listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange. As of December 31, 2019, 2020, 2021 and June 30, 2022, stocks accounted for 8.6%, 7.2%, 8.7% and 8.6% of our Group's total investment assets, respectively. When selecting listed shares, we prefer value stocks with high dividend yield and high-quality growth stocks with sustainable performance, basing our decisions on in-depth industry researches as well as the government industrial policy guidance. Our stock selection criteria primarily include solid competitive strengths, clear business models, great potentials for industry and company growth, reasonable valuations and sustainable dividends.

Equity Funds

PRC insurance companies are permitted to invest in close-end and open-end investment funds managed by public fund management companies. During the Track Record Period, we invested in open-end and close-end stock and hybrid funds, among other things. In addition, part of our investments was placed into money market funds and bond funds, both being classified as other debt investments in fixed-income financial assets. As of December 31, 2019, 2020, 2021 and June 30, 2022, equity funds accounted for 2.4%, 2.8%, 2.8% and 1.7% of our Group's total investment assets, respectively.

Equity Wealth Management Products

Equity wealth management products comprise private equity funds, equity insurance asset management portfolio products and equity investment schemes issued by insurance asset management companies. As of December 31, 2019, 2020, 2021 and June 30, 2022, equity wealth management products accounted for 4.8%, 4.4%, 5.2% and 5.0% of our Group's total investment assets, respectively.

Other Equity Investments

Other equity investments comprise unlisted equities, preferred shares and equity perpetual bonds. As of December 31, 2019, 2020, 2021 and June 30, 2022, other equity investments accounted for 2.8%, 3.2%, 1.9% and 1.5% of our Group's total investment assets, respectively.

Investments in Associates and Joint Ventures

Investments in associates and joint ventures comprise equity investments in associates and joint ventures. As of December 31, 2019, 2020, 2021 and June 30, 2022, investments in associates and joint ventures accounted for 11.5%, 9.2%, 7.4% and 7.2% of our Group's total investment assets, respectively. As part of our investment strategy, we prefer to invest in stocks having a stable value by comprehensively considering the growth potential, return on net assets and dividend returns of investment targets. Overall, we expect our current investments in associates and joint ventures to be relatively stable, with potential to generate long-term investment returns.

Investment Properties

Our investment properties represent real estate properties held for operating lease income and/or for capital appreciation, including leased buildings. As of December 31, 2019, 2020, 2021 and June 30, 2022, investment properties accounted for 2.3%, 2.1%, 2.4% and 2.2% of our Group's total investment assets, respectively.

Cash, Cash Equivalents and Other Investments

Cash, cash equivalents and other investments mainly include cash deposits, cash and securities purchased under agreements to resell. As of December 31, 2019, 2020, 2021 and June 30, 2022, cash, cash equivalents and other investments accounted for 4.0%, 3.3%, 6.5% and 2.8% of our Group's total investment assets, respectively.

Third-party Asset Management

Sunshine AMC carries out third-party asset management business and provides professional asset management and investment consultancy services to insurance companies, banks, other institutional customers and qualified individual investors. It helps customers realize steady asset appreciation by setting up insurance asset management products or customized special accounts. As of December 31, 2019, 2020, 2021 and June 30, 2022, our third-party AUM amounted to RMB123,037 million, RMB222,439 million, RMB341,708 million and RMB429,299 million, respectively. We recorded revenue from third-party asset management business of RMB131 million, RMB163 million, RMB257 million and RMB163 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Our third-party asset management business comprises insurance asset management portfolio product business, asset securitization business and entrusted management fund business. During the Track Record Period, we launched 121 insurance asset management portfolio products that are subscribed by third parties as well as our Group, with product volume of RMB428,378 million in total, and 26 debt investment schemes with a total volume of RMB25,460 million. We primarily offer fixed income products, equity products and hybrid products for our insurance asset management portfolio product business, with asset allocation based on the corresponding investment scope and investment strategy of the portfolio products.

We have implemented comprehensive risk management for our third-party asset management business, and formulate relevant business management rules and policies in order to control and manage the corresponding risks. We strive to adhere to the scope and proportion of the investments as stipulated in the entrustment contract and abide by the regulatory requirements. If the investment portfolio of the third-party account becomes not in line with the contract due to passive factors such as changes in the investment portfolio size and fluctuations in the securities market, the investment manager is required to make adjustments within a certain period of time as stipulated in the contract. In addition, Sunshine AMC has carried out independent accounting and management of third-party investment accounts. We aim to fairly treat the assets of different accounts under our management. We strive to avoid conflicts of interest and strictly prohibit all kinds of behaviors that may lead to transfer of interests and unfair transactions.

OTHER BUSINESSES

Elderly Care Communities and Hotels

The "Sunshine Home" elderly care community is located in Conghua, Guangzhou Province, covering an area of approximately 65,200 sq.m. with a gross floor area ("**GFA**") of 150,101 sq.m. with green space accounting for 40% of the site area. Our Group operates the "Sunshine Home" elderly care community through its subsidiary Sunshine Family (Guangzhou) Pension Co., Ltd. (陽光人家(廣州)養老有限公司). The community introduces to the domestic elderly care industry the advanced concepts and models of continuing care retirement communities, a long-term care option for the elderly. The community comprises an upscale spa and elderly care hotel, health and elderly care apartments, high-end health and elderly care apartments and condominium, an upscale health and elderly care nursing center and other related facilities. The community is distinct from traditional elderly care communities as it integrates health regimen caring, elderly vacationing residents program, residential caring and nursing caring. In addition, the community is committed to building a competitive brand to provide integrated health and elderly care services in Southern China.

"Sunshine Home" elderly care community provides various types of services, including living services, recreational and social services, nutritional and dietary services, spiritual comfort services, health management services, medical services, dignified care services and rehabilitation services. Currently, we have signed strategic agreements and letters of intent to cooperate with several healthcare service providers or institutions. The community will continue to collaborate with the Sunshine Union Hospital to further integrate the internal resources.

During the Track Record Period, in addition to our elderly care communities, we also carried out hotel operations. As part of real estate assets, our operational properties such as hotels are aimed for optimizing our asset allocation and enhancing risk diversification. We own and directly operate Sunshine Jiayue Hotel and Château Élan at The Vintage through Sunshine Jiayue (Beijing) Hotel Management Co., Ltd. and Cedar Australia International Pty Ltd., respectively. We also own hotels such as Hyatt Place Sanya City Center, 1 Hotel Haitang Bay Sanya, Sheraton Grand Sydney Hyde Park, and Baccarat Hotel NY, which are all operated by third parties. The three hotels, Sheraton Grand Sydney Hyde Park located in Australia, Baccarat Hotel NY located in the U.S. and Château Élan at The Vintage located in Australia, represented our overseas business (excluding financial investments in overseas market) during the Track Record Period. The revenue generated from these three hotels in 2019, 2020, 2021 and the six months ended June 30, 2022 accounted for less than 1.0% of our total revenue during the same period, respectively. Total net assets of these three hotels in 2019, 2020, 2021 and the six months ended June 30, 2022 accounted for less than 5.0% of our net assets during the same period, respectively.

Sunshine Union Hospital

Against the backdrop of national medical reform, Sunshine Union Hospital was established by our Group in collaboration with the People's Government of Weifang City, under the approval of the CIRC. Directly operated by our Group, the hospital features a large tertiary integrated medical institution, providing integrated medical treatment, teaching, scientific research, prevention, healthcare, rehabilitation, translational medicine and industrial development. Located at Weifang City, Shandong Province, the hospital commenced operation on May 8, 2016 and received the sixth version of JCI accreditation in March 2018, which represents the industry standard of international hospital management and service. The hospital passed the appraisal of Grade A Tertiary Hospitals in April 2019 and received the HIMSS7 rating of the industry standard of international information construction in December 2019. It then received the seventh version of international JCI accreditation in September 2021.

As of June 30, 2022, the hospital had 33 clinical departments, nine medical departments, 34 (compound) operating rooms, as well as several special departments including the Cardiac Center, Orthopedic Center, Digestive Center, Pediatric Center and Brain Hospital. Since the beginning of 2021, the hospital has launched a project named "Hundreds of experts from Beijing to practice in Weifang (百名京城專家援濰坊)." As of June 30, 2022, a total of 124 nationally renowned experts have joined the project to periodically provide consultation, medical inspection, teaching and surgery at the hospital.

As of June 30, 2022, there were 1,801 staff in the hospital, among which there were 104 professors of treatment, 146 associate professors of treatment, 507 doctors-in-charge, 20 with doctor's degrees or in post-doctoral positions, 255 with master's degrees and 35 post-graduate supervisors.

Real Estate Related Business and Investments

Our real estate related business and investments are conducted in the form of self-use properties, as well as direct and indirect investments in real estate area. The self-use properties are held in the form of equity or real right, mainly for the use of customer service, data services, offices and employee dormitories. We directly invest in commercial properties for rental purpose in cities such as Beijing, Shanghai, Chongqing, Chengdu and Sanya. We hold these properties for the purpose of obtaining long-term stable investment returns. We also invest directly in elderly care communities and hotels in cities and countries such as Guangzhou, Sanya, the United States and Australia, providing strategic synergies to enhance our core insurance business. For details of elderly care communities and hotels business, see "— Elderly Care Communities and Hotels." Meanwhile, we have also directly participated in investments in real estate related stocks and bonds. Our indirect investments include two private equity funds whose underlying assets are real estate located in cities and countries such as Beijing, Shanghai, Guangzhou, the United States, the United Kingdom and Australia. Our indirect investments also include debt investment schemes, collective investment trust schemes and real estate investment trusts ("**REITs**"). As of December 31, 2019, 2020, 2021 and June 30, 2022, the carrying value of our real estate related business and investment (including self-use properties, elderly care communities and hotels), amounted to RMB32,654 million, RMB39,562 million, RMB42,615 million and RMB42,909 million, respectively. The table below sets forth the breakdown of the carrying value of our real estate related business and investments during the Track Record Period:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Self-use properties	**12,460**	**13,552**	**12,587**	**12,715**
Prepaid land lease payments	2,338	2,271	2,201	2,167
Land and buildings	5,633	5,754	7,932	7,823
Construction in progress	4,489	5,527	2,454	2,725
Elderly care and hotel related assets	**6,360**	**6,743**	**6,734**	**6,844**
Land and buildings	3,765	5,008	5,111	5,115
Construction in progress	2,595	1,735	1,623	1,729
Property investments	**13,834**	**19,267**	**23,294**	**23,350**
Total real estate related business and investments	**32,654**	**39,562**	**42,615**	**42,909**

As of December 31, 2019, 2020, 2021 and June 30, 2022, property investments[1] accounted for 4.2%, 4.7%, 5.3% and 4.9% of our total assets, and accounted for 27.0%, 33.8%, 39.3% and 41.9% of our net assets, respectively. By investment types, our property investments comprise of fixed income financial asset investments (including bonds, wealth management products and other debt investments), equity financial asset investments (including stocks, equity funds and wealth management products[2]), investments in associates and joint ventures and investment properties. The table below sets forth the information relating to property investments as of the dates indicated:

	As of December 31,			As of June 30
	2019	**2020**	**2021**	**2022**
	(RMB in Millions)			
Fixed-income financial assets	**5,985**	**8,523**	**9,825**	**10,195**
Bonds	135	170	1,460	2,068
Wealth management products	4,174	6,688	8,365	8,127
Other debt investments	1,676	1,665	–	–
Equity financial assets	**1,107**	**2,993**	**3,843**	**3,660**
Stocks	339	1,983	1,375	1,191
Equity funds	366	622	682	650
Wealth management products	402	388	1,786	1,819
Investments in associates and joint ventures	**223**	**240**	**254**	**266**
Investment properties	**6,519**	**7,511**	**9,372**	**9,229**
Total property investments	**13,834**	**19,267**	**23,294**	**23,350**

Investing in investment properties and private equity funds with real estate as underlying assets is an important part of our asset allocation, which can effectively enhance the risk diversification of our investment portfolio, providing us with long-term investment returns and enriching our investment portfolio. In addition, the real estate industry, as a key component of China's economy and industrial structure, is also important for our industry allocation. In terms of equity and bonds investments, we follow a balanced allocation strategy to ensure a reasonable degree of risk diversification. In 2020, we have reasonably increased our stock position in real estate industry based on our analysis of macro policies and market research. In 2021, due to the lack of high-quality non-standard assets and increasing pressure on allocation of such assets, we increased our real estate related bonds as appropriate. We adjusted our stock position considering the volatility of the market value of those real estate related stocks we

1 The property investments do not include self-use properties, elderly care communities and hotels, which are recorded at their carrying value under the items of land and buildings, construction in progress and prepaid land lease payments.

2 Representing private equity funds with real estate as underlying assets.

held. In the same year, pursuant to the limited partnership agreement of our private equity fund, upon receipt of capital call notices, we contributed the required capital to the fund for the purpose of new underlying real estate project investment. In the first half of 2022, the market condition of shortage of high-quality non-standard assets remained, we therefore continued to explore innovative investment instruments such as securitized products. We increased the allocation of commercial mortgage backed securities ("**CMBS**") and other real estate related bonds as appropriate.

Our Company, Sunshine Life and Sunshine P&C carry out investment and management in investment properties and private equity funds on our own, while entrusting Sunshine AMC and external investment managers to carry out investment and management in other real estate related financial assets. The investment and management implemented by each entity above is strictly carried out in compliance with relevant laws, regulations and other regulatory requirements. We have also formulated relevant internal control management policies and procedures to regulate and restrain the real estate related investment activities. See "— Asset Management and Investment — Asset Management and Investment Mechanism."

During the Track Record Period and up to the Latest Practicable Date, the Company and its insurance subsidiaries submit quarterly reports and annual reports on their real estate related investments in a timely manner to the CBIRC and have not been subject to any administrative penalty from the CBIRC in relation to real estate related business and investments. We have been advised by our PRC Legal Advisor that our real-estate related business and investments are in compliance with applicable PRC laws and regulations in all material aspects. See "Regulatory Overview — Deployment of Insurance Funds — Applicable Areas — Real Estate" and "Regulatory Overview — Deployment of Insurance Funds — Ratios Oversight."

INFORMATION TECHNOLOGY

Information technology is critical to our achievements and continued success, enabling us to steadily enhance our operational efficiency and business performance. We focus on the strategic planning of information technology and strive to align information technology development with our business operations. Our operational and management processes rely on the application of various information technologies including, among others, mobile application, big data analytics, smart and automation technology and cloud computing technology.

Customer-centric Mobile Applications

We constantly optimize our business segments and operating processes according to customer needs. We initiated "Project Phoenix (鳳凰工程)" in 2016, providing easy-to-use mobile applications for our customers, agents and employees, which give customers digital access to our services. Through this project, we have been able to directly connect our platform to our customers and front-line workforce, providing them with reliable and multidimensional online assistance and services, which has increased management and service efficiency, enhanced our customer stickiness and elevated customer experience.

We use our platforms and tools such as "Sunshine Auto•Life" and "My Home Sunshine" to provide customers with full online services of claim settlement and preservation, allowing customers to obtain products and services anytime and anywhere. As of June 30, 2022, the number of registered users of the "Sunshine Auto•Life" and "My Home Sunshine" APP exceeded 8.5 million and 3.6 million, respectively, representing a year-on-year increase of 40.3% and 32.4%, respectively. At the same time, we also provide our customers with various interactive non-insurance activities such as "Sunshine Farm (陽光農場)" and "Brisk Walking" to increase customer stickiness and expand customer reach.

"All-in-one for Life," "All-in-one for P&C" and other sales assistance tools that we have developed for front-line salespeople are mobile intelligent business operations platforms that respond to market trends and customer habits and support business development in the entire process. They effectively support remote business development, achieve real-time team management and enable sales performance achievement check. We developed "Palm Sunshine" specifically for Sunshine P&C's credit insurance business. The product provides front-line salespeople with services such as customer application progress tracking and task performance viewing to effectively assist daily business development and provide entry level management personnel with online team management support.

We have developed tools such as "One-click Compensation" for customer service personnel to help front-line employees provide a full range of online services such as claim settlement and property preservation to customers. For example, in respect of claim settlement services, the "One-click Compensation" tool enables remote video inspection supported by OCR image recognition technology, achieving quick loss assessment for small claim cases. In the six months ended June 30, 2022, "One-click Compensation" completed approximately 0.47 million claim settlement services. Using AR intelligent loss assessment technology, Sunshine P&C developed and launched "Quick Claims" in May 2021, a one-stop automobile insurance claim service product for small claim cases featuring on-site loss assessment, quality commitment, guaranteed repairs and direct and fast compensation.

We have developed tools for our management team, such as "Zhang Zhong Bao," "Feng Huo Tai" and "Management Cockpit" to assist managers at all levels to review the workforce and sales status in real time. Moreover, for employees' office management, we have launched the mobile office platform "Sunshine plus (陽光 plus)," which plays an important role in supporting many key services such as videoconference, smart buildings, security verification and employee services.

Multidimensional Big Data Analytics Solutions

We have established our proprietary big data platform to enhance our data processing capability and performance. With our real-time big data analytics capabilities, we have optimized every step of risk control, marketing and other business processes. In particular, we have conducted a variety of data application projects, including the "Online Integrated Platform for Credit Insurance Risk Control and Underwriting and Signing (信保風控核保簽約線上一體化平台)," the "Smart Underwriting Brain," the "Health Big Data Application Platform (健康大數據應用平台)," the "Smart Insurance Consulting (智能保顧)" and the "Telesales Brain (電銷大腦)," to continuously strengthen our customer service capabilities.

Through our big data analytics platform, we continue to strengthen risk prevention and control. For example, the "Online Integrated Platform for Credit Insurance Risk Control and Underwriting and Signing" we developed in 2020 has been widely used in the underwriting and face-to-face signing process of Sunshine P&C's credit insurance business. We improve fraud prevention accuracy and reduce malicious fraud losses by embedding intelligent technological means such as risk control and anti-fraud measures. Meanwhile, we can also enhance signing efficiency and customer experience through the remote face-to-face signing platform. The platform has enabled online signing for all credit insurance customers, and the duration for signing is approximately 10 minutes as of June 30, 2022. We developed the "Smart Underwriting Brain" in 2019, which is a digital underwriting system comprising a high-risk customer identification model, Skynet System, smart underwriting engine, smart underwriting robot and smart underwriting AI. Among them, the high-risk customer identification model quantifies and evaluates the risks associated with an insured party. To effectively guard against risks and improved profitability, we have developed the Skynet System embedded with a big data risk control model to screen customers with high-risk diseases, which groups different diseases by their risk ratings. The intelligent underwriting engine automatically recognizes abnormal test results and issues underwriting conclusions, assisting underwriters with making assessments. In addition, intelligent underwriting robots provide online intelligent interactive questions and answers, realizing 24/7 self-underwriting for people with abnormal health. Furthermore, the intelligent underwriting AI helps customers with a history of claim settlement to independently underwrite online. As of June 30, 2022, the "Smart Underwriting Brain" had identified 8,850 high-risk insurance policies with a total sum assured of RMB335.3 million.

Focusing on big data technology development, we gain better insights into our customers' preferences to customize and provide scenario-based insurance products closely aligned with their differentiating insurance needs. For example, we are capable of achieving customized pricing for our automobile insurance products to achieve an "individual price for each customer and vehicle." We have developed and launched our independent intelligent insurance consulting product "Sunshine Little Smart (陽光小智)" specifically for sales and marketing, which provides policy reviews, demand forecasting, sales counseling and policy administration services for our front-line salespeople. "Sunshine Little Smart" supports 173 algorithms, which can calculate customer coverage gaps. Taking the human protection dimension as the starting point, it recommends personalized insurance product portfolios. The "Telesales Brain" we provide for property and casualty insurance telesales representatives relies on big data technology to create a complete closed-loop digital marketing tool to empower telesales personnel to "think, analyze and diagnose." In particular, the "Precise Marketing Analysis Workbench (精準營銷分析工作台)" supports the closed-loop management of marketing activities before, during and after the event, whereas the "Smart Sales Workbench (智慧銷售工作台)" creates dedicated personal billboards and work diagnostic reminders to drive agents to improve work efficiency. In addition, the "Smart Sales Management Workbench (智慧銷管工作台)" helps to strengthen process management through the establishment of exclusive management boards and early warning reminders. We have built a customer risk insight model for Sunshine P&C's credit insurance business personnel. The model manages credit risk, fraud risk and credit models, among other things, in the underwriting process, monitors and evaluates risk changes associated with individual customers in the insurance process, and predicts the degree of customer risk deterioration in the post-insurance process. The model also has a scoring system that supports accurate customer insight, full process and life cycle management. Through the continued enhancement of data-risk control capabilities, Sunshine P&C is committed to improving the asset quality while reducing the manpower required for overseeing risk control as well as reducing cost and enhancing efficiency.

Cutting-edge Smart and Automation Technology

We have established our AI platform powered by intelligent and automated technologies, including speech recognition, NLP and OCR image recognition, and have successfully applied these technologies in customer services, sales and marketing and management. We deploy robots to perform tasks in relation to customer services, property preservation, sales assistance, sales training, sales management and finance and accounting.

We apply speech recognition and NLP technologies in sales training, sales management, customer services and underwriting. Our sales trainer provides training support through AI technology. Simulating real business scenarios involving salespeople and customers, the sales trainer conducts one-on-one exclusive speech training and helps salespeople quickly improve their performance. From its launch in May 2020 to June 30, 2022, a total of 155 courses were uploaded to sales trainer, providing training for more than 72,000 employees, with approximately 10,000 average monthly active users from August 2020 to June 2022. The sales representative management bot system comprehensively uses speech recognition, NLP and other AI technologies to identify and analyze the contents of communications between sales representatives and customers. Using the self-developed knowledge discovery tool and analysis services to evaluate agents' skills, diagnose sales processes, summarize experience-based guidelines and study the relationship between specific talking points and conversion rates, the sales representative management bot system improves salespeople's management efficiency through refined, automated and intelligent sales management. In the first half of 2022, 92.0% of the management personnel of the P&C and life insurance telesales team have used this system, processing 330,000 recordings amounted to approximately 13,000 hours per day.

We use the virtual sales assistant in private domain sales scenarios to enhance the skills of our online sales representatives and to improve work efficiency through features such as assistance with talking points. Meanwhile, through functions such as online consultation Q&A, the virtual sales assistant supports online sales representatives during the service process to provide customers with efficient, customized and consistent sales services while effectively supervising sales practices. In June 2022, our virtual sales assistant provided over 550,000 Q&A services and over 1.4 million quality evaluations. Through speech recognition, NLP and voice synthesis technology, our self-developed customer service chatbot provides intelligent customer service and online self-service to our customers. The accuracy rates of services handled by our customer service chatbot through our intelligent speech customer service and NLP are 94.9% and 87.2%, respectively. Through motion capture, 3D modeling, speech synthesis, an intelligent Q&A bank and other AI technologies, our signing robot can realize AI intelligent signing services during the underwriting and signing processes of Sunshine P&C's credit insurance business, which enables customers to independently sign on 24/7 basis and anywhere to improve the customer service experience.

We applied OCR image recognition technology to identify claim settlement documents and audit invoice processing. Our "Smart Eye on Claims" service has realized intelligent identification, clarity detection and intelligent verification of customer ID cards, bank cards and medical bills for claims through the application of OCR technology. It provides automated claim settlement services for customer service staff, salespeople and customers. It will effectively reduce data entry processes, prevent risks and improve accuracy and productivity. Our automated processing service for checking invoices integrates with intelligent science and technology such as data mart, data mining, knowledge graph and OCR image recognition to realize functions such as intelligent process management interconnections, monitoring suspicious cases in the claim settlement process, interconnection analysis, multidimensional data mining and analysis of expense invoices through OCR image recognition.

Cloud Computing Technologies

To facilitate our business expansion in the future, we have adopted the DevOps method and used cloud computing technologies to help us effectively manage our operational processes, improve collaboration and productivity across our Group, accelerate time-to-market in terms of product and service offerings, and enhance business agility to timely respond to our customers' needs. We have established a "Disaster Recovery Plan" to safeguard the sustainability of our business activities. Leveraging our strong technological capabilities in identifying and detecting cybersecurity threats, we have adopted and implemented a series of internal procedures and controlling measures to ensure data protection and avoid leakage of sensitive and confidential data.

Research and Development Expenditure

According to our digital transformation strategy, we timely elevated our science and technology capability building to the strategic level of the Group. We will continue to increase our investment in science and technology and focus on generating scientific and technological achievements. In 2019, we initiated organizational changes to adjust our structure and established a dedicated technology center, which consists of the technology innovation promotion department, application development department, technology management department, infrastructure department, information security department, big data and AI department and technology research institute. The center provides strong support for, and rapidly responds to the needs of, our subsidiaries and business units. We have an experienced team with superior R&D capabilities. As of June 30, 2022, our R&D team comprised 1,408 in-house engineers and technicians. Our technology development spending amounted to RMB867 million, RMB1,012 million, RMB1,077 million and RMB523 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, accounting for 0.9%, 0.9%, 0.9% and 0.8% of the total revenue for the same periods, respectively. According to statistics of the Insurance Association of China, the investment in information technology by insurance institutions in 2020 amounted to RMB35.1 billion, accounting for 0.6% of total industry business revenue.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we have invested significant time and resources in developing and protecting intellectual property rights. We currently hold a collection of intellectual property rights relating to certain aspects of our business operations. Our intellectual property innovation system is built up primarily with trademarks, patents and software copyrights. As of the Latest Practicable Date, we had registered 48 trademarks, 21 patents and eight software copyrights in the PRC which were of importance to our business. In addition, we held a total of eight domain names that were of importance to our business operations.

As of the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. See "Appendix VII — Statutory and General Information — 2. Further Information about Our Business — B. Our Intellectual Property Rights."

AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we had received awards and recognition for our service quality, business performance and social responsibility. Representative awards and recognitions are set forth below:

Year	Name of award and recognition	Awarding entity
2022	Annual Financial Contribution Award for Serving the Real Economy (年度服務實體經濟金融貢獻獎)	National Business Daily
2022	213th among the Top 500 Chinese Enterprises	China Enterprise Confederation, China Enterprise Directors Association
2022	71st among the Top 500 Chinese Private Enterprises	All-China Federation of Industry and Commerce
2022	Outstanding Contribution Award for Facilitating Poverty Alleviation (助力脱貧攻堅傑出貢獻獎)	China Foundation for Poverty Alleviation
2022	2021 Annual Insurance Company for Social Responsibility (2021年度社會責任保險公司)	China Times
2022	Model of China's Influential Financial Brand (中國金融品牌影響力典範)	China Banking and Insurance News

Year	Name of award and recognition	Awarding entity
2021	194th among the Top 500 Chinese Enterprises	China Enterprise Confederation, China Enterprise Directors Association
2021	60th among the Top 500 Chinese Private Enterprises	All-China Federation of Industry and Commerce
2021	2021 Ark Award for Insurance Companies with Outstanding Social Responsibility (2021優秀社會責任保險公司方舟獎)	Securities Times
2021	Top Ten Social Responsibility Projects of 2020 (2020年度十佳社會責任項目)	China Banking and Insurance News
2021	2021 Most Socially Responsible Enterprise (2021最具社會責任企業)	China Business Times
2021	Annual Social Responsibility Pioneer Case (年度社會責任先鋒案例)	International Finance News
2021	Best Technology Innovation Insurance Company of the Year (年度最佳科技創新保險公司)	Financial Times
2021	2020-2021 Excellent Innovation Insurance Company (2020-2021年度卓越創新保險公司)	The Economic Observer
2020	212th among the Top 500 Chinese Enterprises	China Enterprise Confederation, China Enterprise Directors Association
2020	12th China Corporate Social Responsibility Annual Conference – Annual Project for Social Responsibility (第十二屆中國企業社會責任年會–年度責任案例)	Southern Weekly
2020	China Foundation for Poverty Alleviation Donor Conference – Outstanding Contribution Award (中國扶貧基金會捐贈人大會–傑出貢獻獎)	China Foundation for Poverty Alleviation
2020	2020 China Corporate Responsibility Cases (2020年度中國企業責任案例)	People’s Daily

Year	Name of award and recognition	Awarding entity
2020	2020 Ark Award for Exemplary Deeds of China's Insurance Industry in Anti-pandemic (2020中國保險業抗疫先進事蹟方舟獎)	Securities Times
2020	Award for Finance Industry in Targeted Poverty Alleviation (金融精準扶貧獎)	The Economic Observer
2020	2020 Contribution Award for Targeted Poverty Alleviation (2020年度精準扶貧貢獻獎)	China Times
2019	227th among the Top 500 Chinese Enterprises	China Enterprise Confederation, China Enterprise Directors Association
2019	68th among the Top 500 Chinese Private Enterprises	All-China Federation of Industry and Commerce
2019	Annual Outstanding Contribution Award	China Foundation for Poverty Alleviation
2019	Pioneer Agency in Finance Industry for Poverty Alleviation (金融扶貧先鋒機構)	China.com
2019	Annual Contribution Enterprise Award for Rural Revitalization (鄉村振興年度貢獻企業獎)	Southern Weekly
2019	Annual Insurance Brand for Social Responsibility (年度最具社會責任保險品牌)	Sina
2019	China Social Responsibility Contribution Enterprise (中國社會責任貢獻企業)	International Finance News
2019	Top 100 Extraordinary Employer	Liepin.com
2019	Annual Poverty Alleviation Award (年度扶貧獎)	People's Daily
2019	Great Nation Charity Contribution Award (大國公益貢獻獎)	The Economic Observer

RISK MANAGEMENT

Overview

Risk management and internal controls are fundamental to our operations and long-term growth. In recent years, we have devoted substantial resources to improving our risk management and internal controls by establishing a comprehensive, unified framework for risk management and a system of internal control, as well as further strengthening our capabilities in these two areas.

We take a centralized approach to risk management, and initially established an overarching risk management framework for the whole group system, with consistent risk management objectives, developed a unified risk management culture, established overall planning of the risk management framework and improved our risk management policies, forming efficient and executable risk management procedures, core risk assessment tools and a risk management system. All of these, together, guide, supervise and coordinate the implementation of risk management within the entire Group. Each of the subsidiaries follows the risk management objectives, policies, procedures and tools at the group level, and is responsible for managing various risks in its business segments, whilst maintaining its own independent governance for risk management and setting up necessary firewalls among our members.

We continually focus on identifying potential deficiencies and risks, strictly safeguard the bottom line for risk-taking, strengthen the risk limit control mechanism, establish the penetrating control mechanism from the Group level to subsidiaries and branches, improve our solvency aligned risk management and maintain a sound reputation for risk management in the market. For the second quarter of 2022, Sunshine Life and Sunshine P&C have met the requirements of minimum solvency ratios and have low or relatively low operational, strategic, reputational and liquidity risks.

With the improvement of the risk management system, we have engaged the Board, management, specific committees and all departments and employees in risk management and conduct our daily business activities in accordance with risk appetite, so as to protect shareholder interests, improve capital efficiency, improve operating decision-making, support strategic objectives and create service value.

We have established a series of policies and procedures related to our internal controls, which consists of the following elements:

- **Internal control environment**: internal control environment is fundamental for the implementation of our internal controls, including governance structure, organizational set-up and allocation of duties, strategic planning, human resource policies, information systems and corporate culture.

- **Risk assessment**: we aim to rationally determine our risk management strategies through prompt identification and systematic analysis of risks related to actual internal control objectives in our business activities and assessment of their probability of occurrence and impacts by qualitative and quantitative methods.

- **Control activity**: we base our control activities on internal control objectives combined with the risk assessment outcome and risk management strategies, and through a methodology comprising manual control and system control as well as preventive control and detection control to thoroughly implement various control measures on business activities and matters to keep risks within tolerable limits.

- **Information and communication**: we strive to ensure timely and accurate collection and communication of information related to our internal controls to inform our management and decision-making processes.

- **Internal supervision**: we strive to supervise and inspect the establishment and implementation of internal control measures to evaluate the effectiveness of internal controls, identify defects and make continuous improvements in internal controls.

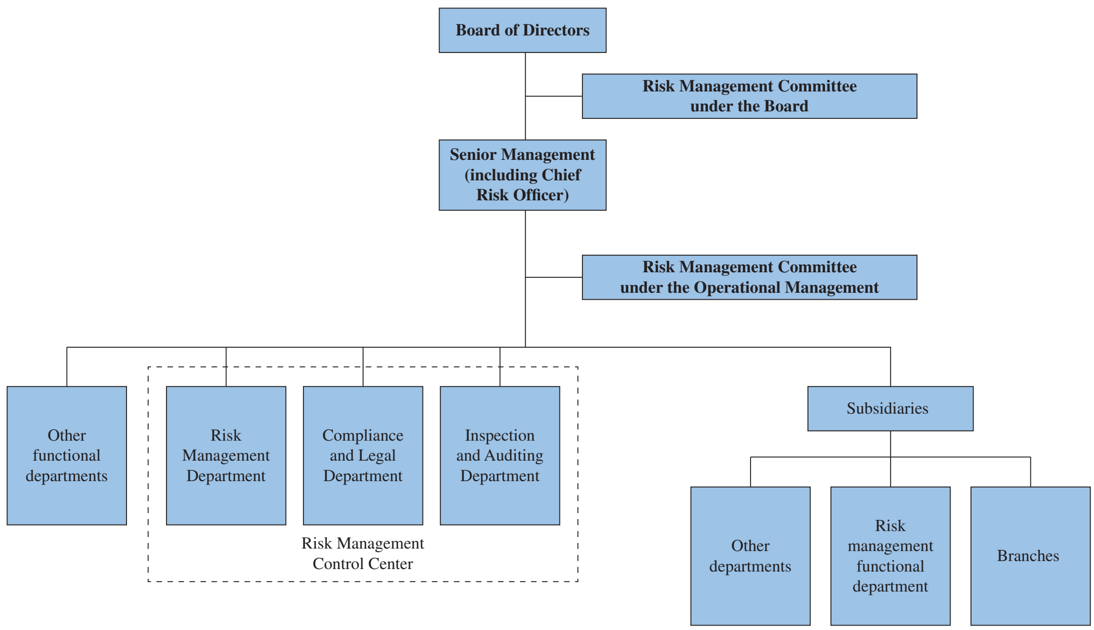
Risk Management Structure

We have established a matrix risk management framework. Vertically, our risk management framework covers the Board of Directors, senior management and relevant functional departments, and each of our subsidiaries and their branches, covering each business segment as well as relevant institutions at all levels. Horizontally, we have built our "three-line" defense mechanism, consisting of relevant functional departments and relevant institutions at all levels, the risk management committee and the risk management departments, as well as the inspection and auditing department. Our "three-line" defense mechanism operate in accordance with their designated functions.

Three Hierarchies of Risk Management Structure

From the vertical perspective, we have established an organizational structure of risk management that covers all subsidiaries and institutions. The Board and the risk management committee under the Board bear the ultimate responsibility for our risk management. The management and the risk management committee under management directly lead our risk management. Our risk management structure also relies on the support of the risk management department and close cooperation amongst relevant functional departments.

As of the Latest Practicable Date, our overall organizational structure of risk management is as follows:



Board of Directors

The Board is the highest decision-making body for risk management and bears the ultimate responsibility for our risk management. The Board is responsible for the following matters regarding risk management: (i) approving the overall objectives of solvency aligned risk management, risk appetite, risk tolerance and risk management policies; (ii) approving the organizational structure and duties of solvency aligned risk management; (iii) supervising the senior management to effectively manage and control solvency related risks; (iv) approving capital planning; (v) approving the solvency and financial condition report; (vi) assuming ultimate responsibility for managing and responding to major emergencies and risk events; and (vii) approving other relevant and significant matters on risk management.

We have established a specialized risk management committee under the Board, which performs, amongst others, the following duties: (i) reviewing the overall objectives of solvency aligned risk management, risk appetite, risk tolerance and risk management policies; (ii) reviewing the organizational structure and duties of solvency aligned risk management; (iii) reviewing the solvency and financial condition report and submitting it to the Board for approval; (iv) reviewing the solvency aligned risk assessment report and other special reports on risk management, and keeping abreast of the risks faced by our Group and principal subsidiaries as well as the corresponding risk management measures adopted; (v) assessing the effectiveness of our solvency aligned risk management system; (vi) assessing the risks in relation to significant operational and management matters and reviewing solutions for significant solvency-related matters; and (vii) other matters as arranged by the Board.

Senior Management

At our Company level, senior management directly leads risk management and performs the following duties for risk management: (i) carrying out the solvency aligned risk management objectives, establishing a risk appetite system and implementing the risk appetite requirements approved by the Board; (ii) establishing a solvency aligned risk management organizational structure with clearly defined responsibilities; (iii) formulating and implementing the solvency aligned risk management policies and procedures; (iv) reviewing the solvency aligned risk assessment report and other special reports on risk management, and keeping abreast of the risks faced by our Company and principal subsidiaries as well as the corresponding risk management measures adopted; (v) formulating and implementing capital planning; (vi) compiling the solvency report; (vii) carrying out an assessment of the effectiveness of our solvency aligned risk management system and reporting to the risk management committee under the Board; (viii) fostering a culture of risk management within our Company; (ix) formulating solutions to solvency aligned risk events to effectively manage and respond to major emergencies and risk events; (x) developing our Company's risk management information system and promoting its application; and (xi) other duties as authorized by the Board.

(1) Operational Risk Management Committee

We have established an operational risk management committee. With the authorization of the risk management committee under the Board, we will continue to optimize our sound and effective risk management mechanism to implement regulatory requirements, carry out the risk management policies of our Group as well as coordinate and promote various risk management efforts.

(2) Chief Risk Officer

We have designated a senior management officer as chief risk officer responsible for relevant risk management tasks. The designation of the risk management tasks chief risk officer shall be reported to the risk management committee under the Board and the CBIRC. In order to ensure its independence, objectivity and professionalism, the chief risk officer does not concurrently undertake tasks which have potential conflicts of interest with areas of risk management.

The chief risk officer mainly performs the following duties: (i) organizing and carrying out daily risk management tasks within our Group; (ii) participating in the decision-making on significant matters relating to the management and operations of our Group; (iii) keeping abreast of major business decisions, risks, significant systems and key business processes of our Group; and (iv) participating in the risk assessment and approval of various business decisions, including the strategic objectives and strategic planning of our Company.

(3) Risk Management Department

We have set up an independent risk management department, which is responsible for establishing and improving our risk management system, carrying out risk management work under the guidance of the chief risk officer. The main responsibilities of the risk management department include: (i) formulating our solvency aligned risk management policies and strategies, promoting the implementation of risk management policies, regulations, procedures and standards, and supervising and reviewing the results of such implementation; (ii) establishing a risk appetite, risk tolerance and risk limits system, supervising and assisting functional departments with the monitoring and reporting of risk tolerance and risk limits; (iii) carrying out risk identification, assessment and monitoring, submitting risk management information and risk assessment reports to our management and the operational risk management committee; (iv) establishing and maintaining the risk management model, continuously enhancing the risk management methods and refining the risk classification standards and mechanism; (v) coordinating and organizing significant risk management tasks within our Group and crafting risk responses and crisis management strategies; (vi) establishing a prevention mechanism for risk contagion and transfer; (vii) carrying out risk management training and cultivating a risk management culture; (viii) formulating appraisal and evaluation standards for solvency aligned risk management and promoting the implementation of such mechanism; (ix) establishing and maintaining an overall risk management information platform; and (x) establishing and implementing a resource allocation strategy for risk management staff and finance.

Principal Subsidiaries

The Board of Directors of each of our principal subsidiaries is the highest decision-making body for risk management guidance, and supervises risk management following the overall risk management framework at the group level, and bears the ultimate responsibility for the performance of subsidiary-level risk management. Our subsidiaries have established their risk management committees under their Boards of Directors, which perform related risk management duties under the authorization of their Boards of Directors.

The senior management of our principal subsidiaries is responsible for establishing a risk management organizational structure and regularly submitting risk management reports while assuming responsibility for the performance of subsidiary-level risk management. Our subsidiaries also establish risk management departments to carry out risk management tasks. Under the guidance of our Company's risk management departments, the risk management departments at the subsidiary level are responsible for establishing the risk management framework within each subsidiary and implementing our risk management policies.

Three Lines of Defense of the Risk Management Structure

From the horizontal perspective, our "three-line" defense mechanism operates in accordance with relevant regulatory requirements and their designated functions. All three lines of defense coordinate with each other to effectively carry out risk management work and form a risk management synergy.

- All functional departments and entities at all levels perform the responsibilities of the first line of defense for risk management, and take direct and primary responsibility for risk management within the scope of their responsibilities to identify, evaluate, tackle and monitor risks during daily operations. Based on relevant regulatory requirements, they are also responsible for reporting risks to our risk management department as well as supporting the inspection and risk assessment conducted by our risk management department.

- The risk management committee and the risk management departments (the risk management department and the legal and compliance department) perform the responsibilities of the second line of defense for risk management to provide support to the first line of defense in accordance with relevant regulatory requirements and our operating conditions. They coordinate and supervise various departments and entities to carry out various tasks of risk management. They also take responsibility for the establishment of the risk management system and risk management mechanism. In addition, the risk management committee and the risk management departments take roles in the formulation of risk management standards, cultivation and promotion of risk culture and standardization of risk management processes (risk identification, monitoring, mitigation and reporting). Furthermore, the Committee and the risk management departments are responsible for updating and iterating risk management tools and organizing and coordinating related work.

- The inspection and auditing department perform the responsibilities of the third line of defense for risk management to supervise and evaluate the risk management system and various risk control procedures. In addition, they are responsible for monitoring and assessing activities and their effects in relation to the risk management system and other risk control procedures. The inspection and auditing department also supervises and evaluates internal control, which independently assesses and reports on the effectiveness of the internal control management system and performs the following internal control duties: (i) formulating and strictly implementing the internal audit management system, establishing relevant rules to clarify the responsibilities and authority of the internal audit organization and establishing the scope, methods, procedures, reports and other processes and criteria of internal audits to ensure the effectiveness of our internal control and supervision system; (ii) implementing comprehensive supervision and evaluation of the internal control status of each business unit and conducting annual evaluation of the effectiveness of our overall internal control. The evaluation results shall be reported in accordance with the prescribed time and process, and the feedback shall be provided to the internal control compliance department at the same level to ensure that the defects in internal control will be rectified in a timely manner; and (iii) collaborating with the human resources department to investigate the internal control negligence and to hold relevant personnel accountable, making recommendations for handling such matter, and be responsible for the implementation of subsequent decisions.

Risk Management Objectives and Basic Procedures

The objectives of our risk management are: (i) to control risks within our tolerable range and set reasonable risk targets consistent with our business objectives; (ii) to enable effective risk communication within and outside of our Group, especially with our shareholders, through reliable risk assessment and financial report; (iii) to ensure that our operations are in compliance with relevant regulatory requirements and that our risk management policies are properly implemented; (iv) to enhance the efficiency and effectiveness of our risk management, and to reduce uncertainty and unexpected loss in the process of achieving our business objectives; and (v) to implement mechanisms and contingency plans to effectively tackle emergencies and reduce losses caused by significant risks.

Each branch and department take the initiative to manage risks within the scope of responsibility of the department and business segment, including the collection and delivery of risk information in daily business and operational activities, risk identification, preliminary assessment of risks, risk self-monitoring and risk control.

Our basic procedures of risk management include risk identification, risk assessment, risk monitoring, risk response, risk reporting and communication.

- **Risk identification:** Risk identification is the process of determining risks a company faces in its business activities. Through risk identification, we document the risks, with detailed description of characteristics and systematically analyze the risks to answer why and how such risks affect our business. Specifically, we conduct multidimensional analysis of strategic risk, market risk, credit risk, insurance risk, reputational risk, liquidity risk, operational risk and our specific risk.

  We carry out risk identification through the use of a risk checklist, special risk screening, risk event research, and information and cause analysis.

- **Risk assessment:** Risk assessment refers to the activity of evaluating the various risks faced by a company, the risk management capability of such company and the corresponding risk management outcomes by using qualitative and quantitative methods based on the basic principles of risk management.

Our risk assessment comprises regulatory assessment conducted under regulatory requirements and internal assessment, which includes solvency aligned risk management requirements and assessment, integrated risk rating, annual and semi-annual risk assessment, special risk assessment, risk control and self-assessment conducted by functional departments.

We organize and carry out various regulatory assessment in accordance with regulatory requirements. Our risk control and self-assessment focuses on the probability of risk occurrence and the consequences of such risk events. We gain insights into the likelihood of a risk event occurring in a specified period of time, and the impact of such risk event on our financial situation, reputation and operations as well as the regulatory requirements under which we operate. We also consider the origin and character of risks by assessing and analyzing inherent risks and residual risks. Inherent risk is the amount of risk that exists in the absence of control measures, while residual risk is the risk that remains after controls are accounted for. Through our assessment, we are able to understand the current level of risk and the set of controls required to effectively address the risk factors.

In addition, we also conduct regular risk assessment and special risk assessment to systematically and comprehensively review the construction and implementation of our overall risk management system.

- **Risk monitoring:** according to our overall risk profile, we and our principal subsidiaries set up a key risk indicator system, which consists of qualitative and quantitative risk indicators, to monitor and deal with risks in a timely manner.

  We also set an early warning threshold according to our risk limit and business operations. Based on the key risk indicators, such threshold value reflects the severity of each risk. We promptly and dynamically adjust our early warning threshold to guide our risk management.

  We and our principal subsidiaries pay close attention to the changes of key risk indicators, issue early warnings when abnormal indicators are detected and promptly analyze the indicators according to the monitoring outcome to anticipate the development of related risks.

  We have established an early warning mechanism for significant solvency-related risks to constantly monitor and control significant risks faced by our Group. We have also adopted measures to avoid, transfer and control our risks.

- **Risk response:** Based on our risk assessment, risk monitoring outcome and significant risk events identification, we formulate risk response plans, risk control measures and procedures in accordance with our business strategies, risk appetite and risk tolerance. We also strengthen supervision and inspection to effectively implement the risk response plans. In addition, we regularly analyze the effectiveness and rationality of our risk response and control plans.

- **Risk reporting and communication:** Based on the respective functions of each department, we have established, and continue to improve, our requirements relating to the processing of internal information, which includes the sorting, compiling, filing and reviewing of information, to ensure the timely delivery of accurate working instructions. For example, according to the risk significance, the functional departments compile and summarize the results of risk assessments and report them to the senior management for review or the risk management committee for approval.

Risk Appetite System

We prudently manage all kinds of risks during the management and development of our business. We and our principal subsidiaries pursue stable profitability and sustainable value growth. We also aim to establish sound risk management and a reputable market image.

The main objectives of our risk appetite management are:

(i) to balance the expectations of various stakeholders, including regulatory agencies, shareholders, customers, employees, external rating agencies and the general public, in order to achieve sustainable development;

(ii) to coordinate and optimize the objectives of risk and profit, business development and capital investment, and to enhance our internal management capability;

(iii) to set the boundary of risk management through a comprehensive, clear-cut, scientific and reasonable statement of risk appetite, to develop a risk management strategy focusing on our prudent risk appetite so as to proactively and promptly deal with unexpected risks;

(iv) to establish an effective mechanism to incorporate the risk appetite system into our Group's decision-making, so as to ensure the effective implementation of risk appetite throughout our Group;

(v) to strengthen our Group's management of general types of risks for each subsidiary and the management of our own specific risks in order to ensure that our future risk-taking in the process of business development is commensurate with our risk appetite.

Our Board of Directors bears the ultimate responsibility for managing our risk appetite. Under the authorization of the Board of Directors, the risk management committee reviews our risk appetite management system and other related issues authorized by the Board of Directors. Senior management is responsible for promoting the overall implementation of risk appetite in business operations and management.

Risk Management Tools

Risk management tools adopted by us include:

- **Comprehensive budget:** We establish management policies and procedures on our comprehensive budget, which specify the management framework, the duties and work mechanism, procedures for approval as well as appraisal requirements and considerations. According to relevant regulatory requirements, when formulating plans for business development and comprehensive budget, the risk management department is responsible for conducting independent risk assessments, analyzing significant risks and their impact on plans for business development and comprehensive budget as well as developing and drafting relevant control measures. The Board of Directors formulates the annual financial budget plan. The budget management committee of our Company is responsible for organizing, coordinating and supervising the comprehensive budget management tasks and providing professional opinions and suggestions.

- **Asset-liability management:** we establish relevant policies and procedures for asset-liability management. The Board of Directors reviews and approves the overall objectives, strategies and policies for our asset-liability management. It also approves our strategic asset allocation plans and annual asset allocation plans. We also build an asset allocation model and adopt asset-liability management tools to help us make plans for and decisions on asset-liability management. Meanwhile, we have established an asset-liability management performance evaluation system to effectively improve asset-liability management capabilities.

- **Capital planning and allocation:** we and the headquarters of each of our principal subsidiaries have established capital management systems. Based on our Company's future development strategy, we formulate a three-year rolling capital plan on an annual basis and report the same to regulatory authorities.

- **Stress testing:** we and our principal subsidiaries conduct stress testing on asset-liability matching and solvency at least once a year. Our Company, in the process of stress testing, makes predictions, early warnings and takes preventative measures on cash flow, asset-liability matching and solvency under assumed stress scenarios for specific future periods.

- **Risk management information system:** we will gradually develop a risk management information system covering all of our business and connecting all our subsidiaries. Such system is a tool to support us in fulfilling our duties for risk and internal control management. As a management platform for the daily work used by risk management departments at all levels, the system is based on risk data and is technically supported by the key risk indicators ("KRI") monitoring module, risk loss events analysis module, risk statistics module and the information sharing, reporting and presenting module. The system supports the whole process of risk management.

Monitoring and Management of Major Risks

We pay close attention to the macroenvironment, regulatory policies and market changes, and monitor and manage the major risks we face. The major risks faced by us include: market, credit, insurance, reputational, liquidity, operational, strategic and our Group-specific risks.

Insurance risk

Insurance risk is the risk of an unfavorable deviation of the actual claims and expenses (calculated based on mortality rates, morbidity rates and loss ratios as well as lapse and surrender rates) from expectations. Insurance risk is divided into non-life insurance risk and life insurance risk. Non-life insurance risk is the risk of unexpected losses caused by an unfavorable deviation of the actual losses and expenses of non-life insurance business from expectations. Life insurance risk is the risk of potential losses arising from an unfavorable deviation of actual losses, expenses and surrender experience of life insurance business from assumptions or expectations.

Our insurance risks are mainly from our principal subsidiaries. We and our insurance subsidiaries continuously monitor the various insurance risk control indicators to ensure that they fall within a reasonable range. Our principal subsidiaries' insurance risks primarily include non-life insurance risks and life insurance risks.

We have adopted the following measures to mitigate our exposure to insurance risk:

- Sunshine P&C has steadily enhanced the quality and efficiency of product management by solidly promoting the product development management process, developing a new product management platform and issuing supporting administrative measures. By reference to historical claim settlement experiences, Sunshine P&C has determined the relevant assumptions and relies on them to carry out actuarial evaluations at the product development stage. Meanwhile, we have completed actuarial pricing and related testing to ensure that the pricing is consistent with the specific nature and risk level of the product, thereby reducing the insurance risk that arises from improper product pricing. Through our capability to manage the whole process of developing P&C products, Sunshine P&C has embedded risk factors into the product development process and established a rapid response mechanism for new policies to improve underwriting efficiency while identifying risks. Sunshine P&C has also made further appropriate reinsurance arrangements, and set up different retention ratios by reference to product types and regions to not only require underwriters to thoroughly understand the terms and conditions of reinsurance contracts, but also to strictly enforce the retention limit policy. In addition, Sunshine P&C has set up various reinsurance arrangements, including quota reinsurance and surplus reinsurance, for insurance businesses that exceed the retained portion to mitigate risks.

- Sunshine Life continuously monitors the relationship of actual ratio to expected ratio of the loss ratio risk ("A/E Ratio") to ensure the trend is stable within a reasonable range and that any abnormal fluctuations are prudently identified and communicated to the management team. Sunshine Life has formed dedicated technology application-related departments and teams. Through historical customer insurance policies, claim records or data obtained in compliance with applicable laws and regulations, the Company implements statistical and data analysis tools to build big data healthcare models such as the critical illness risk model and medical expense risk model to reduce claims, control product pricing and underwrite risks, and promote the technical development of the Company. Sunshine Life has put more effort into training and promotion to reduce misleading sales practices, improve business quality and increase the business persistency ratio by enhancing business quality propositions and selecting quality channel partners based on the characteristics of each business segment. In addition, the Company aims to reduce the impacts of insurance surrender by strengthening the monitoring and analysis of experiences relating to insurance surrender, enhancing the control over business persistency ratio risk and mitigating risks through proper reinsurance arrangements.

Pursuant to the PRC Insurance Law, the policyholder may terminate the policy except for a few insurance products that are required by law, or otherwise agreed in the insurance contract. The vast majority of our life and health insurance as well as property and casualty insurance products allow policyholders to surrender their policies early. We primarily identify liquidity risk to exist in long-term life insurance products and investment contracts, as these two types of products include a cash value feature which varies from product to product, and customers may choose to surrender the policies before maturity after weighing their own interests and considering their needs for cash. We manage the liquidity risk preemptively, taking into account the specific product attributes and relevant experience. The following table sets forth the surrender ratio for the two types of products during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2019	**2020**	**2021**	**2022**
Long-term life insurance product(1)	7.9%	2.6%	2.7%	3.8%
Investment contract(2)	4.4%	4.3%	5.2%	2.6%

Notes:

(1) The surrender ratio for long-term life insurance products equals the surrender payment divided by the sum of long-term life insurance liabilities at the beginning of the period and premiums of long-term life insurance contracts

(2) The surrender ratio for investment contracts equals the surrender payment divided by the sum of investment contract liabilities at the beginning of the period and premiums received net of policy fees

The surrender ratio for our long-term life insurance products decreased from 7.9% in 2019 to 2.6% in 2020, remained stable at 2.7% in 2021, primarily because certain products approached the end of expected duration by 2019. The surrender ratio for our investment contracts remained relatively stable for the same periods. We did not have any cases of material liquidity risk arising from large-scale surrenders during the Track Record Period.

Due to the same reason that certain bancassurance annuity products will approach the ends of their duration in 2022, our surrender payment and surrender ratio for long-term life insurance products has increased in 2022. For the six months ended June 30, 2022, the surrender ratio of our long-term life insurance product was 3.8%.

Market risk

Market risk is the risk of adverse fluctuations in interest rates, equity prices, property prices and exchanges rates which result in unanticipated financial losses to our Group. Market risk principally includes interest rate risk, price risk and currency risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or currencies), regardless of whether those changes are caused by individual financial instruments or other specific factors, or factors affecting all similar financial instruments traded in the market. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since we operate principally in the PRC, we have only limited exposure to currency risk, which arises from certain bank deposits and securities denominated in certain foreign currencies including US Dollars and Hong Kong Dollars.

We have adopted the following policies and procedures to mitigate our exposure to market risk:

- We strive to ensure that the ratio of equity, real estate and other large-scale assets under entrusted management by us and each of our subsidiaries complies with regulatory provisions.

- We establish a market risk management policy, regularly carry out market risk monitoring, management and reporting to assess and determine our market risk, and to supervise the implementation of the policy. The policy is reviewed regularly by us for pertinence and for changes in the risk environment.

- We continue to strengthen the risk assessment of trustees, and establish and improve the reporting mechanism for significant emergencies in capital allocation and other management measures.

Credit risk

Credit risk is the risk of an unexpected financial loss to the insurance company caused by a counterparty failing to, or failing to timely, discharge an obligation, or an adverse change in the counterparty's credit status. We are exposed to credit risks primarily associated with invested credit assets (such as standard and non-standard debt investments), premiums receivable and other receivables, and reinsurance arrangements with reinsurers.

As of June 30, 2022, approximately 96.2% of domestic credit assets that we invested in received a credit rating of AAA from domestic rating agencies, and over 87.3% of overseas credit assets we invested in received a credit rating of BBB+ or above by international rating agencies, of which 83.3% received a credit rating of A- and above.

We have adopted the following policies and procedures to mitigate our exposure to credit risk:

- We comply with relevant measures, procedures and rules for credit risk management, conduct internal ratings and standard credit assessment of counterparties, set credit limits for counterparties, strictly implement credit policies, conduct credit and risk assessments on each investment, implement the diversification of the fixed-income portfolio, and strengthen the tracking and monitoring of credit risk by taking into consideration changes in the macroenvironment and regulatory policies.

- Based on receivable management systems and requirements, we implement the classification management of premiums receivable, standardization of operational procedures, clarity of responsibilities and positions, timely provisions for impairments and write-offs, and strict performance assessments and rewards, so as to strengthen the control and management of premiums receivable, aiming to keep the size of our premiums receivable within a reasonable range.

- We have strengthened the credit risk management of reinsurance companies in accordance with regulatory requirements and our own demands for the safety of reinsurance treaties. We only carry out business cooperation with domestic and international reinsurers with good credit histories that meet our requirements, and monitor changes in their credit ratings. At the same time, we have paid increasing attention to controlling the reinsurance risk concentration so as to avoid excessive risk accumulation for a single reinsurer.

- We have established a strict credit risk emergency prevention, reporting and contingency plan. In the event of a credit risk emergency, we will immediately initiate the contingency plan, set up an emergency working group, and convene meetings to formulate relevant countermeasures. If no immediate and direct loss is incurred by our Company, we will remain on alert and assess its impact in a timely manner. In case any direct loss or significant adverse effects occur, we will adopt appropriate measures in a timely manner to mitigate the losses and effects to the largest extent possible.

- We continue to strengthen the risk assessment of trustees, establish and improve the reporting mechanism for significant emergencies in capital allocation, and take other management measures to increase the management efficiency of credit risk during the capital allocation.

Catastrophe Risk Management

Catastrophe risk is the risk of heavy financial losses due to a specific incident. Catastrophes include natural disasters (e.g., earthquake, typhoon and flood) and man-induced events (e.g. terrorist attack, explosion or fire occurring in the insured facilities). An occurrence of a catastrophe may cause significant financial losses to one or more of our business lines. We continue to refine and enhance catastrophe risk control while promptly exploring a diversified risk transfer mechanism.

We have adopted the following measures to confront catastrophe risk:

- In preparing the annual risk control plan, the risk management department of Sunshine P&C has set a catastrophe risk limit for each business segment and controls the catastrophe limits for each geographic region on the basis of mitigating catastrophe risk effectively.

- To control and diversify the future potential risk of losses and enhance underwriting capacity, Sunshine Life has entered into a variety of reinsurance arrangements with both domestic and international reinsurance companies. The Company has established a tiered cession scheme to integrate treaty reinsurance, facultative reinsurance and catastrophe reinsurance. In respect of treaty reinsurance and facultative reinsurance, Sunshine Life limits the cap of retention amounts or the retention ratio in order to control the insured risks. Through catastrophe reinsurance arrangements, Sunshine Life cedes the liabilities of accidental death and disability caused by catastrophes to reduce the possibility of significant financial losses due to catastrophes.

Reputational risk

Reputational risk is the risk of loss due to negative comments from stakeholders caused by our operations and management or external events.

We have adopted the following policies and procedures to mitigate our exposure to reputational risk:

- Establishing and improving a Group-wide reputational risk management system, optimizing the rules for proactive risk prevention, and specifying the duties and work mechanism of the relevant departments in terms of reputational risk management, to ensure that the standards we adopt comply with the existing regulatory reputational risk management standards and network ecological environment.

- Formulating a unified and efficient management system for risk monitoring, alert and reporting, establishing reputational risk management procedures, engaging professional institutions to perform ongoing monitoring of negative external comments, setting up a special post for risk qualitative and quantitative assessment and analysis, establishing the internal reputational risk management and reporting mechanism, and reporting the assessment and management of reputational risk to senior management.

- Strengthening reputational risk management under the coordination of our Group during any key sensitive period. We strengthen our management system by carrying out risk assessment, setting up project plans and clarifying responsibilities in advance to identify, prevent and mitigate reputational risks and effectively prevent the occurrence of any significant negative reputation events during the key sensitive period.

Liquidity Risk

Liquidity risk is the risk of not having access to sufficient funds or the inability to obtain sufficient funds in a timely manner at a reasonable cost, in order to pay debt as it falls due or to fulfill other payment obligations.

We have adopted the following policies and procedures to mitigate our exposure to liquidity risk:

- Establishing a liquidity risk management framework to specify the organizational structure, strategy, policy and procedures for managing our liquidity risks.

- Determining the liquidity risk appetite and tolerance in accordance with our overall risk appetite, and establishing a management framework for limits on our liquidity risks.

- Identifying, regularly monitoring and assessing our liquidity risks, and carrying out liquidity risk stress tests as well as managing our liability structure and future cash flows to fulfill the fund payment needs.

- Organizing and formulating emergency funding plans which specify the sources of emergency funds and the specific events that would trigger such plans.

Operational Risk

Operational risk is the risk of direct or indirect loss in the business operation arising from inadequacy or failure of business processes, human error, information system failure and external events. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to our financial loss.

We are exposed to many types of operational risks, including risks resulting from operations under inadequate authorizations, or failure to obtain proper authorizations, or to comply with relevant operational process or procedures, risks resulting from fraud or errors by employees, or risks of disruption of business resulting from external emergency events.

Through the establishment and implementation of internal control manuals, continued optimization of information systems, and identifying and preventing potential risks, we have established a long-term internal control mechanism to mitigate the impact of operational risks applicable to us. For example, our inspection and auditing department is responsible for preparing the annual internal control assessment report, which primarily includes the following: (i) the basic information of the internal control assessment, including the procedures, standards, methods and bases for internal control assessment; (ii) our initiatives in establishing the internal control mechanism; (iii) the basic framework and main policies for our internal control; (iv) the major defects in our internal control, the major risks for our internal control and their impacts; (v) misconduct and risk events that have occurred in the past year and the subsequent decisions; (vi) proposed rectification measures and risk management plans for defects in internal control and major risks; and (vii) assessment outcome in terms of the integrity, reasonableness and effectiveness of our internal control and the self-assessment score and grade in accordance with the criteria of relevant regulatory authorities.

We have adopted the following policies and procedures to mitigate our exposure to operational risk:

- Establishing the effective segregation of duties, authorization mechanism, access controls and procedures and system user management.

- Adopting supervisory measures such as compliance investigations, risk investigations and internal audits.

- Regularly carrying out risk and internal control self-assessment, documenting and analyzing relevant regulations, standards and processes, and detecting internal control weaknesses and implementing rectification of defects.

- Implementing staff education and appraisals.

In particular, in our business operations we comply with the relevant laws and regulations on anti-money laundering and the relevant provisions of the PBOC and the CBIRC. We effectively carry out the prevention of money laundering risk by establishing a reasonable organization, strategy, process and system. Each of our subsidiaries assumes responsibility for the implementation and ultimate accountability for their respective anti-money laundering measures and for following the principle of "Know Your Customer." The subsidiaries verify the customer's identity through reliable supporting documents, data information and materials, and establish a system for the preservation of customer identity information and transaction records for ongoing review of the customer's identity. In addition, each subsidiary carries out targeted due diligence and other control measures depending upon customers, business relationships or transactions with different money laundering risks, reporting block trade and suspicious transactions to the China Anti-Money Laundering Monitoring and Analysis Center or the PBOC and its branches promptly and accurately in the manner required under the regulations. We have also strengthened the management, direction and supervision of our subsidiaries and branches, and implemented internal inspection, audits, performance-based appraisal and reward and punishment mechanism to ensure consistent and effective anti-money laundering management. These measures include carrying out regular or irregular anti-money laundering inspections and promptly rectifying the problems found. The audit department will conduct an annual internal audit on anti-money laundering with the scope, methodology and frequency commensurate with the money laundering risk profile. We have evaluated the performance of money laundering risk management of directors, supervisors, senior management and money laundering risk managers, as well as the business department, its branches and its relevant subsidiaries to be included in the performance-based appraisal system. We have established a reward and punishment mechanism for anti-money laundering to reward or praise the institutions and their employees for their excellent performance in anti-money laundering and have provided special anti-money laundering training. In addition, we have also timely provided assistance to and cooperation with the judicial and administrative law enforcement authorities to carry out various anti-money laundering activities.

Strategic Risk

Strategic risk is the risk of a mismatch between strategies and the market environment for our Company and our Company's capabilities, resulting from the invalid formulation or implementation of strategies and procedures, or changes in the operating environment.

We have adopted the following policies and procedures to mitigate our exposure to strategic risk:

- Establishing the organizational structure and work procedures for strategic risk management, formulating strategic plans, improving core capability construction upon full consideration of various factors such as our market environment, risk appetite and the capital position; and conducting the identification, analysis and monitoring of strategic risks, establishing an internal reporting mechanism for strategic risk management, and regularly reporting the evaluation and management of strategic risks to senior management.

- Vigorously promoting the science and technology-driven strategy and further focusing on the core business of insurance by strengthening the development of technology and digitalization, investment and asset management as well as healthcare and elderly care. Promptly promoting the wide application of big data and AI in product innovation, precision sales, risk management and anti-fraud, claim service, internal management and other fields.

- By reinforcing the early warning mechanism, strengthening solvency sensitivity testing and stress testing, and improving contingency plans for insufficient solvency, we dynamically monitor the risk of insufficient solvency and have steadily improved our ability to deal with the risk of insufficient solvency.

Group-specific Risk

In addition to the above risks, we also face other specific risks at the Group level, including risk contagion, risk due to an opaque organizational structure, concentration risk and non-insurance risk.

We have adopted the following policies and procedures to mitigate our exposure to Group-specific risk:

- In respect of connected transactions, capital management, information management and human resources management, by developing, optimizing and reinforcing firewalls to prevent and reduce the occurrence and degree of risk contagion and human resources management in accordance with relevant regulatory requirements.

- Establishing and enhancing the shareholding structure evaluation mechanism in accordance with regulatory requirements.

- Putting in place concentration management strategies and monitoring mechanism for transaction counterparties, industry and investment assets, so as to ensure that the concentration risk at the consolidated Group level falls within a reasonable range.

- Enforcing strategy of focusing principally on insurance business and, at a more moderate pace, on non-insurance business; and regularly assessing the risk status of non-insurance business so as to strictly prevent the contagion of risk to insurance business.

POTENTIAL IMPACT OF THE RECENT REGULATORY CHANGES

Impact of the Recent Regulatory Changes in relation to the Insurance Industry

Recent development in the PRC regulations in relation to the insurance industry includes (i) the Guiding Opinions on the Implementation of the Comprehensive Reform of Automobile Insurance (關於實施車險綜合改革的指導意見 ("**Guiding Opinions**")) promulgated by the CBIRC on September 2, 2020 and implemented on September 19, 2020; (ii) the Regulatory Rules on the Solvency of Insurance Companies (II) (保險公司償付能力監管規則(II) ("**Rules II**")) issued on December 30, 2021; (iii) the Measures for Traceable Management of Insurance Sales (Draft for Comment) (保險銷售行為可回溯管理辦法(徵求意見稿)) ("**Measures for Traceable Management**") published on June 10, 2021; (iv) the Administrative Measures for Individual Insurance Sales Activities Management (Draft for Comment) (人身保險銷售行為管理辦法(徵求意見稿)) ("**Administrative Measures**") issued on April 15, 2022; and (v) the Regulations on the Management of Insurance Asset Management Companies (保險資產管理公司管理規定) ("**the New Regulations**") issued on July 28, 2022. See "Regulatory Overview — Risk and Solvency Management — China Risk-Oriented Solvency System (C-ROSS)," "Regulatory Overview — Insurance Agents and Insurance Brokers — Management of Insurance Sales" and "Regulatory Overview — Market Behaviors — Insurance Clauses and Premium Rates."

The Guiding Opinions was promulgated by the CBIRC on September 2, 2020 and implemented on September 19, 2020. The main purpose of the Guiding Opinions is to protect consumers' rights and interests, and the requirements in the Guiding Opinions include, among other things, improving the market-based pricing mechanism of commercial automobile insurance, increasing insurance coverage and the liability limit of compulsory automobile insurance, clarifying the liabilities of the main insurance policy and additional coverage of commercial automobile insurance, increasing liability limits, and enriching commercial automobile insurance products, advancing the reform of the market entry and management of automobile insurance products, promoting the real-name premium payment system of automobile insurance and electronic insurance policies, and etc. In the short term, reducing prices, increasing coverage and improving the quality of automobile insurance will be the stage goal of the Guiding Opinions. According to the Guiding Opinions, the insurance companies shall increase insurance coverage and the liability limit of compulsory automobile liability insurance, including the limit of claim of death and disability from RMB110,000 to RMB180,000, and the limit of medical expenses from RMB10,000 to RMB18,000. The insurance companies shall also reduce the expense ratio reasonably and aim to adjust the expense ratio to 25% or below. The Guiding Opinions also gradually liberalize the floating range of independent pricing coefficient, and set the range of independent pricing coefficient from 0.65 to 1.35.

We have adopted a series of measures to comply with relevant regulatory requirements: (i) we file the clauses and fee rate documents pursuant to the regulatory requirements, and disclose the key terms in our official website upon approval of the filing; (ii) our system locks the upper and lower limits of the independent pricing factor and the commissions percentages of commercial automobile insurance in accordance with the requirements of the CBIRC local offices; and (iii) we use reports to track the actual status of independent pricing factor of commercial automobile insurance for each branch and business unit, and promptly remind them to comply with the regulatory requirements of the CBIRC local offices.

Following the Guiding Opinions, the CBIRC has launched several reforms of the automobile insurance industry, greatly increasing the liability limits of compulsory automobile insurance, expanding the liability coverage of commercial automobile insurance and giving property and casualty insurance companies more autonomy in setting the rates of commercial automobile insurance, which had a significant impact on both market competition and actuarial pricing systems. Affected by the comprehensive reform of automobile insurance in the PRC's property and casualty insurance industry, the average premiums and expenses per vehicle declined significantly across the industry, mainly because the comprehensive reform of automobile insurance enables lower premiums per unit and set the long-term goal of adjusting the expense ratio to 25% or below. Such changes caused the decline of our average premiums per vehicle in our automobile insurance business during the Track Record Period. In 2020 and 2021, our average vehicle premiums decreased by 9.4% and 11.2%, respectively, compared to the previous year. Meanwhile, such changes had led to a decline in our expense ratio and an increase in our loss ratio for our automobile insurance business during the Track Record Period. In 2020 and 2021, our expense ratio of automobile insurance was 38.3% and 31.5%, respectively. In the same periods, our loss ratio of automobile insurance was 59.5% and 81.2%, respectively. See "— Property and Casualty Insurance — Property and Casualty Insurance Products — Automobile Insurance" for the quantitative impact on the industry and on our business. Faced with the short-term decline in automobile insurance premium income and growth in loss ratio, we have adopted the following measures. First, we have continuously improved our capabilities in relation to risk identification and pricing to reduce the overall loss ratio. Secondly, we have optimized our business structure, expanded business with strong profitability and enhanced management of business with loss to improve our overall profitability and achieve a steady growth of our business. Thirdly, we have further strengthened our technological capability to continuously improve cost control and reduce our expense ratio. Specifically, we constantly optimize the "intelligent life table for automobile insurance" through big data and AI algorithms to continuously enhance our pricing capabilities. In addition, we strive to enhance our sales efforts by focusing on customer segmentation under the guidance of the "intelligent life table for automobile insurance," so as to improve our profitability, promote and expand our underwriting business.

The CBIRC officially published Rules II on December 30, 2021. The insurance industry shall begin to implement the Rules II from the 2022 Q1 Solvency Quarterly Report. For insurance companies that are greatly affected by the Rules II, the CBIRC would set transitional policies according to the actual situation, allowing some regulatory rules to be put into practice step by step and fully implemented by 2025 at the latest.

Rules II is aimed at preventing and resolving risks of the insurance industry, maintaining the safe and stable operation of the insurance market, and promoting the high-quality development of the insurance industry, which ultimately helps to protect the interests of insurance consumers. The major updates in Rules II include guiding the insurance industry to focus on its main business, enhancing the quality and efficiency of the insurance industry in serving the real economy, effectively preventing and resolving insurance risks, lowering the default risk factor of overseas reinsurance counterparties, giving preferential treatment in terms of capital requirements and actual capital to branches or subsidiaries set up in China by insurance institutions of foreign countries and regions, if their solvency regulatory systems are qualified as equivalent to China's solvency regulation, so as to reduce cross-border transaction costs, comprehensively revising the risk management standards of insurance companies to provide clearer standards and issuing new capital planning regulatory rules, extending the disclosure content of insurance companies' solvency information and increasing the disclosure requirements for major issues, management analysis and discussion.

In accordance with the CBIRC's requirements, the Rules II has been implemented since the preparation of the first quarterly solvency report in 2022. Partially due to the impact of Rules II, the core solvency ratios and comprehensive solvency ratios of the top life and health and P&C insurers fluctuate to some extent in the first quarter of 2022. From the semi-annual solvency report in 2022, the solvency reports of insurance group companies shall be prepared in accordance with Rules II, as insurance group companies are not required by the CBIRC to prepare quarterly solvency reports. The Rules II further improves the solvency supervision standards for insurance companies, including: (i) the establishment of prudential regulation of insurance groups; (ii) refining the definition and measurement standard of capital, consolidating the capital quality; (iii) enhancing the standards and principles of the "look-through" approach for market risk and credit risk; and (iv) improving the measurement standards of minimum capital for market risk, credit risk and insurance risk, among other things. The changes of the rules have a certain impact on solvency ratios. However, calculation results have shown that our solvency ratios are still significantly higher than the minimum regulatory requirements. See "Financial Information — Liquidity and Capital Resources — Solvency Ratios" for details. In addition, the disclosure requirements of Rules II extend the disclosure content of insurance companies' solvency information to encompass major issues such as major reinsurance contracts, major claims, major investments and financing activities and major related party transactions, as well as management analysis and discussion on changes in solvency ratios and integrated risk rating results, among others. Our insurance subsidiaries have met the new disclosure requirements of Rules II since the preparation of their first quarterly solvency reports in 2022, and our Group has met such new requirements since the preparation of its semi-annual solvency report in 2022.

The CBIRC has published Measures for Traceable Management on June 10, 2021, which aim to further regulate insurance sales practices, safeguard the legitimate rights and interests of financial consumers and promote the sustainable and sound development of the insurance industry. The Measures for Traceable Management stated that insurance institutions shall, according to the requirements for different sales activities (face-to-face sales, online sales or telesales), record and keep the key insurance sales process through audio and video, or other technical means, so as to ensure that sales activities can be replayed, and important information is accessible. In the case of any complaint or legal action filed by any customer or any other dispute, such audio-visual materials shall be retained for at least three years after the resolution of such dispute. The CBIRC has not yet released the official version of the Measures for Traceable Management as of the Latest Practicable Date. Therefore, uncertainties remain as to the impact of such regulatory change on the insurance industry.

We believe that the "Measures for Traceable Management" protects the rights and interests of insurance consumers, reduces unfair sales practices and promotes the healthy development of the insurance industry. The introduction of such requirement is in line with our customer-centric approach. In addition, we already have guidance and trainings in place which can be quickly replicated to meet the regulatory requirement of "Measures for Traceable Management" without significant cost or interruption of business. On the one hand, we continuously improve the dual recording management according to the regulatory requirements and along with system update and iteration, and specify in the document of dual recording standardization the scope, procedures, quality control, data management and responsibilities of each department. On the other hand, we adopt an intelligent dual recording system that introduces technologies such as voice broadcast, document recognition, facial recognition and signature recognition, aiming to replace agents' manual operation and reduce their operational difficulties with a standardized, intelligent and automated system. We have also prepared the system operation guideline and simultaneously conducted relevant trainings to ensure that the agents can familiarize themselves with the system operation in an efficient manner, and offer customers pleasant insurance and dual recording services. All of the initiatives mentioned above comply with the regulatory requirements of the Measures for Traceable Management. We strive and expect to be able to comply with the regulatory requirements of the Measures for Traceable Management, if implemented in its current form.

The CBIRC has published the Administrative Measures (Draft for Comment) on April 15, 2022, with the public consultation period ended on April 29, 2022. The Administrative Measures aim to regulate the insurance sales process, avoid irregularities and protect the rights and interests of insurance consumers. The Administrative Measures focus on the pre-sale, in-sale and after-sale activities related to the life and health insurance. Pursuant to the Administrative Measures, insurance institutions shall establish and implement a grading management system for sales personnel and manage them in a graded manner. Integrity evaluation standards of sales personnel shall be developed by the insurance industry association in accordance with the relevant regulations. Insurance institutions shall enhance the integrity management of the sales personnel, and shall regularly conduct integrity evaluation of sales personnel as required. Insurance companies shall follow the standards set by the Insurance Association of China to differentially authorize the products that can be sold by insurance personnel based on their grading and the classification of insurance products. The scope of product authorization shall match the level of the insurance salesperson and shall be gradually expanded as the insurance salesperson advances in level. Insurance companies shall establish a catalogue of products that can be sold by their insurance sales personnel at all levels, and shall not authorize until the insurance sales personnel have been trained and tested. The CBIRC has not yet released the official version as of the Latest Practicable Date. Therefore, uncertainties remain as to the impact of such regulatory change on the insurance industry.

The Administrative Measures puts forward stricter requirements in the pre-sale, in-sale and after-sale processes of life and health insurance business, thus promoting the high-quality transformation and development of the insurance industry. The introduction of the Administrative Measures is in line with the status, demands and trends of the insurance industry, which will effectively solve existing problems of the industry and reshape the image of the insurance industry. From the perspective of our sales team building, the Administrative Measures will help promote the specialization, professionalism, and diversity of the sales team. The Administrative Measures will also help enhance the quality and value of our business. According to the Administrative Measures, we plan to continually optimize our management framework and operational process in terms of grading management for salespeople, integrity management and differentiated authorization. With reference to the product classification requirements under the Administrative Measures, the major products of Sunshine Life are classified as Class I products with relatively low level of complexity and risks. We plan to elaborate on classification standards for insurance products and offer graded product training programs to sales personnel. We also plan to test individual insurance agents to determine their level, and implement a grading management based on salespersons' professional ability and length of service, differentiate the sales personnel in terms of product sales authorization, underwriting and claim adjustment policies and bonus with reference to our internal policies. We expect that the implementation of the Administrative Measures may have an adverse impact on the productivity of some of our individual insurance agents in the short term. For example, the sales performance of some individual insurance agents may decline due to the reduced scope of product authorization limited by their level. However, we expect to mitigate relevant adverse impacts by continuously improving our graded product training programs, and enhancing the professional skills and level of our individual insurance agents. In the long term, the implementation of the Administrative Measures is expected to promote the specialization and professionalism of our individual insurance agents and benefit the sustainable development of life and health insurance business. As a result, we believe that such regulatory change will not have a material adverse impact on our business operations. We strive and expect to be able to comply with the regulatory requirements of the Administrative Measures, if implemented in its current form.

The CBIRC has released the New Regulation on July 28, 2022. The main changes of the New Regulations are as follows. First, adding a special chapter on corporate governance. Combined with the supervision practice in recent years, the New Regulations put forward clear requirements ranging from general requirements, shareholders' obligations, incentives and restraints, etc. The New Regulations comprehensively strengthen the institutional constraints for corporate governance supervision. Second, setting a special chapter on risk management. The New Regulations put forward specific requirements comprehensively over risk management system, internal control and audit, risk management of subsidiaries, related-party transactions, etc. Third, improving the design of ownership structure. The New Regulations give equal treatment to domestic and foreign insurance companies as shareholders of insurance asset management companies, and remove the upper limit of shareholding ratio of foreign insurance companies. Fourth, optimizing business principles and related requirements. The New Regulations explicitly require the establishment of a custody mechanism, improves the statement on asset independence and prohibition of debt offset, further clarifies the prohibited conducts such as channelling-through business, and puts forward requirements for sales management and prudential operation. Fifth, adding on supervisory measures and constraints for violations. The New Regulations add contents including hierarchical supervision, information disclosure and major event reporting, and increase requirements on recording and filing of violations, responsibility of professional institutions for violations, financial status monitoring and self-discipline.

The New Regulations aim to further deepen the financial supply-side reform, strengthen the supervision of insurance asset management companies, promote the high-quality development of insurance asset management business. Through liberalizing the upper limit of the shareholding ratio of foreign shareholders in insurance asset management companies will intensify the competition in the short time, which calls for a global perspective of the insurance asset management industry, helps form fair and orderly competition among domestic and foreign investors and promote the operation and management level of insurance asset management business. Assuming the New Regulations will be implemented in the current forms, we believe that we are in compliance with the requirements of the New Regulations in key aspects such as corporate governance, risk management and internal policies. In addition, due to the removal of the cap on the shareholding ratio of foreign companies, we might face intensified competition in the short term. Considering our steady investment performance and long-term business philosophy, which is consistent with the requirements of the New Regulations, we believe that we will adapt well to the New Regulations. Based on our long-term and prudent investment, we aim to continually achieve long-term asset preservation and appreciation, further improve our own governance structure and business activities, effectively prevent financial risks and achieve our own prudent development on the premise of serving the high-quality development of the real economy and the needs of medium- and long-term capital management.

In light of the recent regulatory changes, we have implemented relevant internal control measures to ensure compliance with the aforementioned draft measures and regulations. We have formulated the Guidelines for Official Document Circulation to ensure timely analysis and evaluation of the latest regulations and their applicability, so as to implement compliant measures and identify responsible departments and personnel. We have relevant departments in place to be responsible for implementing and promoting various compliance management tasks to ensure strict compliance with existing regulations: (i) we timely formulate and modify the internal policies according to the existing regulations; (ii) we identify potential compliance issues and the rectification measures through compliance assessment, compliance monitoring and compliance report; and (iii) we regularly carry out compliance training to strengthen our compliance culture and improve the compliance awareness among our employees.

We believe that the policies and regulations were formulated to protect the legitimate rights and interests of consumers, control the risks of the industry, and promote the healthy and high-quality development of the insurance industry, rather than to inhibit the development of the industry. Taking into consideration of the opinion of our PRC Legal Advisor, our Directors are of the view, which the Joint Sponsors concur, that, except for (i) the premiums from our automobile insurance business declined and the loss ratio increased and (ii) under the Rules II, our core solvency ratio and comprehensive solvency ratio as of June 30, 2022 decreased as compared to those as of December 31, 2021 calculated under the C-ROSS Phase I Rules, the aforementioned Guiding Opinions or Rules II, and the Measures for Traceable Management, Administrative Measures or the New Regulations assuming they were applicable and have come into effect in current forms, will not have material adverse impacts on the insurance industry and our Group's operational and financial performance on the basis that: (i) we have been closely monitoring the regulatory changes and have taken measures to modify and improve our internal procedures, and (ii) we will continue to monitor the regulatory changes and seek guidance from the relevant regulators to ensure continuous compliance with relevant regulations.

Our PRC Legal Advisor is of the view that the abovementioned new regulations (including the "Draft for Comment" regulations, assuming that they are promulgated as-is) would not have any material adverse impact on our Group's business, results of operations and financial performance, so long as we will be able to comply with the relevant legal requirements.

As there might be newly issued explanations or implementation rules on the existing regulations, laws and opinions, it is uncertain whether we may face the risk of intensified competition, slowdown of business development, loss of customers or administrative penalties, we will actively monitor future policy changes to ensure strict compliance with all applicable laws and regulations. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to extensive regulations and exposed to compliance risks. Changes in laws, regulations and regulatory policies from time to time could have a material adverse effect on our business, financial condition, results of operations and prospects." and "Risk Factors — Risks Relating to Our Business and Industry — If we encounter difficulties in meeting the statutory solvency requirements, we may be subject to regulatory measures, and our financial condition, results of operations and prospects may be adversely affected."

As of the Latest Practicable Date, we had not received any inquiries, investigations or administrative penalties from relevant competent authorities in relation to the aforementioned regulatory changes.

Impact of the Recent Regulatory Changes in relation to Cybersecurity

On December 28, 2021, the CAC and other related authorities released the draft amendment to the Cybersecurity Review Measures (網絡安全審查辦法(2021)), effective on February 15, 2022, (i) A network platform operator that has the personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review when it seeks to list overseas; (ii) Any other regulations of the state on data security review and foreign investment security review shall be complied with as well; (iii) Any network product or service or any data processing activity that affects or may affect national security as deemed by member organizations of the cybersecurity review mechanism shall be reviewed under the Measures after the Cybersecurity Review Office reports it to the Central Cyberspace Affairs Commission as per the procedure and the latter approves a review. The Cybersecurity Review Office will enhance its oversight before the event, during the event and after the event through receiving complaints or in other forms.

On November 14, 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Draft for Comment) (網絡數據安全管理條例(徵求意見稿) (the "**Draft Administration Regulations**")), which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. See "Regulatory Overview — Internet Information Security and Privacy Protection."

We are actively assessing the uncertainties associated with the Cybersecurity Review Measures and Draft Administration Regulations and have been taking appropriate measures to ensure that our business operations would comply with these regulations, assuming the latter would be implemented in their current form. We process the personal information of over one million users for the mobile applications of our Group. As advised by our PRC Legal Advisor, with respect to the Cybersecurity Review Measures, (i) based on our consultation with China Cybersecurity Review Technology and Certification Center, we have no obligation to proactively file for the cybersecurity review because Hong Kong is not a "foreign country" pursuant to the Article 7 of the Cybersecurity Review Measures; (ii) as of the Latest Practicable Date, we were not identified as a critical information infrastructure operator ("**CIIO**") by relevant competent authorities under Article 5 of the Cybersecurity Review Measures, and (iii) the Article 16 of the Cybersecurity Review Measures provides no further explanation or interpretation on what "affects or may affect national security." As of the Latest Practicable Date, we had not received any enquiry, warnings or sanctions from regulators in relation to the Cybersecurity Review Measures and the Draft Administration Regulations. Nevertheless, we have taken measures to safeguard cybersecurity and data security, ensure the safe storage and use of data, and prevent unauthorized access to or use of data. We closely monitor and assess further regulatory developments regarding cybersecurity and data privacy laws, including the development on cybersecurity review, to ensure compliance with the latest regulatory requirement. With respect to the obligations of data processors in carrying out data processing activities and providing network services as stipulated in Draft Administration Regulations, the Draft Administration Regulations further elaborate on the requirements under the Cybersecurity Law, Data Security Law and Personal Information Protection Law. Regarding the cybersecurity review in connection with a proposed listing of Data Processors in Hong Kong, the Draft Administration Regulations do not provide further explanation or interpretation on the standards for determining "listing in a foreign country", "listing of data processors in Hong Kong which affects or may affect the national security", "other data processing activities which affect or may affect the national security", or relevant determination procedures. Therefore, there are uncertainties as to whether we would be subject to the cybersecurity review under Article 13 of the Draft Administration Regulations. We will closely monitor the legislative progress of the Draft Administration Regulations and seek guidance from relevant regulatory authorities in a timely manner to ensure compliance with the Draft Administration Regulations. With the support of our PRC Legal Advisor, we are of the view that we would be able to comply with the Cybersecurity Review Measures and Draft Administration Regulations in all material aspects assuming the latter would be implemented in their current form.

The Cybersecurity Review Measures was released on December 28, 2021 and came into effective on February 15, 2022, while the Draft Administration Regulations was published by CAC on November 14, 2021 and the official draft has not been released as of the Latest Practicable Date.

With the support of our PRC Legal Advisor's opinion, we are of the view that the Cybersecurity Review Measures and the Draft Administration Regulations would not have a material adverse impact on the Company's business operations or the Company's proposed listing in Hong Kong, assuming the latter is implemented in their current form, on the basis as follow:

(i) the Draft Administration Regulations further elaborate on the requirements under the Cybersecurity Law, Data Security Law and Personal Information Protection Law which all the entities processing internet data should comply with but not only the Company. We will strive to comply with such requirement and such requirements will not put us at a greater disadvantage to other market participants; and

(ii) as for the cybersecurity review under the Cybersecurity Review Measures and the Draft Administration Regulations: (i) we have not been involved in review or investigation by the CAC or other authorities with respect to the Draft Administration Regulations as of the Latest Practicable Date; (ii) we have not been recognized as a CIIO by any relevant authority as of the Latest Practicable Date, and (iii) the data processed by us has not been included in the effective core data and important data catalogs published by any authentic authority and (iv) we have taken reasonable and adequate technical and management measures to ensure data security, and (v) the China Cybersecurity Review Technology and Certification Center was informed of our proposed listing in Hong Kong and confirmed that Company, to be listed in Hong Kong instead of a foreign country, has no obligation to proactively file for the cybersecurity review according to the Article 7 of the Cybersecurity Review Measures.

Having considered the opinion of our PRC Legal Advisor and discussed with the Joint Sponsors' PRC legal advisors, the Joint Sponsors are of the view that the Cybersecurity Review Measures and the Draft Administration Regulations would not have a material adverse impact on the Company's business operations or the Company's proposed listing in Hong Kong, assuming the latter is implemented in their current form, and the Company complies with such requirements.

However, due to the uncertainty of the evolving regulatory regime in PRC, we cannot assure you that we will not be found in violation of any cybersecurity laws and regulations currently in effect or in the future, including but not limited to the Cybersecurity Review Measures and the Draft Administration Regulations, due to changes in relevant authorities' interpretation of these laws and regulations, as well as the view or interpretation taken by the China Cybersecurity Review Technology and Certification Center or other securities in charge.

COMPETITION

We face competition in each of our business segments, and the major factors affecting such competition include the following:

- regulatory environment;
- brand recognition;
- sales network and customer acquisition capability;
- price and quality of product and service;
- product development and the extent to which such products match customers' needs;
- financial strength;
- quality and stability of professional team;
- product innovation; and
- information technology capacity and new business model with the advent of cutting-edge technologies.

During the Track Record Period, we faced intensified competition across all of our business segments as a result of increasing competition among the existing market players, as well as a growing number of market entrants. Our primary competitors include large life and health insurance companies, property and casualty insurance companies and various asset management institutions.

The presence of multinational insurance players in the PRC insurance industry will continue to increase with the backdrop of the gradual relaxation of entry restrictions on foreign-owned insurance companies. Small and medium-sized insurance companies may opt for differentiated business models in light of the intense market competition. At the same time, with the ever-evolving regulatory environment in the PRC and the advent of Internet finance, the public market has accessed an ever-expanding portfolio of investment products, which intensifies the competition for insurance and asset management products further. We believe that our core competitive strengths are sound growth momentum, outstanding brand image, balanced and competitive business structure and strong innovation capability. In addition, our strong ability in asset management, outstanding technological strength, inspiring corporate culture and top-performing talent also make us more competitive in the industry. Nevertheless, some of our competitors are relatively competitive in the industry in respect of operational experience, capital base and products diversification.

Competition in the Life and Health Insurance Market

According to data published by the CBIRC, 91 life and health insurance companies carried out business in the PRC in 2020. According to data released by the CBIRC and public data from each of the insurance companies, the top three life and health insurance companies in 2020 in terms of OPI were China Life Insurance Company Limited, Ping An Life Insurance Company of China Limited and China Pacific Life Insurance Co., Ltd., with market shares of 19.3%, 15.0% and 6.6%, respectively. The aggregate market share of the top three life and health insurance companies was 40.9%.

In recent years, other insurance companies with industry and local backgrounds and with international backgrounds have entered into the life and health insurance market, making market competition more intense. We believe that, benefiting from our outstanding brand image, continuous product innovation, fast innovation of the business model, effective and high-quality professional claim settlement service and other competitive strengths, we will further increase our market share in the life and health insurance market despite competition intensifying in the future.

Competition in the Property and Casualty Insurance Market

According to data released by the CBIRC, 87 property and casualty insurance companies carried out business in the PRC in 2020. The property and casualty market of the PRC is concentrated in terms of market shares. According to data released by the CBIRC and public data from each of the insurance companies, the top three property and casualty insurance companies in 2020 in terms of OPI were PICC Property and Casualty Company Limited, Ping An Property & Casualty Insurance Company of China, Ltd. and China Pacific Property Insurance Co., Ltd., with market shares of 31.8%, 21.0% and 10.9%, respectively. The aggregate market share of the top three property and casualty insurance companies was 63.7%.

The market competition has been intensely affected by an increase in the number of players in the property and casualty insurance market of the PRC in recent years. We believe that, benefiting from the risk-pricing system and the smart and differentiated resource allocation mechanism that we have developed over the years, our diversified channel layout and our acute insight into industry trends, we will keep our advantageous position in the industry amidst fierce competition in the future.

Competition in the Asset Management and Investment Market

Our asset management business is primarily focused on the management of investment assets entrusted by the Group. Meanwhile, we plan to further expand our asset management business into third-party asset management. The competition within the asset management business is mainly in the domain of third-party management in terms of talent, innovation capability, risk control capability and investment return.

According to data published by the Insurance Asset Management Association of China, as of December 31, 2021, there were 33 insurance asset management companies in the PRC. In light of current competition among wealth management businesses, insurance asset management companies, commercial banks, trust companies, security companies and other financial institutions are all active participants in the asset management industry. We believe that we will develop more innovative entrusted asset management products and enhance our market position thoroughly by relying on our scientific asset allocation mechanism, superior investment capability and well-established professional investment and asset management team.

PROPERTIES

We own and lease properties in the PRC. As of December 31, 2021, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of the Latest Practicable Date, we owned land use right with respect to a parcel of land of 268,205 sq. m. As of the Latest Practicable Date, we owned and beneficially occupied 6,505 properties with an aggregate GFA of 1,642,231.82 sq.m., of which:

- For 5,779 properties with an aggregate GFA of 1,157,005.4 sq.m. (accounting for 70.45% of the GFA of self-owned properties), we had obtained the ownership certificates of relevant properties. According to our PRC Legal Advisor, we are legally entitled to have ownership of such properties and the land use rights of the land occupied by such properties, and to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties in accordance with applicable laws.

- Among four real properties with an aggregate GFA of 272.7 sq.m., we had obtained the real property title certificates for two real properties with an aggregate GFA of 99.1 sq.m. For the other two real properties with an aggregate GFA of 173.7 sq.m., we had entered into purchase agreements and paid the purchase price in full but had not received the real property title certificates.

  As advised by our PRC Legal Advisor, due to restrictions imposed by the local government's housing administrative measures and the relevant provisions in the purchase agreements, we have limited ownership rights on the aforementioned four real properties (even though we have obtained the real property title certificates for two of these real properties) and our rights to transfer or lease the aforementioned four real properties within a certain period of time are limited. Considering that these properties comprise only a very small portion of our owned properties, and that we do not to intend to transfer, lease or otherwise dispose of the aforementioned four real properties before we obtain full ownership rights of these properties, our PRC Legal Advisor is of the view that the title defects will not have a material adverse impact on our business operations and financial condition.

- For 722 properties with an aggregate GFA of 484,953.7 sq.m. (accounting for 29.5% of the GFA of self-owned properties), we had not obtained the building ownership certificates of the relevant properties. We are in the process of obtaining the relevant building ownership certificates, and, up to now, there have not been any claims raised by any third parties regarding the title to these properties. We expect to obtain the relevant building ownership certificates successively from October 2023 to May 2027. However, the abovementioned expected timetable may be postponed by COVID-19 pandemic, relevant local policy and other factors out of our control. Our PRC Legal Advisor is of the view that there is no substantive legal obstacle to the occupation and use of the buildings as well as obtaining the building ownership certificates after completing the relevant procedures. However, we may not transfer, mortgage or otherwise dispose of such properties until we obtain the relevant building ownership certificates.

  The owned properties with title defects are primarily used as premises for offices, business operations and for rental. Among them, properties with an aggregate GFA of approximately 368,578.9 sq.m. are used for offices and business operations, properties with an aggregate GFA of approximately 36,444.8 sq.m. are used for external rental.

  The Directors believe that such properties are not crucial to our operations and Company is in the process of obtaining the relevant building ownership certificates, and, up to now, there has not been any claims raised by any third parties regarding the title to these properties. Our Legal Advisor is of the view that there is no substantive legal obstacle to the occupation and use of the buildings as well as obtaining the building ownership certificates after completing the relevant procedures, and the title defects of the properties without building ownership certificates will not have a material adverse impact on the Company.

Properties owned by our Company in the PRC are primarily used for offices, business operations of our branches and staff dormitories. Among them, properties with an aggregate GFA of approximately 999,119.8 sq.m. are used for offices and business operations, properties with an aggregate GFA of approximately 558,494.9 sq.m. are used for external rental, properties with an aggregate GFA of approximately 4,687.2 sq.m. are used for staff dormitories or ancillary purposes. During the Track Record Period, we recorded revenue of RMB406 million, RMB376 million, RMB421 million and RMB144 million from the external rental in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Leased Properties

As of the Latest Practicable Date, we leased 2,656 buildings in the PRC with an aggregate GFA of 866,081.94 sq.m., which were primarily used as premises for our offices and for business operations, among which the lessors of 1,687 of our leased properties with an aggregate GFA of 580,286.7 sq.m. (accounting for 67.0% of the aggregate GFA of our leased properties) had provided us with relevant authorization documents evidencing their ownership of such properties and/or the owners' consent to the lessors' leasing or subleasing such properties. Our PRC Legal Advisor is of the view that these leases are legal and valid, and we are legally entitled to the rights of the lessee.

For the remaining 969 properties with an aggregate GFA of 285,795.25 sq.m. (accounting for 33.0% of the GFA of our leased properties), the lessors had not provided us with relevant authorization documents evidencing their ownership of such properties and/or the owners' consent to the lessors' leasing or subleasing such properties. If a third party objects to such leases or the ownership of these leased properties, it may affect our continuous leasing of such properties. In view of this, (i) we will not have difficulties in relocating to alternative properties in a timely manner under the same conditions if such properties are no longer available; (ii) the lessors have provided us with written confirmation letters regarding 298 of these properties, undertaking to indemnify us against losses arising from defects in the title to such leased properties; and even if the lessors fail to provide us with such confirmation letters, we can still claim compensation from these lessors in accordance with relevant PRC laws and regulations; (iii) in accordance with the provisions of the Civil Code of the PRC (《中華人民共和國民法典》), if the lessee is unable to use and benefit from the leased property due to the claims of a third party, the lessee may request to reduce the rent or not pay the rent; and (iv) our Directors believe that we can relocate our business to a new property without excessive costs or business interruption. Our PRC Legal Advisor believes that the aforesaid property defects will not have a material adverse impact on our business operations and financial condition.

As of the Latest Practicable Date, we had registered 35 lease agreements with relevant housing administration departments, and the aggregate GFA of the leased properties was 33,745.5 sq.m. As advised by our PRC Legal Advisor, according to the relevant provisions of the Civil Code of the PRC (《中華人民共和國民法典》), the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) and the relevant judicial interpretation of the Supreme People's Court, failure to complete the lease filing and registration does not affect the validity of the lease agreements. However, the relevant housing administrative authorities may require us to complete registrations within a specified timeframe. If we fail to do so within such timeframe, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for any delay in making registration for each of such leased properties. Since (i) during the Track Record Period, we were not subject to any administrative penalty for failure to register the relevant leases, and (ii) the amount of potential penalty accounts for a very small portion of the latest audited net assets, our PRC Legal Advisor is of the view that the failure to complete the lease registration will not have a material adverse impact on our business operations and financial condition.

Constructions In Progress

As of the Latest Practicable Date, we had seven construction projects in progress with an aggregate site area of 718,002.87 sq.m., of which:

- Four projects were under construction, for which we had obtained the Construction Land Use Planning Permit (《建設用地規劃許可證》), Construction Project Planning Permit (《建設工程規劃許可證》) and Construction Works Commencement Permit (《建築工程施工許可證》) but the relevant completion and acceptance procedures had not been finalized. Our PRC Legal Advisor is of the view that we have obtained the relevant land use and construction permits for the aforementioned projects according to their respective construction progress.

- Two projects were under construction, for which we had obtained the Construction Works Commencement Permit and Construction Project Planning Permit but had not obtained the Construction Land Use Planning Permit. Pursuant to the Notice on Further Enhancing and Improving the Administration of Urban and Rural Planning by the People's Government of Hainan Province (《海南省人民政府關於進一步加強和改進城鄉規劃管理工作的通知》), as for the construction land which has previously obtained the land use certificate, the construction land use planning permit shall not be required. Instead, relevant urban and rural planning department shall issue specific planning conditions according to detailed regulatory plan. In light of the aforementioned Notice, our PRC Legal Advisor is of the view that our business operation and financial condition will not be materially and adversely affected by the fact that we have not obtained the Construction Land Use Planning Permit for the relevant construction projects.

- One project has undergone the procedures for completion and acceptance but such procedures had not been filed. We are in the process of going through all relevant construction procedures according to the laws.

As of the Latest Practicable Date, the seven construction projects in progress are intended to be used for offices, the operation of hotels and elderly care communities and staff dormitories after completion. These seven projects are expected to be completed successively from May 2023 to March 2026. However, the abovementioned completion dates of those construction projects may be postponed by many factors out of our control including, without limitation, COVID-19 pandemic, unforeseen site conditions, non-performance by our subcontractors.

EMPLOYEES

As of June 30, 2022, we had 57,865 full-time employees.

The table below sets forth the number of our employees by position as of June 30, 2022:

	Number of employees	Percentage of total number of employees
		(%)
Management	6,402	11.1
Professional staff	18,462	31.9
Salespeople	33,001	57.0
Total	**57,865**	**100.0**

The table below sets forth the number of our employees by age as of June 30, 2022:

	Number of employees	Percentage of total number of employees
		(%)
30 and under	18,585	32.1
31 to 40	29,150	50.4
41 to 50	8,201	14.2
51 and above	1,929	3.3
Total	**57,865**	**100.0**

The table below sets forth the number of our employees by educational accomplishment as of June 30, 2022:

	Number of employees	Percentage of total number of employees
		(%)
Master's degree or above	2,000	3.5
Bachelor's degree	24,306	42.0
Others	31,559	54.5
Total	**57,865**	**100.0**

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

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

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

We have a union for our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, protests or other material labor disputes that may materially impair our business and reputation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Our Board of Directors is of the view that the establishment and implementation of sound environmental, social and governance principles and practices will help enhance the value of the Company's investments. Meanwhile, they will provide long-term returns for our stakeholders. Our Board has established an ESG committee comprising our independent Directors and executive Directors. Our ESG committee is responsible for formulating the Company's ESG strategies, policies and procedures and managing ESG risks. ESG-related issues are among our key agenda. Under the supervision of our Board, the ESG Committee identifies and monitors ESG-related risks, such as environment-related risks and social sustainability risks in the short, medium and long term, and strives to integrate ESG-related issues into our business, strategy and financial planning. We plan to adopt a comprehensive and effective set of measures to systematically identify, assess, manage and mitigate the ESG-related risks. Such risks continue to pose challenges to our industry and take discernment and time to overcome. For example, one of the key social risks that we have identifed is human capital risk. We plan to continuously offer competitive packages to the best talents, improve employee benefits and enhance their sense of belonging. We have identified the climate risk as a major environmental risk. However, potential physical risks arising from extreme weather conditions are not expected to have a material adverse impact on our business operation in the short or medium term. In terms of risk management, we consider physical and transition risks as well as opportunities analysis for the risk assessment process. If risks and opportunities are deemed significant, we would incorporate them into our strategic and financial planning processes. We may revise our ESG strategy, as appropriate, following an annual review of progress toward our goals for addressing ESG-related issues.

In addition, the ESG committee closely monitors the latest environmental, social and governance laws and regulations and updates our environmental, social and governance measures accordingly to ensure that we comply with the latest regulatory laws and regulations. During the Track Record Period and as of the Latest Practicable Date, no material fines or other penalties had been imposed on us for any non-compliance with health, work safety, social or environmental regulations. ESG-related issues continue to receive greater public scrutiny and attention from regulators. In June 2022, the CBIRC issued the Green Finance Guidelines for the Banking and Insurance Industry (《銀行業保險業綠色金融指引》), which requires insurance institutions to incorporate environmental, social and governance requirements into the comprehensive risk management system and classify and evaluate the customers' ESG-related risks, further implementing differentiated management measures in business operations according to customer risk conditions. The Green Finance Guidelines for the Banking and Insurance Industry and future changes in ESG-related laws and regulations may expose us to potential transition risks. We may be required to invest significantly in transforming our business and operations. On the other hand, in the face of the potential transition risks, leading insurance companies like us with comprehensive management system may be able to adapt to the new rules in a swifter manner, thereby capturing more business opportunities.

We also monitor the environmental, social and governance policies and development trends, and continue to conduct in-depth research on ESG-related issues, including sustainable investment, climate risk, new energy vehicle insurance, carbon market, green finance, etc. The research results and reports are released to all our employees through the internal research platform of the Company. Since 2021, at least ten ESG-related research reports have been published on our research platform.

Environmental Protection

We are committed to the coexistence of corporate values and environmental protection. We also promptly promote the green management philosophy, and spread the concept of green development. We promptly respond to the national strategy to develop green insurances and continue to provide risk protection for the new energy sector. To capture ESG related market opportunities, we have launched special insurance products to improve our green innovation capability to develop green insurances such as the "Oil Spill Environmental Pollution Liability Insurance" and the "Charging Pile Safety Liability Insurance" (充電樁安全責任保險). During the Track Record Period, we had provided the aggregate risk protection for RMB109,514 million in 5,386 photovoltaic power plant projects and provided the aggregate risk protection for RMB249,717 million in 2,613 wind power projects. We aim to increase our premium income from green insurance products to more than RMB15 billion in 2024. In addition, we continue to increase our insurance investment funds in sustainable investing projects. We aim to increase the scale of our sustainable investing projects to more than RMB50 billion in 2024.

We believe that the our business operation did not have any significant impact on the environment and natural resources during the Track Record Period. The following tables set forth our greenhouse gas emission, electricity consumption and water consumption in 2021:

Emissions	**For the year ended December 31, 2021**
Greenhouse gas emissions (tons of CO_2 equivalent)	75,270
– Scope 1 (direct emissions) (tons of CO_2 equivalent)(1)	24,505
– Scope 2 (direct emissions) (tons of CO_2 equivalent)(2)	50,765
Average greenhouse gas emissions (tons of CO_2 equivalent/person)	1.29

Notes:

(1) Direct emissions of CO_2 mainly include emissions from fossil fuel combustion.

(2) Indirect emissions of CO_2 mainly include emissions from electricity consumption.

Consumption	**For the year ended December 31, 2021**
Electricity consumption (MWh)	87,376
Average electricity consumption (MWh/person)	1.50
Water consumption (tons)	1,861,751
Average water consumption (tons/person)	31.87

We expect to set metrics and targets for material KPIs at the beginning of each financial year to guide our business operation. For example, when making investment decisions, we plan to focus more on green industries, including energy saving, pollution prevention, conservation and recycling of natural resources, clean transportation, clean energy and ecological and environmental protection. We will also further reduce the energy consumption in the foreseeable future through various workspace policies and measures. We expect to continue to promote the green and low-carbon office working model by implementing green environment concepts, vigorously promoting online offices and implementing the transformation to a fully online and intelligent operational model. Meanwhile, we are also committed to increasing environmental protection and energy-saving design in our offices. In October 2021, we issued our guidance on green and low-carbon office working within the Group, proposing 12 energy conservation and emission reduction measures to improve resource utilization. For example, we encourage online meetings, promote the paperless office, reduce water and electricity consumption, separate trash to reduce work waste and encourage low-carbon and environmentally friendly travel. In terms of quantitative metrics, we aim to reduce our per capita energy consumption and emissions, and use several metrics to assess and manage our transformation to the online and intelligent operational model. We aim to increase the proportion for online preservation service of life insurance to 97% and the online application rate for claim settlement of life insurance to 98.5% by 2024. We also aim to replace paper bidding document with electronic files in approximately 90% of the tender processes by 2024. In June 2022, we formulated our green strategy, goals and key measures, as well as the specific metrics and targets for the following three years with respect to our green insurance products, sustainable investing, green and low-carbon office working, online customer services and green procurement in our three-year green development plan (the "**Green Development Plan**"). The Green Development Plan has been published on the office automation system of the Group, and all the quantitative metrics and targets set out therein have been included in the performance evaluation standards for relevant departments.

Social Responsibility

We timely respond to the call of government at all levels to support people's livelihood insurance products and timely participated in the livelihood relief projects of local governments. We also make full use of our professional strengths to deeply participate in catastrophe risk management and quickly compensate for post-disaster reconstructions. During the Track Record Period, we participated in a number of livelihood projects in Shandong, Chongqing and Jilin province by providing relief to victims of personal injuries and housing losses. We also provided financial support to local governments and people for post-disaster reconstruction, with the amount of compensation over RMB24.29 million.

We are concerned about the underprivileged, and thoroughly participate in poverty alleviation and public welfare activities. We established the "Sunshine Insurance Charity Foundation (陽光保險愛心基金會)" and timely participated in targeted poverty alleviation activities and national themed public welfare activities through various forms such as fund donations and material donations, among others. As of June 30, 2022, the Company had assisted in the construction of 71 Boai Primary Schools (博愛小學). During the COVID-19 pandemic prevention and control period, we timely explored product R&D and provided COVID-19 pandemic prevention products suitable for customers' needs through the "Personal Care Insurance (個人關愛保)." As of December 31, 2021, the "Personal Care Insurance" provided over 1.3 million customers with COVID-19 protection, helping the population fight against the pandemic.

Employee Care

We are committed to creating a fair and nurturing working environment for our employees. We strictly comply with the Labor Law and the Labor Contract Law of the PRC and other laws and regulations, as well as relevant regulatory regimes, and manage our employment in a standardized and legal manner. We prohibit any form of discrimination based on race, gender, religion, age, social origin or other causes. In 2021, our women employees represented approximately 56% of our total employees. We create a fair and equal workplace for employees and establish a culture of care. We also set up lactation rooms in the offices, hold lectures on women's health for our female employees, and organize activities to celebrate Women's Day on March 8.

We are concerned about the career progression of our employees and provide full-cycle capability enhancement support to all of our employees through the "Sunshine Academy (陽光學堂)." Sunshine Academy provides various training courses related to our business, such as data security, anti-corruption, intellectual property protection, aiming to improve employees' compliance awareness in business operations. Since its launch in December 2017, the "Sunshine Academy" has attained over a 40.9 million visits and over 3.1 million live-streaming participants as of June 30, 2022.

We attach significance to protecting our employees and their families by providing them with COVID-19 care and safeguarding plans. We have also set up a special fund for the families of employees dying during the COVID-19 pandemic prevention and control period. In addition, we have been caring for our employees and their families and have implemented a parental support allowance program since 2010. As of June 30, 2022, we had paid parental support allowances exceeding RMB380 million to approximately 16,000 employees. We have also taken measures to comply with applicable national and local laws and regulations concerning workplace safety. During the Track Record Period, we did not experience any work safety incident which could cause a material adverse impact on our business, financial condition or results of operations. We plan to set up metrics and targets to further assess social-related risks. Such metrics and targets mainly include employee gender structure, employee turnover rate, employee age distribution, frequency of employee training, and completion of learning hours.

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE

General

We might be involved in legal and regulatory proceedings or disputes in our ordinary course of business. As of the Latest Practicable Date, we were not aware of any legal or regulatory proceedings or disputes that, we believe, would have a material adverse effect on our business, financial condition, results of operations or prospects.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. We had complied with all relevant laws and regulations in the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date.

Litigation and Arbitration

As of the Latest Practicable Date, we were involved in six unresolved legal and arbitral proceedings in which we were the defendant or the respondent and the disputed amount was more than RMB10 million. The total disputed amount we were involved in was approximately RMB335.0 million. Among them, one case was a dispute over life insurance contracts and five cases were disputes over property and casualty insurance contracts.

With respect to the dispute over the life insurance contract, the plaintiff entered into three life insurance contracts with a branch of Sunshine Life and claimed for repayment of the principal and interests in the amount of RMB12,951,916.9 in total. The rest of unresolved legal and arbitral proceedings in which we were the defendant or the respondent and the disputed amount was more than RMB10 million involved disputes over litigation liability insurance (訴責險) contracts, financial and professional indemnity insurance (金融與職業責任險) contracts and other property and casualty insurance contracts. Specifically, the disputes over litigation liability insurance contracts relate to the damages to be borne by the insured as a result of the loss incurred by the preservation respondent due to an erroneous application for litigation property preservation by the insured. The disputes over financial and professional indemnity insurance contracts relate to the damages to be borne by the insured as a result of the loss incurred by any actual or alleged untrue or misleading statement or failure to perform relevant contractual obligation.

The aforementioned claims involved general commercial disputes arising from the operations of our insurance businesses. As part of our claim management process, we have established internal procedures and departments to handle such litigations, and we have allocated claim reserves for each of such litigations based on our in-house specialists' loss assessment. In addition, we have reinsurance arrangements in place for some legal and arbitral proceedings which would further reduce our economic exposure in the worst-case scenario.

Litigation is inherently uncertain, and we cannot guarantee that the court will make a determination or judgment in our favor. For details of the risks we may face in this case and other pending litigation, see "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal and other proceedings arising from our business and may accordingly be subject to material liabilities or incur additional costs, and the regulatory actions and legal procedures against us may have a material adverse effect on our business, financial condition, results of operations and prospects."

As of June 30, 2022, our total assets and net assets were RMB473,637 million and RMB55,706 million, respectively, and the total disputed amount we were involved in accounted for a small percentage of our total assets and net assets in our latest audited financial statements. Therefore, our PRC Legal Advisor has advised us that the total disputed amount imposed on us does not have a material adverse effect on our business, financial condition and results of operations.

Regulatory Inspections and Administrative Penalties

The CBIRC and other PRC government authorities, including the SAT, the SAIC, the PBOC, the Ministry of Human Resources and Social Security of the PRC and their affiliated institutions, from time to time make inquiries and conduct on-site or off-site examinations or investigations regarding our compliance with PRC laws and regulations. The examinations or investigations include inquiries, examinations or investigations in respect of our financial position and business operations, solvency, tax payment and labor and social welfare. Under the Administrative Regulations for Insurance Companies (《保險公司管理規定》), the CBIRC conducts both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by the CBIRC or its local bureaux of an insurance institution may focus on the company's management, reserves, solvency, deployment of funds, financial position, transactions with insurance intermediaries, appointment of senior management and other matters which the CBIRC considers to be material. As of the Latest Practicable Date, we were not aware of any inspections or audits conducted by any PRC regulatory authorities which would have a material adverse effect on our business, financial position, results of operations or prospects.

We are subject to inspections and supervision by various PRC regulatory authorities, such as the CBIRC, the PBOC, the SAT and their respective local branches and offices. Based on the results of these inspections and examinations, the regulatory authorities may issue inspection reports demanding timely rectification of the issues identified, or, taking into account the nature and severity of the non-compliance incidents, impose administrative penalties on us. During the Track Record Period and up to the Latest Practicable Date, we were subject to 238 administrative penalties imposed by the CBIRC, the PBOC, the SAT and other regulatory authorities, which resulted in aggregated fines of approximately RMB44.3 million. As of the Latest Practicable Date, we had made timely payment of the fines imposed under the above-mentioned administrative penalties.

Details of administrative penalties are as follows:

- the CBIRC and its local branches imposed 172 administrative penalties, with aggregated penalties of approximately RMB33.55 million, including the following violations: mistakes in financials or business data or failure to comply with relevant accounting policies, mistakes in reporting business operation information, failure to use approved or filed insurance terms and premium rates as required, and unauthorized change of business premises;

    - o Among these penalties, two involved the suspension of certain new businesses for one year by relevant local branches of the CBIRC. Sunshine Surety was ordered by the CBIRC local branch to suspend initiating new financing credit guarantee insurance business for one year starting from September 2021 and was imposed an administrative fine of RMB0.78 million for the violation that Sunshine Surety (i) changed its business premise without authorization; (ii) operated business in provinces and cities other than its domicile where no branches have been established; and (iii) did not use the filed insurance terms in its secured loan guarantee insurance and personal loan guarantee insurance business. The Mianyang city-level sub-branch of Sunshine Life was ordered by the CBIRC local branch to suspend accepting new business of bancassurance channel for one year for the violation that few bancassurance salespeople made non-compliant profit promises to the policyholders against the insurance contracts.

        The aforementioned subsidiary and branch had made timely payment of the fines imposed and had completed the rectification under the above-mentioned administrative penalties.

- the PBOC and its branches imposed 15 administrative penalties, of an aggregate of approximately RMB7.57 million, including the following violations: failure to perform the obligation of customer identification as required, failure to deal with abnormal transactions as required and failure to obtain customer identification information and retain transaction records;

- the taxation department imposed 34 administrative penalties, of an aggregate of approximately RMB0.53 million, including the following violations: failure to declare relevant taxes on time, and loss of invoices; and

- other regulatory authorities imposed 17 administrative penalties, of an aggregate of approximately RMB2.66 million, including the following violations: overdue submission of annual reports, and reducing the protection capability of civil air defense works.

- o Specifically, one subsidiary was imposed fines of RMB0.1 million in total and ordered to rectify as it violated relevant laws and regulations on civil air defense, including the following violations: transforming and reducing the protective capacity of civil air defense works without authorization, discharging waste water and gas and dumping waste material into civil air defense works.

  The aforementioned subsidiary had made timely payment of the fines imposed and had completed the rectification under the above-mentioned administrative penalties.

In view of the issues involved in the aforementioned administrative penalties, we require all subsidiaries and branches to formulate practical rectification plans for the specific problems, and regularly report rectification progress. We have carried out specialized training to prevent the future occurrence of relevant issues. We have organized and carried out risk investigation, documented various potential risks, and hired professional internal control consultants to evaluate and enhance the systems and processes of risk management and internal control. The internal control consultants have performed analyses of our main business processes to identify weaknesses in our internal control. Having ascertained the status of and problems existing in our internal control, we have implemented rectification plans through our inspection and auditing department to address and correct deficiencies that were identified. See "— Risk Management — Three Lines of Defense of the Risk Management Structure." Specifically:

By formulating rectification plans covering various risk points, improving the internal control mechanism, ensuring that the rectification process and effect are controllable, and carrying out internal control training, publicity and assessment, as well as internal accountability, we can effectively improve the issues involved in administrative penalties. We have hired internal control consultants to organize internal control review covering corporate governance structure, human resource management, budget management, risk management, internal supervision and other fields, which will effectively improve the level and capability of our Company's internal control management.

We have further strengthened our internal control procedures, including the compliance review, violation risk monitoring and risk resolution, and conducted internal investigations on aspects including corporate governance, fund utilization, product management, data authenticity, sales management, Internet business, customer service, underwriting and claim settlement, policy management, collection and payment management and senior executives management. We will also continue to carry out internal polices review to ensure our internal policies meet the changes of laws and regulations, and the needs of the company's development. We will further strengthen the legal and compliance review of insurance clause to ensure the legitimacy and compliance of various products. We will also conduct relevant training on a regular basis, such as compliance training and violation warning education, to strengthen our compliance culture and raise compliance awareness among our employees.

Having consulted with, and considered the analyses performed by, the internal control consultants of the Company, the Joint Sponsors are not aware of any material deficiencies in the Company's internal control measures which may lead to systemic recurrence of similar non-compliances.

During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance with the laws or regulations, which, taken as a whole, in the opinion of our Directors, are likely to have a materially adverse effect on our business, financial condition or results of operations. During the same period, we also did not experience any material non-compliance with laws or regulations, which, taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. The aggregated fines resulting from the administrative penalties set out in the section headed "— Legal and Regulatory Proceedings and Compliance — Regulatory Inspections and Administrative Penalties" accounted for a small percentage of the total assets and the net assets in our latest audited financial statements, and had been paid in full as of the Latest Practicable Date. Our PRC Legal Advisor has confirmed that the above non-compliance with the laws or regulations will not have a material adverse effect on our financial condition and results of operations.

Recent Inspections

After the Track Record Period and up to the Latest Practicable Date, the CBIRC, the PBOC and their local branches had conducted on-site inspections on some subsidiaries and branches of the Company, the scope of which included business, finance, underwriting and claim settlement. During the inspections, it was found that a few subsidiaries and branches were involved in certain non-compliant incidents, mainly including recording operating expenses in violation of accounting rules, untrue statements for commissions and brokerage expenses, and operations inconsistent with the filed terms and rates.

Some of the inspections had not been completed as of the Latest Practicable Date. For the completed inspections, the deficiencies identified during these inspections did not subject us to administrative penalties, save as disclosed and separately discussed under "— Regulatory Inspections and Administrative Penalties." Our PRC Legal Advisor is of the view that such deficiencies will not have a material adverse effect on our financial position and results of operations. As of the Latest Practicable Date, for the inspections that had not been completed, we were not aware of any inspections or audits conducted by any PRC regulatory authorities which would have a material adverse effect on our business, financial position, results of operations or prospects.

LICENSES, PERMITS AND QUALIFICATIONS

As advised by our PRC Legal Advisor, we have obtained all material licenses, permits and qualifications that are necessary for our business operations within the territory of the PRC, and such licenses, permits and qualifications are legal and valid as of the Latest Practicable Date.

Holder	License/Permit	Issuing Authority	Grant Dates
The Company	Insurance License	CBIRC	March 10, 2022
Sunshine P&C	Insurance License	CBIRC	October 13, 2021
Sunshine P&C	Permit for insurance intermediary business	CBIRC Beijing	July 27, 2022
Sunshine Life	Insurance License	CBIRC	November 18, 2021
Sunshine Life	Permit for insurance intermediary business	CBIRC Hainan	May 16, 2022
Sunshine Life	Securities and futures business permit	CSRC	December 10, 2018
Sunshine AMC	Corporate permit for insurance asset management company	CBIRC	April 2, 2022
Sunshine Surety	Corporate permit for insurance company	CBIRC Chongqing	April 7, 2022

We closely monitor the validity of our licenses, permits and qualifications and apply for renewal of such licenses, permits and qualifications in a timely manner prior to their expiration. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material obstacles in obtaining or renewing the major licenses, permits and qualifications required for the operation of our business. Our PRC legal counsel is of the view that there will be no significant legal impediment to the renewal of such licenses, permits and qualifications after their expiration dates if we continue to comply with the applicable laws, regulations and rules.

OVERVIEW

We have in the past conducted certain transactions with entities that will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules) upon Listing. Such transactions will continue after Listing and will therefore constitute our continuing connected transactions under the Hong Kong Listing Rules.

CONNECTED PERSONS

Upon Listing, the directors (including persons who were directors in the last 12 months), supervisors and chief executives of the Company and its subsidiaries (apart from insignificant subsidiaries) and their respective associates will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules).

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.[(1)]

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, 2022	2023	2024
			(RMB million)		
Fully exempt continuing connected transactions					
1. Purchase of insurance products by our individual connected persons	14A.97	N/A	N/A	N/A	N/A
2. Purchase of insurance products by Sunshine AMC	14A.76(1)(a)	N/A	N/A	N/A	N/A
3. Provision of property leasing services to Sunshine AMC	14A.76(1)(a)	N/A	N/A	N/A	N/A
4. Provision of catering and conference services to Sunshine AMC	14A.76(1)(a)	N/A	N/A	N/A	N/A
Non-exempt continuing connected transaction					
5. Provision of investment management services to us by Sunshine AMC	14A.35, 14A.53 and 14A.105	Announcement	946	1,111	1,258

Note:

(1) Please refer to the section headed "History, Development and Corporate Structure" for details.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the Group's fully exempt continuing connected transactions. Given that (1) these transactions are purchases of consumer goods or services for own use, and are on normal commercial terms and in the ordinary and usual course of business, or (2) the highest applicable percentage ratio in respect of the relevant transactions is less than 0.1%, such transactions are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Transactions with our Directors and Supervisors and Certain Associates of Our Directors and Supervisors

Purchase of insurance products by our individual connected persons

We provide a wide range of insurance products in the ordinary and usual course of our business to the public. Certain of our Directors and Supervisors and their respective associates have purchased insurance products from us directly or through entities in the Group which the Directors and Supervisors serve. None of them received any preferential treatment in respect of their purchase of our insurance products. We provide insurance products to such individuals based on the same underwriting rules available to Independent Third Parties, and the terms and premium rates of these products are either approved by or filed with the CBIRC. It is expected that we will continue to provide insurance products to our Directors and Supervisors and their respective associates upon Listing, which will constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The sale of these insurance products by us to our Directors and Supervisors or their respective associates is on normal commercial terms in our ordinary and usual course of business, which constitutes a purchase by each such individual connected person as consumer goods or services for their own private use, and therefore falls within the exemption as stipulated under Rule 14A.97 of the Hong Kong Listing Rules. Accordingly, such transactions are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Transactions with Sunshine AMC

Purchase of insurance products by Sunshine AMC

We provide various insurance products in the ordinary and usual course of our business and on normal commercial terms to Sunshine AMC, including group health insurance products with certain employees of Sunshine AMC as the insured party and property and casualty insurance products with properties of certain employees of Sunshine AMC as the insured subject, pursuant to the written agreements entered into between Sunshine AMC and us. Sunshine AMC did not receive any preferential treatment with respect to its purchase of our insurance products. We provide insurance products to Sunshine AMC based on the same underwriting rules available to Independent Third Parties, and the terms and premium rates of these products are either approved by or filed with the CBIRC. It is expected that we will continue to provide insurance products to Sunshine AMC upon Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Hong Kong Listing Rules.

Taking into account the premiums paid by Sunshine AMC to us for such provision of insurance products during the Track Record Period, our Directors currently expect that all the relevant percentage ratios calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are *de minimis* transactions and will be exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

If the relevant percentage ratio(s) calculated based on the transaction amount for the purchasing insurance products exceeds the *de minimis* threshold stipulated under the Hong Kong Listing Rules, we will comply with the applicable requirements thereunder.

Provision of property leasing services to Sunshine AMC by us

We lease certain of our property to Sunshine AMC for office use with a term of three years, for which Sunshine AMC pays rental fees to us with reference to the prevailing market prices. It is expected that such leases will continue upon Listing, which will constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Our Directors currently expect that all the relevant percentage ratios calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are *de minimis* transactions and will be exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

If the relevant percentage ratio(s) calculated based on the consideration of such property lease transaction exceeds the *de minimis* threshold stipulated under the Hong Kong Listing Rules, we will comply with the applicable requirements thereunder.

Provision of catering and conference services to Sunshine AMC by us

Historically, our subsidiary, Sunshine Jiayue (Beijing) Hotel Management Co., Ltd., provided catering and conference services to Sunshine AMC in its ordinary and usual course of business and Sunshine AMC paid catering and conference service fees with reference to the prevailing market price. It is expected that we will continue to provide such catering and conference services to Sunshine AMC upon Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Hong Kong Listing Rules.

Taking into account the consideration paid by Sunshine AMC for such provision of catering and conference services during the Track Record Period, our Directors currently expect that all the relevant percentage ratios calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are *de minimis* transactions and will be exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

If the relevant percentage ratio(s) calculated based on the consideration of such catering and conference services exceeds the *de minimis* threshold stipulated under the Hong Kong Listing Rules, we will comply with the applicable requirements thereunder.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Set out below is a summary of the Group's non-exempt continuing connected transaction. Given that the highest applicable percentage ratio in respect of such transaction for the three years ending December 31, 2024 is expected to exceed 0.1% but is less than 5%, such transaction shall be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Provision of Investment Management Services by Sunshine AMC to Us

Principal terms

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

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

Reasons for the Transaction

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

Pricing Policies

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

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

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

Historical Amounts and Basis of Annual Caps

For the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022, the fees for investment management services paid by the Group to Sunshine AMC were as follows:

	For the year ended December 31,			For the six months ended June 30,
	2019	**2020**	**2021**	**2022**
		(RMB million)		
Fees for investment management services paid by the Group to Sunshine AMC(1)	940	1,090	712	366

Note:

(1) It includes the investment management fee, consulting service fee and other relevant service fees paid by the Group to Sunshine AMC.

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

	For the year ending December 31,		
	2022	**2023**	**2024**
		(RMB million)	
Fees for investment management services to be paid by the Group to Sunshine AMC	946	1,111	1,258

The Directors have considered, among others, the following factors in determining the annual caps of the fees for investment management services:

1. The historical entrusted assets scale and the historical amount of the investment management service fees paid by the Group to Sunshine AMC during the Track Record Period;

2. The expected growth in entrusted assets scale of the Group in the next three years, the Group's new demands for entrusted investment management service, nature of different types of products and the volatility and unpredictability of the overall financial market. In particular:

   (i) for traditional financial products, having considered, among others: (i) the expected growth of the scale of the Group's entrusted assets and the Group's target allocation structure for its assets in the three years ending December 31, 2024; and (ii) the average benchmark performance and investment returns accrued from the Group's entrusted assets during the Track Record Period. The Company also included buffer in determining the proposed annual caps, taking into consideration the possible fluctuations of the Group's business and cash flow conditions in the three years ending December 31, 2024 as well as the unpredictability of the return exceeding the performance benchmarks;

(ii) for alternative investments, having considered, among others: (i) the scale of alternative investment principal for which investment consultancy services will be provided by the Sunshine AMC to the Group in the three years ending December 31, 2024; and (ii) the estimated increase of the scale of alternative investment principal for which investment consultancy services will be provided by the Sunshine AMC to the Group in the three years ending December 31, 2024.

Waivers Granted by the Hong Kong Stock Exchange

The highest applicable percentage ratio in respect of the transactions described in the above "Non-exempt Continuing Connected Transaction — Provision of investment management services by Sunshine AMC to us" under the Entrusted Investment Management Services Framework Agreement are expected to exceed 0.1% but be less than 5%. Such transactions, therefore, shall be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the non-exempt continuing connected transaction is expected to continue on a recurring and continuing basis, our Directors consider that strict compliance with the announcement requirement would be impracticable, unduly burdensome and would impose unnecessary administrative costs upon us. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Hong Kong Listing Rules in respect of the non-exempt continuing connected transactions. We will comply with the applicable requirements of the Hong Kong Listing Rules if we exceed the proposed annual caps set out above or if there are significant changes in the terms of such transactions.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Measures to Safeguard the Interests of our Shareholders

To safeguard the interests of our Shareholders as a whole, including the minority Shareholders, we will put in place internal approval and monitoring procedures relating to our connected transactions upon the Listing, which include the following:

- we will adopt and implement a management system on connected transactions upon the Listing. Under such system, a specific department of the Company will be responsible for the identification and maintenance of connected persons, and the Related Party Transactions Control Committee will be responsible for the management, review, approval and risk control of connected transactions. The Related Party Transactions Control Committee and various other internal departments of the Company (including but not limited to finance department, legal compliance department and investment management department) will be jointly responsible for assessing the terms under the framework agreement for continuing connected transactions, in particular the reasonableness of pricing policy and annual caps under each agreement;

- our independent non-executive Directors and auditors will conduct an annual review of our continuing connected transactions and provide annual confirmations in accordance with the Hong Kong Listing Rules that the individual transactions are conducted in accordance with the terms of the relevant agreements, on normal commercial terms and in accordance with our pricing policy and in the interests of our Shareholders as a whole; and

- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders (as the case may be) have the right to consider if the terms of the non-exempt continuing connected transaction (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the transactions under the framework agreement(s) constitute non-exempt continuing connected transaction under Rule 14A.35 of the Hong Kong Listing Rules and approvals from the independent non-executive Directors or the independent Shareholders in respect of such transactions cannot be obtained, we will not continue the transactions.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The proposed annual caps for the non-exempt continuing connected transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Confirmation from the Joint Sponsors

Based on (i) their review of the Entrusted Investment Management Services Framework Agreement and other relevant documentation and information provided by our Company; (ii) the due diligence conducted; and (iii) their discussion with the management of our Company, and taking into account the specific characteristics of the industry, the Joint Sponsors are of the view that the continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Company and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and that the proposed annual caps of the non-exempt continuing connected transaction are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

OVERVIEW

The Board currently consists of 12 Directors, amongst whom five are executive Directors, two are non-executive Directors and five are independent non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years.

Our Board of Supervisors currently consists of three Supervisors, amongst whom one is a shareholder Supervisor, one is an employee Supervisor and one is an external Supervisor. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The external Supervisor shall not hold office in the Company for more than six years in total.

Our senior management is responsible for the management of day-to-day operations of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The following table shows the key information of our Directors. All of our Directors meet the qualification requirements under the Hong Kong Listing Rules and relevant PRC laws and regulations for their positions.

Name	Age	Date of joining our Group	Date of appointment as Director(1)	Position(s) in our Company	Roles and responsibilities
Mr. ZHANG Weigong (張維功)	58	May 2004	August 16, 2007	Founder, chairman of the Board, executive Director and chief executive officer	Chairs the overall operation of the Board; presides over the overall work of the Group and is responsible for strategy formulation and overall management of the Group
Mr. ZHAO Zongren (趙宗仁)	66	August 2007	July 18, 2013	Vice chairman of the Board and executive Director	Participates in the discussion and decision-making of the Board; assists chairman of the Board to perform the overall management of the Group

Name	Age	Date of joining our Group	Date of appointment as Director(1)	Position(s) in our Company	Roles and responsibilities
Mr. LI Ke (李科)	58	January 2005	September 7, 2012	Executive Director and general manager	Participates in the discussion and decision-making of the Board; participates in making decisions on significant issues of the Group including its operation; chairs the daily management and operation of the Group
Mr. PENG Jihai (彭吉海)	52	April 2008	August 7, 2015	Executive Director, deputy general manager, chief financial officer, head of investment and chief investment officer	Participates in the discussion and decision-making of the Board; participates in making decisions on significant issues of the Group including its operation; specifically chairs overall operation monitoring, financial management, accounting and strategic investment of the Group and other matters
Mr. WANG Yongwen (王永文)	59	August 2005	December 25, 2020	Executive Director, deputy general manager and chief auditor	Participates in the discussion and decision-making of the Board; participates in making decisions on significant issues of the Group including its operation; specifically chairs risk management, supervision, audit and other matters
Mr. WANG Jingwei (王京偉)	44	December 2018	December 10, 2018	Non-executive Director	Participates in the discussion and decision-making of the Board
Mr. YUAN Mouzhen (袁謀真)	58	December 2020	December 24, 2020	Non-executive Director	Participates in the discussion and decision-making of the Board
Mr. MA Guangyuan (馬光遠)	50	December 2016	December 28, 2016	Independent non-executive Director	Participates in the discussion and decision-making of the Board, and provides independent opinion on corporate governance and financial management

Name	Age	Date of joining our Group	Date of appointment as Director[1]	Position(s) in our Company	Roles and responsibilities
Mr. LIU Zhanqing (劉湛清)	57	December 2018	December 10, 2018	Independent non-executive Director	Participates in the discussion and decision-making of the Board, and provides independent opinion on corporate governance and financial management
Mr. WANG Jianxin (王建新)	49	August 2017	August 17, 2017	Independent non-executive Director	Participates in the discussion and decision-making of the Board, and provides independent opinion on corporate governance and financial management
Mr. GAO Bin (高濱)	60	May 2018	May 14, 2018	Independent non-executive Director	Participates in the discussion and decision-making of the Board, and provides independent opinion on corporate governance and financial management
Ms. JIA Ning (賈寧)	42	November 2021	November 18, 2021	Independent non-executive Director	Participates in the discussion and decision-making of the Board, and provides independent opinion on corporate governance and financial management

Note:

(1) The date of appointment as a Director mentioned here refers to the date when the relevant Director obtained the qualification approval from the CBIRC.

Mr. ZHANG Weigong (張維功), aged 58, is the founder, chairman of the Board, executive Director and chief executive officer of our Company. Mr. Zhang has served as the chairman and an executive Director of our Company since August 2007 and as the chief executive officer of our Company since March 2013. He has served as the chairman of Sunshine AMC since January 2015. Mr. Zhang served as the general manager of our Company from August 2007 to March 2013 and successively served as the chairman and general manager of Sunshine Life from November 2007 to June 2015, successively served as the chairman and general manager of Sunshine P&C from July 2005 to March 2014, and was the head of the founding group of Sunshine P&C from May 2004 to July 2005. Before founding the Company, Mr. Zhang served as the secretary of the Party Committee and director of the Guangdong Bureau of the CIRC (中國保監局廣東監管局) and assumed other positions from September 2003 to May 2004, successively as secretary of the Party Committee and head of the Nanjing Special Commissioner's Office of CIRC (中國保監局南京特派員辦事處) from September 2000 to September 2003 and deputy general manager of the People's Insurance Company of China (中國人民保險公司) (now known as the People's Insurance Company (Group) of China Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 601319) and the Hong Kong Stock Exchange (Stock Code: 01339)) ("**PICC**"), Shandong Branch from July 1999 to September 2000. Before July 1999, Mr. Zhang served as manager and secretary of the Party Committee of PICC, Weifang Branch.

Mr. Zhang obtained an EMBA from Tsinghua University (清華大學) in Beijing, the PRC in January 2016.

Mr. ZHAO Zongren (趙宗仁), aged 66, is the vice chairman of the Board and an executive Director of our Company. Mr. Zhao has served as the vice chairman of our Company since November 2016 and an executive Director of our Company since July 2013. He served as the director of the Labor Union of the Company from December 2009 to May 2020, the chief Supervisor of the Company from April 2009 to May 2011, and the assistant to general manager of the Company from August 2007 to April 2009. Mr. Zhao has been a non-executive director of Huishang Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 03698)) since October 2014. Prior to joining the Company, Mr. Zhao served as the director and secretary of the Party Committee of China Cinda Asset Management Corporation (中國信達資產管理公司) (now known as China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01359)) ("**China Cinda**"), Nanning Office from July 2005 to August 2007, the deputy director, member of Party Committee and secretary of the Disciplinary Committee of China Cinda, Jinan Office from November 1999 to February 2005, the director of the Capital Planning Department as well as the director of the Planning and Finance Department of China Construction Bank (中國建設銀行) (now known as China Construction Bank Corporation (中國建設銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and the Hong Kong Stock Exchange (Stock Code: 00939)), Shandong Branch from June 1996 to November 1999, and vice president of China Construction Bank, Jining Branch from August 1991 to June 1996.

Mr. Zhao obtained a Master's Degree in National Economics from Dongbei University of Finance & Economics (東北財經大學) in Liaoning Province, the PRC in April 2002.

The following companies were put into liquidation or bankruptcy during Mr. Zhao's directorship, with details as follows:

Name of company	Place of incorporation	Date of incorporation	Nature of business	Date of issuance of bankruptcy order/winding-up order
Renown Incorporated	Japan	March 1, 2004	Textile and clothing production	May 15, 2020 *(Note 1)*
Trinity Limited	Bermuda	December 21, 2006	Menswear retail	August 13, 2021 *(Note 2)*

Notes:

1. Mr. Zhao has been an independent director of Renown Incorporated (previously a listed company on Tokyo Stock Exchange and was delisted in May 2020) since May 2019. Renown Incorporated encountered financial difficulty and was unable to pay off its creditors. Tokyo District Court ordered Renown Incorporated to commence bankruptcy reorganization proceedings on May 15, 2020 due to insolvency, and its directors (including Mr. Zhao) have ceased to exercise directors' managing powers since then. Tokyo District Court ordered that Renown Incorporated be wound up on November 27, 2020. As of the Latest Practicable Date, Renown Incorporated was still in the process of liquidation.

2. Mr. Zhao has been an independent non-executive director of Trinity Limited (previously a listed company on Hong Kong Stock Exchange and was delisted in October 2022) since October 2019. On December 8, 2020, a petition for the winding up of Trinity Limited was filed by one of its creditors, seeking a court order to wind up Trinity Limited on the principal ground that Trinity Limited failed to pay the outstanding sum to such creditor of HK$150,383,631.90. On August 13, 2021, the Bermuda Court ordered that Trinity Limited be wound up, and its directors (including Mr. Zhao) have ceased to exercise the directors' powers since then. As of the Latest Practicable Date, Trinity Limited was still in the process of liquidation.

Mr. Zhao confirmed that there was no wrongful act on his part which led to the bankruptcy or winding up of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of their bankruptcy or winding up.

Mr. LI Ke (李科), aged 58, is an executive Director and the general manager of our Company. Mr. Li has served as the chairman of Sunshine P&C since October 2015, the chairman of Sunshine Life since June 2015, the general manager of the Company since March 2013 and an executive Director of the Company since September 2012. Mr. Li served as the deputy general manager of the Company from June 2011 to March 2013, the vice chairman of Sunshine P&C from September 2009 to October 2015 and successively as a member of founding group of Sunshine P&C and the deputy general manager of Sunshine P&C from January 2005 to January 2012. Prior to joining the Company, Mr. Li joined PICC Property and Casualty Company Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 02328)) ("**PICC Property & Casualty**"), Shandong Branch in July 1984 and served as the branch's deputy general manager.

Mr. Li obtained a Bachelor's Degree in Tractor Automobile Repair from Shandong Institute of Agricultural Mechanization (山東農業機械化學院) (now known as Shandong University of Technology (山東理工大學)) in Shandong Province, the PRC in July 1984, and obtained an EMBA from Tsinghua University in Beijing, the PRC in January 2010.

Mr. PENG Jihai (彭吉海), aged 52, is an executive Director, deputy general manager, chief financial officer, head of investment and chief investment officer of our Company. Mr. Peng has served as the chairman of Sunshine Surety since May 2021, and the chief investment officer of the Company since October 2020, the general manager of Sunshine AMC since October 2019, an executive Director of the Company since August 2015, a deputy general manager of the Company since May 2014 and chief financial officer of our Company since January 2010. He was the general manager of the Finance Department of the Company from April 2008 to October 2018. Prior to joining the Company, Mr. Peng joined ING Capital Life Insurance Company Limited (首創安泰人壽保險有限公司) in June 2003 and served as its chief financial officer, and he served as the deputy general manager of Jingfang Investment Management Company under Beijing Capital Group (北京首創集團京放投資管理公司) from April 1995 to May 2003.

Mr. Peng obtained a Bachelor's Degree in Agricultural Finance and Credit Specialization from the Central Institute of Finance and Banking (中央財政金融學院) (now known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC in June 1993, a postgraduate diploma in Monetary Banking from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998, and an EMBA from Tsinghua University in Beijing, the PRC in January 2017. Mr. Peng has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since March 2002.

Mr. WANG Yongwen (王永文), aged 59, is an executive Director, deputy general manager and chief auditor of our Company. Mr. Wang has served as an executive Director of the Company since December 2020, deputy general manager of the Company since August 2019 and chief auditor of the Company since November 2010. Mr. Wang was successively the temporary principal and the general manager of Sunshine P&C from July 2013 to June 2016, the assistant to general manager of the Company from September 2012 to August 2019 and the auditing director of the Company from August 2010 to December 2010. He successively served as the assistant to general manager and deputy general manager of Sunshine P&C and assumed other positions from February 2007 to January 2010, successively as a member of the founding group and the general manager of Sunshine P&C, Henan Branch from August 2005 to February 2007. Prior to joining the Company, Mr. Wang successively served as the deputy manager of PICC, Nanyang Branch, the general manager of PICC, Shangqiu Branch, the general manager of PICC Property & Casualty, Nanyang Branch, and the assistant to general manager of PICC Property & Casualty, Henan Branch from April 1997 to August 2005.

Mr. Wang obtained a Bachelor's Degree in Mathematics from Henan Normal University (河南師範大學) in Henan Province, the PRC in July 1983.

Mr. WANG Jingwei (王京偉), aged 44, is a non-executive Director of our Company. Mr. Wang has served as a non-executive Director of the Company since December 2018 and a senior consultant of Ruiteng Yihong since July 2018. He has successively served as an assistant to the Dean of PBC School of Finance and the director of Finance EMBA and Executive Education Centre of Tsinghua University from June 2012 to June 2019. He served as an independent director of China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600340)) from December 2017 to May 2020, and has served as an independent director of Xinjiang Haoyuan Natural Gas Co., Ltd. (新疆浩源天然氣股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 002700)) from September 2016 to May 2019, and was the director of the Marketing Division, the EMBA Education Centre of School of Economics and Management, Tsinghua University from October 2003 to May 2012.

Mr. Wang obtained a Bachelor's Degree in Enterprise Management from Nankai University in Tianjin, the PRC in June 2001, and obtained a Master's Degree in Business Administration from the Chinese University of Hong Kong in Hong Kong in December 2010.

Mr. YUAN Mouzhen (袁謀真), aged 58, is a non-executive Director of our Company. Mr. Yuan has served as a non-executive Director of the Company since December 2020. He has been a deputy general manager of the Capital and Finance Department of Sinopec Group since December 2019, deputy director of the Capital Operation Department of Sinopec Group and deputy general manager of Sinopec Group Asset Management Co., Ltd. (中國石化集團資產經營管理有限公司) from November 2015 to December 2019, served as director and assumed other positions of the First Property Rights Division of the Property Rights Management Bureau of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會產權管理局產權一處) from March 2003 to July 2014, deputy inspector of the Property Rights Management Bureau of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會產權管理局) from July 2014 to November 2015, deputy director of the Property Rights Registration Division of the State-owned Capital Basic Management Department (國有資本金基礎管理司產權登記處) and Regulation Division (制度處) and the General Division (綜合處) of the Enterprise Department (企業司) of the Ministry of Finance from July 1998 to March 2003, chief officer and deputy director of the Enterprise Department (企業司) and Property Rights Registration Division of the Property Rights Department (產權司產權登記處) of the State Administration of State-owned Assets (國家國有資產管理局) from September 1992 to July 1998. From July 1986 to September 1992, he served as an assistant engineer and economist of the Bureau of Electrification Engineering of the Ministry of Railways (鐵道部電氣化工程局).

Mr. Yuan obtained a Bachelor's Degree in Transport Economics from Northern Jiaotong University (北方交通大學) (now known as Beijing Jiaotong University (北京交通大學)) in Beijing, the PRC in July 1986, and obtained a Master's Degree in Technical Economy from Northern Jiaotong University in April 1998.

Mr. MA Guangyuan (馬光遠), aged 50, is an independent non-executive Director of our Company. Mr. Ma has served as an independent non-executive Director of the Company since December 2016. Mr. Ma has served as a director for Beijing Science and Technology Park Construction (Group) Co., Ltd. (北京科技園建設(集團)股份有限公司) since November 2017, and an independent director for Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600031)) from September 2017 to April 2022. Mr. Ma was engaged in research of economics and published a number of articles in macro-economics, corporate merger, private economy and other areas.

Mr. Ma obtained a Doctorate Degree in National Economics from the China Academy of Social Sciences (中國社會科學院) in Beijing, the PRC in June 2011. Mr. Ma was granted the qualification of lawyer by the Ministry of Justice of the PRC (中國司法部) in May 1999.

Mr. LIU Zhanqing (劉湛清), aged 57, is an independent non-executive Director of our Company. Mr. Liu has served as an independent non-executive Director of the Company since December 2018 and as a founding partner and managing partner of QZJ Investments and Management Center, L.P. (北京清志傑投資管理中心(有限合夥)) since September 2017. Mr. Liu served as a non-executive director of Lamtex Holdings Ltd. (林達控股有限公司) (a company formerly listed on the Hong Kong Stock Exchange (Stock Code: 01041) and delisted on April 22, 2022) from September 2017 to March 2020, the deputy general manager of China National Agricultural Development Group Co., Ltd. (中國農業發展集團有限公司) from December 2014 to October 2016. He joined China National Fisheries Corp. (中國水產總公司) (now known as China National Fisheries Co., Ltd. (中國水產有限公司)) in July 1986, and successively served as the deputy general manager, general manager and the chairman of the board of directors from March 2003 to May 2015.

Mr. Liu obtained a Master's Degree in Business Administration from the China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC in September 2008.

Mr. WANG Jianxin (王建新), aged 49, is an independent non-executive Director of our Company. Mr. Wang has served as an independent non-executive Director of the Company since August 2017. Mr. Wang has served as an independent director of Winner Technology Co., Inc. (匯納科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300609)) since May 2020, an independent director of China Minsheng Trust Co., Ltd. (中國民生信託有限公司) since September 2019, and a professor, researcher and doctoral tutor at the China Academy of Fiscal Sciences (中國財政科學研究院) since December 2008. He served as an independent director of Beijing ZZNode Technologies Co., Ltd. (北京直真科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 003007)) from June 2017 to June 2022, an independent director of Hunan Lead Power Dazhi Technology Incorporated Company (湖南領湃達志科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 300530)) from January 8, 2022 to January 28, 2022, an independent director of Kelin Environmental Protection Equipment, Inc. (科林環保裝備股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002499)) from February 2021 to July 2021, an independent director of Easy Visible Supply Chain Management Co., Ltd. (易見供應鏈管理股份有限公司) (a company formerly listed on the Shanghai Stock Exchange (Stock Code: 600093)) from August 2020 to August 2021, an independent director of AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司) (formerly known as AVIC Capital Co., Ltd. (中航資本控股股份有限公司)) (a company listed on the Shanghai Stock Exchange (Stock Code: 600705)) from December 2018 to December 2021, an independent non-executive director of AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司) (a company listed on the Stock Exchange (Stock Code: 02357)) from June 2018 to May 2021, an independent director of Changjiang Securities Co., Ltd. (長江證券股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 000783)) from December 2017 to November 2019, an independent director of Guangdong Homa Group Co., Ltd. (廣東奧馬電器股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 002668)) from November 2017 to April 2021, and successively as the deputy researcher and postgraduate (master's degree) tutor at the Research Institute for Fiscal Science, Ministry of Finance (財政部科研所) from July 2004 to December 2008.

Mr. Wang obtained a Master's Degree in Accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei Province, the PRC in June 2002, and obtained a Doctorate Degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC in September 2004. Mr. Wang was awarded the title of researcher by the Ministry of Finance in December 2008, and was admitted as a fellow professional national accountant of the National Institute of Accountants (now known as Institute of Public Accountants) in Australia in June 2005.

Mr. GAO Bin (高濱), aged 60, is an independent non-executive Director of our Company. Mr. Gao has served as an independent non-executive Director of the Company since May 2018. He has served as the chief executive officer and an executive director of Kaifeng Investment Management (Hong Kong) Limited (凱豐投資管理(香港)有限公司) since October 2020, chief economist of Shenzhen Kaifeng Investment Management Co., Limited (深圳市凱豐投資管理有限公司) since January 2019, an independent non-executive director of Tai United Holdings Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 00718)) since November 2015, and a special-term professor of the finance faculty of PBC School of Finance, Tsinghua University since December 2014. He has been an independent director of Yueyang Forest & Paper Co., Ltd. (岳陽林紙股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600963)) from October 2018 to January 2022, and served as an independent director for Sogou Inc. (a company formerly listed on the New York Stock Exchange (stock code: SOGO)) from November 2017 to September 2021, chief investment officer and director of Invealth Capital Management Limited (金維資本基金公司) (now known as Kaifeng Investment Management (Hong Kong) Limited) from June 2016 to October 2020, head of strategy at Guard Capital Management Limited from May 2014 to December 2015, successively served as managing director and head of Pacific Rim Rates Research and Japan Derivatives Strategy Research Department at Merrill Lynch Japan Securities Co., Ltd. and managing director and head of Asia Pacific Rates Strategy Global Research at Merrill Lynch (Asia Pacific) Limited from April 2005 to May 2014, and successively as the head of quantitative portfolio strategy (Asia) and the senior vice president of Lehman Brothers Japan Inc. (Tokyo) and Lehman Brothers Inc. (NY) from May 2004 to April 2005.

Mr. Gao obtained a Bachelor's Degree in Space Physics from the University of Science and Technology of China (中國科學技術大學) in Anhui Province, the PRC in July 1985, a Master's Degree in Astrophysics from Princeton University in the United States in June 1991, a Master's Degree in Finance from New York University in the United States in September 1994, and a Doctorate Degree in Finance and International Business from New York University in September 1996.

Ms. JIA Ning (賈寧), aged 42, is an independent non-executive Director of our Company. Ms. Jia has served as an independent non-executive Director of the Company since November 2021. She has been the associate professor of the School of Economics and Management of Tsinghua University since December 2010, and lecturer of the School of Economics and Management of Tsinghua University from January 2008 to November 2010.

Ms. Jia obtained a Bachelor's Degree in Computer Science from the University of Minnesota in the United States in May 2002, obtained a Master's Degree in Statistics from Stanford University in the United States in June 2004, and obtained a Doctorate Degree in Business Administration from Stanford University in September 2007.

Supervisors

The following table shows the key information of our Supervisors. All of our Supervisors meet the qualification requirements under relevant PRC laws and regulations for their positions.

Name	Age	Date of joining our Group	Date of appointment as Supervisor(1)	Position(s) in our Company	Roles and responsibilities
Mr. ZHUANG Liang (莊良)	59	May 2004	December 24, 2020	Chairman of the Board of Supervisors and Employee Supervisor	Participates in the discussion and decision-making of the Board of Supervisors; supervises the Board and management; and expresses independent supervision opinions
Ms. ZHANG Di (張迪)	38	June 2022	June 27, 2022	Shareholder Supervisor	Participates in the discussion and decision-making of the Board of Supervisors; supervises the Board and management; and expresses independent supervision opinions
Ms. WANG Zhe (王哲)	41	November 2021	November 18, 2021	External Supervisor	Participates in the discussion and decision-making of the Board of Supervisors; supervises the Board and management; and expresses independent supervision opinions

Note:

(1) The date of appointment as a Supervisor mentioned here refers to the date when the relevant Supervisor obtained the qualification approval from the CBIRC.

Mr. ZHUANG Liang (莊良), aged 59, is the chairman of the Board of Supervisors and a Supervisor of our Company. Mr. Zhuang has served as the chairman of the Board of Supervisors and a Supervisor of the Company since December 2020. He has been the general manager of the Company's tendering, procurement and logistic center since February 2019. He served as the general manager of the Company's Logistic Department from December 2016 to February 2019, the deputy general manager of the Company's Logistic Department from December 2013 to December 2016, successively served as a member of the founding group of Sunshine P&C, the general manager of the Human Resources and Administration Department and the office chief director of Sunshine P&C, Jiangsu Branch from May 2004 to December 2013. Prior to joining the Company, Mr. Zhuang was the section director of Nanjing Insurance Regulatory Office of CIRC (中國保監會南京保監辦) from October 2001, and worked at Jiangsu Insurance Association (江蘇省保險行業協會) from August 1996 to October 2000.

Mr. Zhuang obtained a Bachelor's Degree in Electronic Instruments and Measurement Technology from Shenyang Institute of Electrical and Mechanical Technology (瀋陽機電學院) (now known as Shenyang University of Technology (瀋陽工業大學)) in Liaoning Province, the PRC in July 1984, and obtained a second Bachelor's Degree in Industrial Economics Management from Southeast University (東南大學) in Jiangsu Province, the PRC in June 1997.

Ms. ZHANG Di (張迪), aged 38, is a Supervisor of our Company. Ms. Zhang has served as a Supervisor of the Company since June 2022. She currently serves as the supervisor of Jiangsu Tiancheng since October 2021, the executive director and general manager of Hainan Hongde Ruilian Private Equity Fund Management Co., Ltd. (海南弘德瑞聯私募基金管理有限公司) since October 2021 and the executive director of the investment division of Huashan Ruilian Fund Management Co., Ltd. since May 2014. Ms. Zhang worked at Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) from February 2010 to December 2014.

Ms. Zhang obtained dual Bachelor's Degrees in International Politics and Economics from Peking University in Beijing, the PRC in July 2006, and a Master's Degree in Public Policy from the University of Chicago in the United States in June 2009.

Ms. WANG Zhe (王哲), aged 41, is a Supervisor of our Company. Ms. Wang has served as a Supervisor of the Company since November 2021. She has been the deputy director of the Alumni Affairs Department and Development Department of Cheung Kong Graduate School of Business (長江商學院) since October 2008, and was a teacher at the Affiliated College of Nationalities of Hebei Normal University (河北師範大學附屬民族學院) from July 2004 to October 2008.

Ms. Wang obtained a Bachelor's Degree in English from Hebei Normal University in Hebei Province, the PRC in June 2004 and obtained an EMBA from Cheung Kong Graduate School of Business in Beijing, the PRC in September 2018.

Senior Management

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as senior management[(1)]	Position(s) in our Company	Roles and responsibilities
Mr. ZHANG Weigong (張維功)	58	May 2004	August 16, 2007	Founder, chairman of the Board, executive Director and chief executive officer	Chairs the overall operation of the Board; presides over the overall work of the Group and is responsible for the strategy formulation and overall management of the Group
Mr. LI Ke (李科)	58	January 2005	June 3, 2011	Executive Director and general manager	Participates in the discussion and decision-making of the Board; participates in making decisions on significant issues of the Group including its operation; chairs the daily management and operation of the Group
Mr. PENG Jihai (彭吉海)	52	April 2008	January 26, 2010	Executive Director, deputy general manager, chief financial officer, head of investment and chief investment officer	Participates in the discussion and decision-making of the Board; participates in making decisions on significant issues of the Group including its operation; specifically chairs the Group's overall operation monitoring, financial management, accounting and strategic investment of the Group and other matters
Mr. WANG Yongwen (王永文)	59	August 2005	November 25, 2010	Executive Director, deputy general manager and chief auditor	Participates in the discussion and decision-making of the Board; participates in making decisions on significant issues of the Group including its operation; specifically chairs risk management, supervision, audit and other matters
Mr. NING Shoubo (寧首波)	59	June 2007	May 29, 2014	Deputy general manager	Participates in making decisions on significant issues of the Group including its operation; specifically chairs the elderly care business and real estate business
Mr. XIA Fangchen (夏芳晨)	57	December 2015	July 20, 2016	Deputy general manager	Participates in making decisions on significant issues of the Group including its operation; specifically chairs brand development and other work

Name	Age	Date of joining our Group	Date of appointment as senior management[(1)]	Position(s) in our Company	Roles and responsibilities
Mr. LI Wei (李偉)	49	July 2005	July 13, 2016	Assistant to general manager	Participates in making decisions on significant issues of the Group including its operation; specifically chairs the surety insurance product line
Mr. NIE Rui (聶鋭)	54	March 2011	May 22, 2014	Chief compliance officer and chief risk officer	Participates in making decisions on significant issues of the Group including its operation; specifically chairs the legal and compliance affairs and assists in risk management affairs
Ms. GAO Yongmei (高永梅)	53	November 2016	July 16, 2021	Assistant to general manager	Participates in making decisions on significant issues of the Group including its operation; specifically chairs the medical health management business line
Mr. LIU Yingchun (劉迎春)	53	December 2005	May 12, 2022	Assistant to general manager	Participates in making decisions on significant issues of the Group including its operation; specifically chairs insurance business in relation to real economy clients
Mr. DONG Yingqiu (董迎秋)	47	January 2005	December 9, 2020	Secretary to the Board	Participates in making decisions on significant issues of the Group including its operation; specifically responsible for corporate governance-related work; specifically chairs corporate strategy
Ms. WANG Zhenling (王震凌)	46	March 2005	July 16, 2021	Assistant to general manager	Participates in making decisions on significant issues of the Group including its operation; specifically chairs business development and planning
Mr. YANG Xueli (楊學理)	47	July 2005	February 21, 2022	Assistant to general manager	Participates in making decisions on significant issues of the Group including its operation; specifically assists in human resources and chairs administrative services

Note:

(1) The date of appointment as a senior management member mentioned here refers to the date when the relevant senior management member obtained the qualification approval from the CBIRC.

For details of the biographies of **Mr. Zhang Weigong**, **Mr. Li Ke**, **Mr. Peng Jihai**, and **Mr. Wang Yongwen**, please refer to "— Directors" in this section.

Mr. NING Shoubo (寧首波), aged 59, is the deputy general manager of our Company. Mr. Ning has served as the deputy general manager of the Company since May 2014, and the director of Sunshine P&C since December 2013. He served as the general manager of the Elderly Care and Real Estate Center of the Company from September 2019 to December 2019, and successively served as a member of the founding group, the deputy general manager, the vice chairman of the board of directors, the chief compliance officer and the general manager of Sunshine Life from June 2007 to March 2019. Prior to joining the Company, Mr. Ning served as the senior deputy general manager of Sino-US MetLife Insurance Co., Ltd. (中美大都會人壽保險有限公司) from August 2004 to June 2007, successively as deputy general manager of Ping An Life Insurance Company of China, Ltd., Hebei Branch (中國平安人壽保險有限公司河北分公司), the deputy general manager and the general manager of Ping An Life Insurance Company of China, Ltd., Tianjin Branch (中國平安人壽保險有限公司天津分公司) and the general manager of Ping An Life Insurance Company of China, Ltd., Shanghai Branch (中國平安人壽保險有限公司上海分公司) from November 1996 to July 2004.

Mr. Ning obtained a Bachelor's Degree in Finance from the Finance and Economics Institute of Tianjin (天津財經學院) (now known as Tianjin University of Finance and Economics (天津財經大學)) in Tianjin, the PRC in July 1986, and obtained an EMBA from Peking University (北京大學) in Beijing, the PRC in July 2007.

Mr. XIA Fangchen (夏芳晨), aged 57, is the deputy general manager of our Company. Mr. Xia has served as the director of the Labor Union of the Company since May 2020, the deputy general manager of the Company since July 2016 and a member of the reserved management team of the Company from December 2015 to July 2016. Before that, Mr. Xia served as the director of equity of Shandong Social Security Fund Committee (山東省社會保障基金理事會) from August 2015 to December 2015, deputy mayor of Weifang, Shangdong Province from January 2010 to August 2015, and was appointed as director of the Finance Bureau of Weifang, Shangdong Province (山東省濰坊市財政局) in April 2003.

Mr. Xia obtained an EMBA from Tsinghua University in Beijing, the PRC in July 2006, and obtained a Doctorate Degree in Public Finance from Dongbei University of Finance and Economics in Liaoning Province, the PRC in June 2011.

Mr. LI Wei (李偉), aged 49, is the assistant to general manager of our Company. Mr. Li has served as a director of Sunshine Life since December 2016 and as an assistant to general manager of the Company since July 2016. He served as the deputy general manager of Sunshine P&C from January 2014 to July 2018, successively as senior manager, assistant to general manager, deputy director and director of the office of the chairman of the Board of the Company from November 2009 to December 2013, successively as the assistant to general manager of Sales Management Department, Planning Actuary Department and Planning Department of Sunshine P&C from March 2008 to February 2010, and successively as the deputy general manager and general manager of the Sales and Management Department of

Sunshine P&C, Shandong Branch from July 2005 to November 2008. Prior to joining the Company, Mr. Li served at PICC, Shandong branch from July 1994 to July 2005, and successively served as deputy section director and section director.

Mr. Li obtained a Bachelor's Degree in Insurance from Nankai University (南開大學) in Tianjin, the PRC in July 1994.

Mr. NIE Rui (聶銳), aged 54, is the chief compliance officer and chief risk officer. Mr. Nie has served as chief auditor of Sunshine AMC since September 2019, director of Sunshine Surety since December 2018, chief risk control officer of the Company since July 2015, chief compliance officer of the Company since May 2014, director of Sunshine Life since October 2013, executive director and deputy general manager of Sunshine AMC since January 2013, director of Sunshine P&C since May 2011 and general counsel of the Company since May 2011. Mr. Nie served as executive director of the Company from June 2016 to May 2017. Prior to joining the Company, Mr. Nie served as a partner of Guantao Law Firm (觀韜律師事務所) from April 1999 to March 2011.

Mr. Nie obtained a Bachelor's Degree in Law from Shanghai University (上海大學) in Shanghai, the PRC in July 1990, and obtained a Master's Degree in Law from Peking University in Beijing, the PRC in August 2003. Mr. Nie was granted the qualification of lawyer by the Ministry of Justice of the PRC in March 1994.

Ms. GAO Yongmei (高永梅), aged 53, is the assistant to the general manager of our Company. Ms. Gao has served as the assistant to the general manager of the Company since July 2021. Ms. Gao served as the assistant to the chairman of the Company from November 2020 to August 2021, the deputy general manager of Sunshine Life and assumed other positions from November 2016 to April 2021. Ms. Gao served as a non-executive director of Yidu Tech Inc. (a company listed on the Hong Kong Stock Exchange (Stock Code: 02158)) from August 2020 to September 2021. Prior to joining the Company, Ms. Gao served in New China Life Insurance Company Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 601336) and the Hong Kong Stock Exchange (Stock Code: 01336)) from October 2002 to November 2016, and assumed positions including the general manager of its Jilin Branch.

Ms. Gao obtained an EMBA from Peking University in Beijing, the PRC in January 2012.

Mr. LIU Yingchun (劉迎春), aged 53, is the assistant to the general manager of our Company. Mr. Liu has been the assistant to the general manager of our Company since May 2022 and the deputy general manager of Sunshine P&C since April 2017. Mr. Liu served as the assistant to the general manager of Sunshine P&C from December 2015 to March 2017, the senior manager, deputy general manager and general manager of Sunshine P&C, Henan Branch from November 2012 to November 2016, and a member of the founding group, the deputy general manager and general manager of Sunshine P&C, Nanyang Central Sub-branch from December 2005 to November 2012.

Mr. Liu obtained a Master's Degree in Business Administration from Peking University in Beijing, the PRC in January 2017.

Mr. DONG Yingqiu (董迎秋), aged 47, is secretary to the Board of our Company. Mr. Dong has served as secretary to the Board of our Company since December 2020, general manager of Strategic Development Department of our Company concurrently since February 2019, director of Sunshine Surety since May 2016, and the strategy director of our Company since November 2013. Mr. Dong served as chief director of the office of the Board of our Company from January 2016 to January 2019, successively as general manager of the Strategy and Innovation Development Centre, general manager of the Strategic Development Department of our Company and assumed other positions from November 2009 to November 2013, successively served as senior manager and assistant to the chief director of the office of the Board of our Company from September 2007 to November 2009, successively served as a member of the founding group, assistant to the chief director of the office of the board of directors of Sunshine P&C and assumed other positions from January 2005 to September 2007. Mr. Dong served as a non-executive director of Mashang Consumer Finance Co., Ltd. (馬上消費金融股份有限公司) since June 2015. Prior to joining the Company, Mr. Dong served Beijing Wukesong Culture & Sports Center Co., Ltd (北京五棵松文化體育中心有限公司) from November 2003 to December 2004, and worked at Beijing Urban Construction Investment & Development Co., Ltd. (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600266)) from November 1999 to September 2001.

Mr. Dong obtained a Bachelor's Degree in Enterprise Management from Shandong University of Finance (山東財政學院) (now known as Shandong University of Finance and Economics (山東財經大學)) in Shandong Province, the PRC in July 1998, and a Master's Degree in Business Administration from Peking University in Beijing, the PRC in August 2003.

Ms. WANG Zhenling (王震凌), aged 46, is the assistant to the general manager of our Company. Ms. Wang has served as the assistant to the general manager of the Company since July 2021. Ms. Wang successively served as deputy planning director, general manager of the Planning and Actuarial Department and planning director of our Company from December 2015 to July 2021, successively served as a member of the founding group, general manager of the Planning Department, general manager of the Finance Department and head of finance of Sunshine Life and assumed other positions from September 2007 to December 2018 and successively served as a member of the founding group, director and senior manager of the Strategic Development Department of Sunshine P&C from March 2005 to August 2007.

Ms. Wang obtained a Bachelor's Degree in Insurance from Shanghai University of Finance and Economics in Shanghai, the PRC in June 1998, and a Master's Degree in Business Administration from Peking University in Beijing, the PRC in January 2017.

Mr. YANG Xueli (楊學理), aged 47, is the assistant to the general manager of our Company. Mr. Yang has been the assistant to the general manager of our Company since February 2022 and the office director and general manager of the Human Resources Department of our Company since February 2019, and has served as a supervisor and the chairman of the board of supervisors of Sunshine P&C since September 2017. Mr. Yang successively served as deputy director of the Company's office of the Chairman, director of the office of the Company and assumed other positions from June 2008 to February 2019, served as a member of the founding group and the deputy general manager of the Human Resources and Administration Department of Sunshine P&C, Chongqing Branch, director of the secretariat of the office of Sunshine P&C and assumed other positions from July 2005 to June 2008. Prior to joining the Company, Mr. Yang successively served as the director of the Technology Department of the Business Centre, a secretary to the Party Committee's office and the office of China Life Insurance Company Limited, Chongqing Branch (中國人壽保險股份有限公司重慶分公司) and assumed other positions from July 1997 to July 2005.

Mr. Yang obtained a Bachelor's Degree in Computer and Application from Chongqing Normal University (重慶師範大學) in Chongqing, the PRC in July 1997, and a Master's Degree in Software Engineering Field Engineering from the University of Electronic Science and Technology of China (電子科技大學) in Sichuan Province, the PRC in June 2014.

Save as disclosed in this section "Directors, Supervisors and Senior Management", (i) none of our Directors and Supervisors held any directorship in any public companies the shares of which are listed in Hong Kong or overseas stock markets during the three years prior to the date of this prospectus; (ii) to the best knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters in connection with the appointments of our Directors and Supervisors that need to be brought to the attention of our Shareholders and there is no information in relation to our Directors and Supervisors to be disclosed pursuant to the requirements of Rules 13.51 (2)(a) to (v) of the Listing Rules.

To the best knowledge, information and belief of the Directors, our Directors, Supervisors and the senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Mr. DONG Yingqiu was appointed as the joint company secretary of the Company in April 2022. Mr. Dong is also a senior management member of the Company. For details of his biography, please refer to "— Senior Management" in this section.

Mr. LAU Kwok Yin (劉國賢) was appointed as the joint company secretary of the Company in April 2022. Mr. Lau has more than 13 years of experience in corporate secretarial services, finance and banking operations. Mr. Lau has been serving as the company secretary or joint company secretary of several companies listed on the Stock Exchange. He is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited.

Mr. Lau obtained a Bachelor's Degree in Business Administration (Accounting and Finance) from the University of Hong Kong in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst Charterholder, and a fellow of each of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute (previously known as The Hong Kong Institute of Chartered Secretaries).

COMPETING BUSINESS

Save as disclosed above, the Directors confirmed that, as of the Latest Practicable Date, none of our Directors had interests in any business which competes or is likely to compete, either directly or indirectly, with our business and that is required to be disclosed under Rule 8.10 of the Listing Rules.

CODE PROVISION C.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Zhang Weigong is the chairman of the Board and chief executive officer of our Company. Mr. Zhang Weigong, the founder of our Company, has extensive experience in the insurance industry and is responsible for the overall management of business strategies and operation of the Company. Our Board believes that vesting the roles of both chairman of the Board and chief executive officer in Mr. Zhang Weigong would be beneficial to the business prospects and the operating efficiency of our Company. We believe that the balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high-caliber individuals. The Board currently consists of five executive Directors, including Mr. Zhang Weigong, two non-executive Directors and five independent non-executive Directors. As such, it warrants a high standard of independence. The overall strategies and other major business policies of the Group have been jointly formulated by 12 Directors of our Board after thorough discussion, which ensures the comprehensiveness and rationality of our decision-making. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Save as disclosed above, we expect to comply with all the code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles and the corporate governance provisions prescribed in the Listing Rules, we have established seven special committees under the Board, namely the Strategy and Investment Decision Committee, Risk Management Committee, Audit Committee, Nomination and Remuneration Committee, Related Party Transaction Control Committee, Consumer Rights Protection Committee and ESG Committee.

Strategy and Investment Decision Committee

The Strategy and Investment Decision Committee of the Company consists of three Directors, namely Li Ke, Peng Jihai and Ma Guangyuan. Li Ke serves as the chairman of the committee. The main duties of the Strategy and Investment Decision Committee of the Company include (but are not limited to) reviewing and making proposals on the Company's medium- and long-term development strategies and major investment decisions, and making decisions on related matters within the authority of the Board.

Risk Management Committee

The Risk Management Committee of the Company consists of three Directors, namely Zhao Zongren, Peng Jihai and Jia Ning. Zhao Zongren serves as the chairman of the committee. The main duties of the Risk Management Committee of the Company include (but are not limited to) reviewing and making suggestions and recommendations to the Board of Directors on the basic principles, overall goals, fundamental policies, basic systems of risk management, annual risk assessment reports as well as risk assessment of major decisions and solutions to major risks.

Audit Committee

The Audit Committee of the Company consists of three Directors, namely Wang Jianxin, Gao Bin and Wang Jingwei. Wang Jianxin serves as the chairman of the committee. The main duties of the Audit Committee of the Company include (but are not limited to):

- regularly reviewing the internal control assessment reports submitted by the internal audit department, the risk assessment reports submitted by the risk management department, and the compliance reports submitted by the compliance management department;
- making suggestions and recommendations for improvement to the Board of Directors on the Company's internal control, risks and compliance issues; and
- other duties required under Appendix 14 of the Listing Rules.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company consists of three Directors, namely Ma Guangyuan, Liu Zhanqing and Gao Bin. Ma Guangyuan serves as the chairman of the committee. The main duties of the Nomination and Remuneration Committee of the Company include (but are not limited to):

- reviewing the election system, assessment standards and remuneration incentives for Directors and senior management;
- reviewing and making recommendations to the Board of Directors and the Board of Supervisors on candidates for Directors, Supervisors and senior management; and conducting performance appraisals of senior management; and
- other duties required under Appendix 14 of the Listing Rules.

Related Party Transaction Control Committee

The Related Party Transaction Control Committee of the Company consists of three Directors, namely Liu Zhanqing, Gao Bin and Wang Jianxin. Liu Zhanqing serves as the chairman of the committee. The main duties of the Related Party Transaction Control Committee of the Company include (but are not limited to):

- reviewing the related party transaction management system; and
- filing, review and risk control of related transactions.

Consumer Rights Protection Committee

The Consumer Rights Protection Committee of the Company consists of three Directors, namely Li Ke, Wang Yongwen and Wang Jingwei. Li Ke serves as the chairman of the committee. The main duties of the Consumer Rights Protection Committee of the Company include (but are not limited to):

- submitting work reports on consumer rights protection and annual reports to the Board;
- instructing and supervising the establishment and improvement of the management system for consumer rights protection;
- supervising the work of senior management and the consumer rights protection department; and
- reviewing the work reports submitted by the senior management and consumer rights protection department, studying annual audit reports, regulatory announcements and internal assessment results related to consumer rights protection, and supervising the senior management and relevant departments to settle various problems identified.

ESG Committee

The ESG Committee of the Company consists of three Directors, namely Peng Jihai, Liu Zhanqing and Gao Bin. Peng Jihai serves as the chairman of the committee. The main duties of the ESG Committee include (but are not limited to):

- responsible for strengthening and reviewing the matters related to the environmental protection, social responsibility and corporate governance strategies of the Company, assessing and making recommendations on major decisions related to company business and investment management that may affect the environment and social responsibility;

- reviewing the annual corporate social responsibility report and the environmental, social and governance report which are contained in the Company's annual report and/or published separately; and

- reviewing or making decisions on other matters related to environment, social and governance.

BOARD DIVERSITY POLICY

We will adopt a board diversity policy (the "**Board Diversity Policy**") prior to the Listing, which sets out the approach to achieve and maintain diversity in our Board. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on the merits of the candidates and the value and contribution that the candidates may bring to our Board.

Our Nomination and Remuneration Committee is responsible for the supervision of the implementation of the Board Diversity Policy. Upon completion of the Listing, our Nomination and Remuneration Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, the Board has one female member, and will ensure that at least one member of the Board is female. In the coming three years after the Listing, our Company will take the opportunity to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. The current senior management and the Board of Supervisors consist of multiple female members. Our Company also intends to promote gender diversity when recruiting staff at the middle to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We plan to offer all-round training to female employees whom we consider to have suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance. We are of the view that such strategy will offer chances for our Board to identify capable female employees to be nominated as members of the Board in the future with an aim to provide our Board with a pipeline of female candidates to achieve gender diversity in our Board in the long run. The Nomination and Remuneration Committee will use its best endeavors to identify and recommend qualified female candidates to our Board for its consideration on appointment of a Director, subject to our Directors: (i) being satisfied with the competence and experience of the relevant candidates based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and our Shareholders as a whole when considering the appointment. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

COMPENSATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management members who receive emoluments from the Company are remunerated in forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and others.

In the years 2019, 2020 and 2021 and the six months ended June 30, 2022, the total remuneration paid to our Directors amounted to approximately RMB31.3 million, RMB31.9 million, RMB37.6 million and RMB8.5 million, respectively.

In the years 2019, 2020 and 2021 and the six months ended June 30, 2022, the total remuneration paid to our Supervisors amounted to approximately RMB2.0 million, RMB1.3 million, RMB2.0 million and RMB0.5 million, respectively.

In the years 2019, 2020 and 2021 and the six months ended June 30, 2022, the total emoluments paid to the five highest paid individuals (including Directors) by the Group amounted to approximately RMB36.6 million, RMB40.3 million, RMB36.7 million and RMB8.0 million, respectively.

Under the arrangement currently in force, the Company expects that the total remuneration (excluding discretionary bonuses) to be paid to our Directors and Supervisors by the Company for the year ending 31 December 2022 will amount to approximately RMB23.3 million and RMB1.0 million, respectively.

During the Track Record Period, no fee was paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors or Supervisors waived any remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to the remuneration paid by comparable companies and the achievement of major operating indicators of the Company. Fixed remuneration is determined with reference to the remuneration data provided by a professional management consultation company and the position of the Company among its major competitors.

COMPLIANCE ADVISOR

We have agreed to appoint Huatai Financial Holdings (Hong Kong) Limited as our compliance advisor upon the Listing in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The material terms of the compliance advisor's agreement are as follows:

(1). Huatai Financial Holdings (Hong Kong) Limited shall act as our compliance advisor for the purpose of Rules 3A.19 and 19A.05 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(2). the compliance advisor will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and all other applicable laws, rules, codes and guidelines;

(3). the compliance advisor will notify the Company in a timely manner and provide compliance advice on any amendment or supplement to the Listing Rules, as well as newly adopted or revised applicable laws, rules or codes of Hong Kong; and

(4). the compliance advisor will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

DISCLOSURE UNDER RULE 13.51(2) OF HONG KONG LISTING RULES

(A) Mr. Wang Jingwei, one of our non-executive Directors, was subject to disciplinary actions imposed by the Shenzhen Stock Exchange on September 20, 2018 and an administrative penalty of RMB30,000 imposed by the Xinjiang Regulatory Bureau of the CSRC (the "**Xinjiang CSRC**") on November 13, 2018 when he was acting as an independent director of Xinjiang Haoyuan Natural Gas Co., Ltd. (新疆浩源天然氣股份有限公司) ("**Xinjiang Haoyuan**"), which failed to disclose the related party transactions with Xinjiang Youbang Shumao Trading Company Limited (新疆友邦數貿貿易有限公司) ("**Xinjiang Youbang**"), a related party of Xinjiang Haoyuan, in a timely manner as well as in its 2017 interim report dated August 22, 2017 in accordance with the relevant laws and regulations (the "**Incident**"). Such related party transactions were entered into between Xinjiang Haoyuan and Xinjiang Youbang during the period from June 2017 to February 2018. On March 21, 2018, Xinjiang Haoyuan separately published an announcement disclosing such related party transactions with Xinjiang Youbang, who has paid all the outstanding loans and interest back to Xinjiang Haoyuan in April 2018. The Shenzhen Stock Exchange issued a notice of criticism against the directors, supervisors and senior management of Xinjiang Haoyuan, including Mr. Wang Jingwei, stating that they have failed to dedicate themselves to their duties conscientiously and fulfil their duties diligently. The Xinjiang CSRC also issued warnings and fines against Xinjiang Haoyuan and its directors, supervisors and senior management, including a warning and a fine of RMB30,000 against Mr. Wang Jingwei (the "**Xinjiang CSRC Penalty**"). Mr. Wang Jingwei confirmed that he had not obtained any personal benefits from the above related party transactions of Xinjiang Haoyuan.

Notwithstanding the Xinjiang CSRC Penalty imposed on Mr. Wang Jingwei, the Directors (excluding Mr. Wang Jingwei) are of the opinion that Mr. Wang Jingwei is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules, having regard to the following reasons:

(1) Mr. Wang Jingwei had served as an independent director of Xinjiang Haoyuan since September 2016, and did not directly participate in its daily operations and business management. During Xinjiang Haoyuan's board meeting considering and approving its 2017 interim financial report, Mr. Wang Jingwei noticed and queried the abnormalities of relevant items in the financial statements. However, Mr. Wang Jingwei was not informed of the information regarding the related party transactions with Xinjiang Youbang. The Directors agreed that the Incident did not involve any dishonest acts by Mr. Wang Jingwei, and thus his character, industry experience and integrity would not be undermined;

(2) Subsequent to the Incident, Mr. Wang Jingwei resigned as an independent director of Xinjiang Haoyuan on a voluntary basis in January 2019, which became effective in May 2019. As advised by the Company's PRC Legal Advisor, the penalty imposed on Mr. Wang Jingwei by the Xinjiang CSRC was the minimum amount of fines for such illegal acts. Mr. Wang Jingwei was not subject to any administrative penalty by the CSRC since the Incident and up to the Latest Practicable Date. According to the relevant PRC laws, regulations and regulatory rules, the Xinjiang CSRC Penalty would not affect his eligibility to serve as a director of an A-share listed company;

(3) Mr. Wang Jingwei's qualification to serve as a non-executive Director of the Company was approved by the CBIRC in December 2018. Mr. Wang Jingwei had attended all Board meetings of the Company and the Directors agreed that Mr. Wang Jingwei had fully discharged his duties as a Director of the Company since he took office as the Company's non-executive Director; and

(4) Mr. Wang Jingwei joined training sessions on directors' duties and corporate governance of Hong Kong listed companies, so as to keep abreast of the laws and regulations applicable to Hong Kong listed companies and their directors.

Based on the due diligence conducted by the Joint Sponsors, the Joint Sponsors are not aware of facts and/or circumstances which (i) contradict the Directors' views above; and (ii) would affect Mr. Wang Jingwei's suitability to act as a Director.

(B) Mr. Wang Jianxin, one of our independent non-executive Directors, was subject to public censure imposed by the Shanghai Stock Exchange on May 18, 2021 when he was acting as an independent director of Easy Visible Supply Chain Management Co., Ltd. (易見供應鏈管理股份有限公司) ("**Easy Visible**"), due to the fact that Easy Visible failed to publish its 2020 annual report and 2021 first quarterly report (collectively, the "**Reports**") by April 30, 2021, the statutory time frame for publication of the Reports ("**Easy Visible's Breach**"). According to Easy Visible's announcements published on April 28, 2021 and April 30, 2021, Easy Visible needed more time to further streamline and review the assets, liabilities, rights and obligations arising from its business, which significantly increased the workload of annual report preparation. In addition, Easy Visible was not able to collect enough confirmation from external parties for its auditors to ascertain a number of the accounting numbers included in the accountant's report of Easy Visible. As a result, the publication of the Reports was delayed until July 6, 2021. The public censure from the Shanghai Stock Exchange was against Easy Visible and its directors, supervisors and senior management, including its independent director Mr. Wang Jianxin (the "**Public Censure**").

According to Easy Visible's announcement published on April 20, 2022, the CSRC issued an advanced notice of administrative penalties and administrative ban (行政處罰及市場禁入事先告知書) (the "**Notice**") proposing to impose, among others: (a) a warning and a fine of RMB0.5 million against Easy Visible due to its failure to publish its 2020 annual report within the statutory time frame; and (b) a warning and a fine of RMB10 million against Easy Visible due to, among other things, the false disclosure and material omission in its annual reports for the years 2015 to 2020. Pursuant the Notice, the CSRC has completed its investigation on Easy Visible, and a total of 24 persons (including certain of the then directors, independent directors (but excluding Mr. Wang Jianxin), supervisors and senior management of Easy Visible) were identified in the Notice to be held responsible for the illegal information disclosure of Easy Visible, while the Notice did not propose to impose any disciplinary ruling or administrative penalties against Mr. Wang Jianxin.

According to Easy Visible's announcement published on May 19, 2022, Easy Visible received the Decision to Terminate the Listing of Easy Visible Supply Chain Management Co., Ltd. (《關於易見供應鏈管理股份有限公司股票終止上市的決定》) from the Shanghai Stock Exchange on May 18, 2022, as: (i) Easy Visible recorded negative audited net assets as at the end of 2020 and its auditor issued an audit report with a disclaimer of opinion for the year 2020. The Shanghai Stock Exchange issued a delisting risk warning (退市風險警告) to Easy Visible on July 7, 2021; and (ii) Easy Visible recorded negative audited net assets as at the end of 2021 and its auditor issued an audit report with a disclaimer of opinion for the year 2021. Easy Visible was delisted from the Shanghai Stock Exchange on June 23, 2022.

Notwithstanding the Public Censure imposed on Mr. Wang Jianxin, the Directors (excluding Mr. Wang Jianxin) are of the opinion that the Public Censure would not affect Mr. Wang Jianxin's suitability to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules, having regard to the following reasons:

(1) Mr. Wang Jianxin only became Easy Visible's independent director in August 2020, four months before the conclusion of the financial period covered in Easy Visible's 2020 annual report. At the time of Easy Visible's Breach, Mr. Wang Jianxin served as an independent director of Easy Visible and did not directly participate in its daily operations or business management. After being aware that Easy Visible might not be able to publish the Reports within the statutory time frame, Mr. Wang Jianxin (i) called for a meeting of the audit committee of Easy Visible and had substantial discussion with the external auditors and the officer of the financial department of Easy Visible in relation to annual accounts auditing and preparation of the annual report; (ii) attended physical meetings with the shareholders and management of Easy Visible at its headquarter to discuss auditing progress and contingency plan for the publication of the annual report; (iii) had continuously paid attention to, and urged, the preparation of the Reports by Easy Visible, and emphasised at Easy Visible's meetings that Easy Visible shall make timely disclosure of the Reports in accordance with applicable laws and regulations; and (iv) together with two other independent directors of Easy Visible who were not penalized by the CSRC for the Easy Visible's Breach, engaged an independent auditing firm to review the 2020 financial information of Easy Visible and to provide support to the independent directors of Easy Visible to provide an independent opinion. Mr. Wang Jianxin tendered his resignation to the board of directors of Easy Visible on a voluntary basis in June 2021 and ceased to be an independent director of Easy Visible in August 2021. The Directors agreed that the Easy Visible's Breach did not involve any dishonest act by Mr. Wang Jianxin and should not affect Mr. Wang Jianxin's character, industry experience and integrity;

(2) Mr. Wang Jianxin's qualification to act as an independent non-executive Director of the Company was approved by the CBIRC in August 2017 and the Company has not received any inquiry, request or notification from the CBIRC with respect to the Public Censure against Mr. Wang Jianxin as of the Latest Practicable Date. As of the Latest Practicable Date, Mr. Wang Jianxin was not subject to any administrative penalty by the CSRC due to the Easy Visible's Breach. Based on information available, as of the Latest Practicable Date, there has not been any rulings made by the competent authorities that affect Mr. Wang Jianxin's suitability to act as an independent non-executive Director of the Company. The Directors agreed that Mr. Wang Jianxin had fully discharged his duties as a Director of the Company since he took office as the Company's independent non-executive Director; and

(3) Mr. Wang Jianxin joined training sessions on the directors' duties and corporate governance of Hong Kong listed companies, so as to keep abreast of the laws and regulations applicable to Hong Kong listed companies and their directors.

Based on the due diligence conducted by the Joint Sponsors, the Joint Sponsors are not aware of facts and/or circumstances which (i) contradict the Directors' views above; and (ii) would affect Mr. Wang Jianxin's suitability to act as a Director.

(C) One of our independent non-executive Directors, Mr. Gao Bin, was named as one of the defendants in securities class action lawsuits against Sogou Inc. ("**Sogou**"), its directors, proposed directors, senior management and the underwriters of its initial public offering in 2017 (the "**Sogou US IPO**") during his tenure at Sogou as an independent director due to its alleged violations of U.S. securities laws in connection with the Sogou US IPO. Specifically, there are two class action lawsuits (the "**Relevant Lawsuits**") that were filed against Sogou in the United States, one in a Superior Court of the State of California and one in the United States District Court in the Southern District of New York. The investors as plaintiffs alleged that the Sogou US IPO offering documents of Sogou contained material misstatements and omissions because Sogou failed to disclose, among other things, that: (i) its controls over advertising content were materially inadequate to comply with the PRC laws and regulations; (ii) it intended to adjust its smart hardware strategy which was expected to result in a reduction in hardware revenues within a year after the Sogou US IPO; (iii) it was experiencing a significant slowing in growth and its cost of revenues was increasing exponentially; and (iv) its reliance on one of its principal shareholders would pose risks and conflicts of interest. The plaintiffs' claims filed in the United States District Court in the Southern District of New York were found by the court to be without merit and were dismissed in 2020, and after the plaintiffs filed a notice of appeal, the plaintiffs and the defendants entered into a settlement agreement which was granted final approval by the court with a bench order in May 2021 and clarified by the court with a final order and judgment in June 2021, with a settlement amount of USD1.45 million which was paid by Sogou. The plaintiffs' claims filed in the Superior Court of the State of California were dismissed by the court in July 2021. As of the Latest Practicable Date, none of the court orders or judgments of the Relevant Lawsuits held Mr. Gao Bin liable to the claims of the Relevant Lawsuits.

Notwithstanding the Relevant Lawsuits, the Directors (excluding Mr. Gao Bin) are of the opinion that Mr. Gao Bin is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules, having regard to the following reasons:

(1) At the time of the Sogou US IPO, Mr. Gao Bin was the proposed independent director of Sogou. He did not directly participate in the preparation of the offering documents of the Sogou US IPO or participate in its daily operations and business management. As such, the Relevant Lawsuits should not affect Mr. Gao Bin's character, industry experience and integrity;

(2) Mr. Gao Bin's qualifications to serve as an independent non-executive Director have been approved by the CBIRC in May 2018. The Directors agreed that Mr. Gao Bin had fully discharged his duties as a Director; and

(3) Mr. Gao Bin joined training sessions on directors' duties and corporate governance of Hong Kong listed companies, so as to keep abreast of the laws and regulations applicable to Hong Kong listed companies and their directors.

Based on the due diligence conducted by the Joint Sponsors, the Joint Sponsors are not aware of facts and/or circumstances which (i) contradict the Directors' views above; and (ii) would affect Mr. Gao Bin's suitability to act as a Director.

(D) Mr. Liu Yingchun, one of our assistants to the general manager who served as the then assistant to the general manager of Sunshine P&C, was subject to administrative penalties imposed by the CBIRC on March 8, 2018, due to the fact that the self-inspection report submitted by Sunshine P&C to the CBIRC and its local branch was inconsistent with its actual situation. According to the agricultural insurance self-inspection report submitted by Sunshine P&C Chongqing Branch to the local branch of the CBIRC in 2016, there were 98 files out of the 184 files with respect to the agricultural insurance products sold by Sunshine P&C which were inconsistent with actual situations, while the local branch of the CBIRC identified another 58 agricultural insurance files that were inconsistent with actual situations (being either incomplete or unauthentic) during its inspections in 2017. Such inconsistencies include, among others, Sunshine P&C accepted land transfer agreements with minor legal defects as supporting documents and included them in the insurance files for agricultural insurance policies. Such land transfer agreements were not entered into for the purpose of insurance policy purchase. The Company was of the view that although the land transfer agreements entered into by the agricultural insurance policy holders may have minor legal defects, that did not affect the effectiveness of such agreements, and they could be used as the supporting documents for the purchase of agricultural insurance policies. However, the CBIRC regarded the insurance files, including such land transfer agreements, as incomplete and was of the view that the insurance files may not reflect the authentic information of the legal title of the relevant land. Accordingly, the CBIRC considered that Sunshine P&C breached the requirement that insurance companies shall truthfully submit reports to insurance regulatory authorities under the PRC Insurance Law. In light of the above, the CBIRC decided to impose penalties on Sunshine P&C and relevant management members, including Mr. Liu Yingchun. The CBIRC imposed a fine of RMB500,000 on Sunshine P&C, and issued a warning to Mr. Liu Yingchun together with a fine of RMB100,000 (the "**CBIRC Penalties**"). The Directors were not directly involved in the preparation of Sunshine P&C's agricultural insurance self-inspection report, which was submitted to the local branch of the CBIRC directly by the provincial-level branches of Sunshine P&C. The reason for such inconsistencies of the self-inspection report was mainly due to the inaccurate understanding of agricultural insurance regulatory requirements of Sunshine P&C's responsible personnel.

Notwithstanding the CBIRC Penalties, the Directors consider that Mr. Liu Yingchun is suitable to serve as a senior management member of the Company after taking into account the following reasons:

(1) Mr. Liu Yingchun participated in the operation and management of Sunshine P&C diligently during his tenure as its senior management member. The Directors unanimously consider that Mr. Liu Yingchun had fully performed his duties as a senior management member of Sunshine P&C, and are satisfied that Mr. Liu Yingchun possessed the character, industry experience and integrity required of a senior management member of the Company;

(2) Mr. Liu Yingchun's qualification to serve as an assistant to the general manager of the Company was approved by the CBIRC in May 2022. The Directors agreed that Mr. Liu Yingchun had fully discharged his duties as a senior management member of the Company; and

(3) Mr. Liu Yingchun has attended the training on the duties of senior management members and corporate governance of Hong Kong listed companies with an understanding of the laws and regulations applicable to Hong Kong listed companies and their senior management members.

Based on the due diligence conducted by the Joint Sponsors, the Joint Sponsors are not aware of facts and/or circumstances which (i) contradict the Directors' views above; and (ii) would affect Mr. Liu Yingchun's suitability to act as a member of the senior management of the Company.

Upon the relevant investigation of the CBIRC, our Company has adopted the following enhanced internal control procedures to reduce the possibility of the recurrence of similar events:

(i) adopted or refined internal policies and guidelines since November 2018 to standardize the procedures and enhance the system of file management, review and self-inspection of the Group's agricultural insurance business, such as the Rules on Management of the Agricultural Insurance Claims Records and Files (農業保險 理賠單證及檔案管理辦法), Administrative Measures for Agricultural Insurance Claims (Interim) (農業保險理賠工作管理辦法(暫行)), Agricultural Insurance Claims Operation Guidelines (農業保險理賠操作指引) and Agricultural Insurance Claims Self-inspection Plan (農業保險理賠業務自查方案);

(ii) provided training to employees since 2017 in relation to (a) agricultural insurance regulations, the management of insurance underwriting and claim settlement, (b) management of agencies and personnel assisting the agricultural insurance business at grass roots level, (c) self-inspection proposals and guidance, and (d) internal control measures in relation to agricultural insurance. The Company also organized evaluations on self-inspection and rectification of the quality of underwriting and claim settlement of agricultural insurance;

(iii) specified responsible persons in charge of insurance files preparation and emphasized the importance of insurance file collection and insurance contract review, including assigning specific personnel to manage the insurance files and establishing claim review systems at different levels, as well as highlighting the accountability mechanisms since July 2019. In particular, for those employees who (a) fail to properly perform their respective duties pursuant to internal regulations, (b) give rise to a large number of customer complaints which have an adverse impact on the Company, or (c) intentionally commit fraud or provide misleading information to the Company to claim indemnity, the Company would hold such employees and their managers liable;

(iv) conducted self-inspection and rectification on the files of the agricultural insurance on a regular basis since 2017. With respect to the issues spotted in the self-inspection, the Company will further analyze the reasons for such issues, reviewed its internal regulations, operating procedures and management mechanisms to identify potential risks and deficiencies, and formulated contingency plans; and

(v) formulated evaluation proposals for relevant employees in relation to agricultural insurance business, pursuant to which their remuneration and bonus is directly linked to their work quality and performance.

To the best knowledge of the Company, there were no other instances during the Track Record Period where Sunshine P&C, the Company or other subsidiaries within the Group were penalized for submitting reports to the CBIRC that were incomplete in any material respect and/or defective, and there were no recurrence of such inconsistencies since the implementation of such enhanced control measures.

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered capital of the Company was RMB10,351,370,000, comprising 10,351,370,000 Domestic Shares of nominal value of RMB1.00 per Share. The particulars of the share capital of the Company were as follows:

Description of Shares	Number of Shares	Percentage of the issued share capital
Domestic Shares in issue	10,351,370,000	100%

Upon Completion of the Global Offering

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our share capital will be as follows:

Description of Shares	Number of Shares	Percentage of the issued share capital
Domestic Shares in issue	10,351,370,000	90.00%
H Shares issued pursuant to the Global Offering	1,150,152,500	10.00%
Total	**11,501,522,500**	**100%**

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, our share capital is as follows:

Description of Shares	Number of Shares	Percentage of the issued share capital
Domestic Shares in issue	10,351,370,000	88.67%
H Shares issued pursuant to the Global Offering	1,322,675,000	11.33%
Total	**11,674,045,000**	**100%**

CLASSES OF SHARES

Upon completion of the Global Offering, the Company will have two classes of Shares, namely, Domestic Shares and H Shares. Both Domestic Shares and H Shares in issue are ordinary shares of the Company upon completion of the Global Offering. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in Renminbi. All dividends in respect of the H Shares are to be paid by the Company in Hong Kong dollars, whereas all dividends in respect of Domestic Shares are to be paid by the Company in Renminbi. Dividends may be distributed in the form of shares as well as in the form of cash. H Shares and Domestic Shares are generally not interchangeable or convertible.

H Shares and Domestic Shares are regarded as different classes of Shares under the Articles of Association. The differences between H Shares and Domestic Shares, including provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and the appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VI — Summary of Articles of Association" to this prospectus.

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the Shareholders' general meeting and by a class meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and a class meeting are required are summarized in "Appendix VI — Summary of Articles of Association." However, the approval of separate classes of Shareholders is not required under the following circumstances: (i) issue of Domestic Shares and H Shares of not more than 20% of existing Domestic Shares and H Shares respectively, either separately or concurrently, in a period of 12 months, pursuant to an approval by a special resolution of the general meeting; or (ii) plans of issuance of Domestic Shares upon establishment of the Company, provided that it is completed within 15 months from the date of an approval from the securities regulatory authority under the State Council or a specified period applicable provided under relevant requirements.

H Shares and Domestic Shares will, however, rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, any transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Our Domestic Shares are not listed or traded on any stock exchange. The holders of our Domestic Shares may convert their Shares into H Shares provided such conversion shall have gone through requisite internal approval processes and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have been approved by the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange. Based on the procedures for the conversion of our Domestic Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Domestic Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

As of the Latest Practicable Date, the Company has not submitted any application to the relevant PRC regulatory authorities for conversion of our Domestic Shares into H Shares.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

For the relevant resolutions of the approval of the Global Offering by Shareholders, please refer to "Appendix VII — Statutory and General Information — 1. Further Information about the Company — C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering."

To the best of our Directors' knowledge and information, immediately following the completion of the Global Offering, and assuming the Over-allotment Option is not exercised, the following persons will have interests or short positions in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (i.e. have interests in 5% or more of any class of shares of the Company) or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of capital carrying rights to vote in all circumstances at general meetings of the Company. For the particulars of the shareholdings of the Shareholders, please refer to the section headed "History, Development and Corporate Structure" in this prospectus.

Name of Equity Holder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interest in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Interest in the Total Issued Share Capital of our Company immediately after the Global Offering
Ruiteng Yihong *(Note 1)*	Beneficial owner	700,000,000 Domestic Shares	6.76%	6.09%
Beijing Ruiyu Jinhe *(Note 1)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
Tibet Ruiyu *(Notes 1 and 2)*	Interest in controlled corporation	1,300,000,000 Domestic Shares	12.56%	11.30%
YUAN Tao *(Notes 1 and 2)*	Interest in controlled corporation	1,300,000,000 Domestic Shares	12.56%	11.30%
Duilongdeqing Yizhuo Investment Management Co., Ltd. *(Note 1)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
Septwolves (Xiamen) Wealth Management Co., Ltd. (廈門七匹狼財富管理有限公司) *(Note 1)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
Septwolves Holding *(See Note 1 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
	Beneficial owner	100,000,000 Domestic Shares	0.97%	0.87%
Fujian Septwolves Group Co., Ltd. (福建七匹狼集團有限公司) *(See Note 1 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
	Interest in controlled corporation	100,000,000 Domestic Shares	0.97%	0.87%

Name of Equity Holder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interest in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Interest in the Total Issued Share Capital of our Company immediately after the Global Offering
ZHOU Yongwei *(See Note 1 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
	Interest in controlled corporation	100,000,000 Domestic Shares	0.97%	0.87%
ZHOU Shaoxiong *(See Note 1 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
	Interest in controlled corporation	100,000,000 Domestic Shares	0.97%	0.87%
ZHOU Shaoming *(See Note 1 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%
	Interest in controlled corporation	100,000,000 Domestic Shares	0.97%	0.87%
Lhasa Fengming *(Note 2)*	Beneficial owner	600,000,000 Domestic Shares	5.80%	5.22%
Shenzhen Qianhai Ruiyu *(Note 2)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. *(See Note 2 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Essence Fund Management Co., Ltd. *(See Note 2 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Minmetals Capital Holdings Limited *(See Note 2 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%

Name of Equity Holder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interest in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Interest in the Total Issued Share Capital of our Company immediately after the Global Offering
Minmetals Capital Company Limited *(See Note 2 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Essence Securities Co., Ltd. *(See Note 2 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
SDIC Capital Co., Ltd. *(See Note 2 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Jiangsu Tiancheng *(Note 3)*	Beneficial owner	600,000,000 Domestic Shares	5.80%	5.22%
Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Huashan Ruilian *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Tibet Hongyu Enterprise Management Co., Ltd. *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Hainan Hongyu Industry Investment Co., Ltd. (海南弘煜實業投資有限公司) *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Beijing Hongyu Consulting Management Co., Ltd. (北京竑煜諮詢管理有限公司) *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
CHEN Zhijie *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Huatai Zijin *(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%

Name of Equity Holder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interest in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Interest in the Total Issued Share Capital of our Company immediately after the Global Offering
Huatai Securities Co., Ltd.*(Note 3)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Jiangsu Huatai Ruilian Buyout Fund (Limited Partnership)*(See Note 3 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Nanjing Ruilian Management Consulting Partnership (Limited Partnership) (南京瑞聯管理諮詢合夥企業 (有限合夥))*(See Note 3 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Nanjing Gloria Union Buyout Fund One (L.P.) (南京華泰瑞聯併購基金一號 (有限合夥))*(See Note 3 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	600,000,000 Domestic Shares	5.80%	5.22%
Jiangsu Yonggang*(Note 4)*	Beneficial owner	523,700,000 Domestic Shares	5.06%	4.55%
Zhangjiagang Yongrun Investment Development Co., Ltd. (張家港市永潤投資發展有限公司)*(Note 4)*	Interest in controlled corporation	523,700,000 Domestic Shares	5.06%	4.55%
WU Yaofang*(Note 4)*	Interest in controlled corporation	523,700,000 Domestic Shares	5.06%	4.55%
WU Huiying*(Note 4)*	Interest in controlled corporation	523,700,000 Domestic Shares	5.06%	4.55%
WU Huifang*(Note 4)*	Interest in controlled corporation	523,700,000 Domestic Shares	5.06%	4.55%
Bangchen Zhengtai*(Note 5)*	Beneficial owner	470,900,000 Domestic Shares	4.55%	4.09%

Name of Equity Holder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interest in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Interest in the Total Issued Share Capital of our Company immediately after the Global Offering
Beijing Hengyi *(Note 5)*	Interest in controlled corporation	470,900,000 Domestic Shares	4.55%	4.09%
Shanghai Xuchang *(Note 6)*	Beneficial owner	470,900,000 Domestic Shares	4.55%	4.09%
Shanghai Xule *(Note 6)*	Interest in controlled corporation	470,900,000 Domestic Shares	4.55%	4.09%
Shannan Hongquan *(Note 7)*	Beneficial owner	373,200,000 Domestic Shares	3.61%	3.24%
Ningbo Dingzhi Jintong *(Note 7)*	Interest in controlled corporation	373,200,000 Domestic Shares	3.61%	3.24%
Tibet Hengyi *(Notes 5, 6 and 7)*	Interest in controlled corporation	1,315,000,000 Domestic Shares	12.70%	11.43%
Shanghai Loyal Valley *(Notes 5, 6 and 7)*	Interest in controlled corporation	1,315,000,000 Domestic Shares	12.70%	11.43%
ZHANG Weigong *(Notes 5, 6 and 7)*	Interest in controlled corporation	1,315,000,000 Domestic Shares	12.70%	11.43%
LIN Lijun *(Notes 5, 6 and 7)*	Interest in controlled corporation	1,315,000,000 Domestic Shares	12.70%	11.43%
Shanghai Shengle *(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%
Shanghai Baolin Enterprise Management Co., Ltd. (上海寶鱗企業管理有限公司) *(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%

Name of Equity Holder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interest in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Interest in the Total Issued Share Capital of our Company immediately after the Global Offering
Shanghai Baohe Enterprise Management Co., Ltd. (上海寶荷企業管理有限公司)*(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%
Shanghai Baoxin Enterprise Management Co., Ltd. (上海保忻企業管理有限公司)*(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%
Shanghai Baoyao Enterprise Management Co., Ltd. (上海寶鑰企業管理有限公司)*(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%
Wealth Smart International Holdings Limited*(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%
Cheer Wealthy Holdings Limited *(See Notes 5 and 6 for detailed disclosure of the limited partnership interest held by it)*	Interest in controlled corporation	941,800,000 Domestic Shares	9.10%	8.19%
Beijing Chengtong*(see Note 8)*	Beneficial owner	700,000,000 Domestic Shares	6.76%	6.09%
China Chengtong*(see Note 8)*	Beneficial owner	350,000,000 Domestic Shares	3.38%	3.04%
	Interest in controlled corporation	700,000,000 Domestic Shares	6.76%	6.09%

Notes:

1. Ruiteng Yihong holds 700,000,000 Domestic Shares in our Company. Beijing Ruiyu Jinhe is a limited partnership incorporated under the laws of PRC as an investment vehicle, which holds 99.99% interest in Ruiteng Yihong. Tibet Ruiyu and Duilongdeqing Yizhuo Investment Management Co., Ltd. are general partners of Beijing Ruiyu Jinhe. Tibet Ruiyu is held as to 99.00% by Yuan Tao. Duilongdeqing Yizhuo Investment Management Co., Ltd. is held as to 99.98% by Septwolves (Xiamen) Wealth Management Co., Ltd., which is in turn held as to 96.67% by Septwolves Holding. Septwolves Holding also directly and indirectly holds a total of 77.1% partnership interest in Beijing Ruiyu Jinhe as its limited partner. Septwolves Holding is held as to 82.86% by Fujian Septwolves Group Co., Ltd., which in turn is ultimately controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming, who are related to each other as brothers. At the same time, Septwolves Holding directly holds 100,000,000 Domestic Shares in our Company.

2. Lhasa Fengming holds 600,000,000 Domestic Shares in our Company. Shenzhen Qianhai Ruiyu is a limited partnership incorporated under the laws of PRC as an investment vehicle, which holds 66.67% interest in Lhasa Fengming. Tibet Ruiyu is a general partner of Shenzhen Qianhai Ruiyu. Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. holds a partnership interest of 99.95% in Shenzhen Qianhai Ruiyu as its sole limited partner. Anxin Qiansheng Wealth Management (Shenzhen) Co., Ltd. is wholly owned by Essence Fund Management Co., Ltd., which is in turn held as to 39.84% and 33.95% by Minmetals Capital Holdings Limited and Essence Securities Co., Ltd. respectively. Minmetals Capital Holdings Limited is wholly owned by Minmetals Capital Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 600390). Essence Securities Co., Ltd. is held as to 99.99% by SDIC Capital Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600061).

3. Jiangsu Tiancheng directly holds 600,000,000 Domestic Shares in our Company. Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership) is a limited partnership incorporated under the laws of PRC as an investment vehicle, which holds 99.9967% interest in Jiangsu Tiancheng. Huashan Ruilian and Huatai Zijin are general partners of Shenzhen Qianhai Ruilian No. 7 Investment Center (Limited Partnership). Huashan Ruilian is held as to 70.52% by Tibet Hongyu Enterprise Management Co., Ltd., which is in turn held directly and indirectly by Beijing Hongyu Consulting Management Co., Ltd through Hainan Hongyu Industry Investment Co., Ltd. as to 49.36%. Beijing Hongyu Consulting Management Co., Ltd. is held as to 90% by Chen Zhijie. Huatai Zijin is wholly owned by Huatai Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601688), the Hong Kong Stock Exchange (stock code: 06886) and the London Stock Exchange (symbol: HTSC).

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

4. Jiangsu Yonggang directly holds 523,700,000 Domestic Shares in our Company. In excess of a 30% equity interest in Jiangsu Yonggang is held by Zhangjiagang Yongrun Investment Development Co., Ltd., which is in turn controlled by Wu Huifang and Wu Huiying. To the best knowledge of the Company, Wu Yaofang, Wu Huiying and Wu Huifang, who are siblings and have entered into the parties acting in concert agreement, are the ultimate beneficial owners of Jiangsu Yonggang.

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

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

6. Shanghai Xuchang directly holds 470,900,000 Domestic Shares in our Company. Shanghai Xule is a limited partnership incorporated under the laws of PRC as an investment vehicle, which directly holds a 99.99% interest in Shanghai Xuchang. Tibet Hengyi and Shanghai Loyal Valley are the general partners of Shanghai Xule. Shanghai Shengle holds a partnership interest of 99.92% in Shanghai Xule as its sole limited partner.

7. Shannan Hongquan directly holds 373,200,000 Domestic Shares in our Company. Ningbo Dingzhi Jintong is a limited partnership incorporated under the laws of PRC as an investment vehicle, and directly holds a 95.98% interest in Shannan Hongquan. Tibet Hengyi and Shanghai Loyal Valley are the general partners of Ningbo Dingzhi Jintong.

8. Beijing Chengtong directly holds 700,000,000 Domestic Shares in our Company, and China Chengtong directly holds 350,000,000 Domestic Shares in our Company. Beijing Chengtong is wholly owned by China Chengtong, which is controlled by the State-owned Assets Supervision and Administration Commission of the State.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix VII — Statutory and General information — 4. Disclosure of Interests — B. Disclosure of Interests of Substantial Shareholders."

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in Shares or underlying Shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report" together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS. The following financial data related to the Company have been prepared in accordance with IFRS except for the discussion on solvency ratios, which is calculated in compliance with applicable CBIRC guidelines.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those projected in the forward-looking statements as a result of any factors, including those set out in "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

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

We carry out our life and health insurance business mainly through Sunshine Life, offering approximately 140 products covering life insurance, health insurance and accident insurance. We carry out our property and casualty insurance business mainly through Sunshine P&C, offering over 4,000 property and casualty insurance products covering automobile insurance, accident and short-term health insurance, guarantee insurance, liability insurance, agriculture insurance and commercial property insurance. We primarily manage our insurance funds through Sunshine AMC.

We have achieved outstanding operating performance during the Track Record Period. Our GWPs increased from RMB87,907 million in 2019 to RMB101,759 million in 2021, and increased from RMB55,072 million for the six months ended June 30, 2021 to RMB62,952 million for the same period in 2022. Our net profit attributable to equity owners of the parent increased from RMB5,086 million in 2019 to RMB5,883 million in 2021, and decreased from RMB1,772 million for the six months ended June 30, 2021 to RMB1,727 million for the same period in 2022. Our total assets increased from RMB332,558 million as of December 31, 2019 to RMB441,623 million as of December 31, 2021, and subsequently to RMB473,637 million as of June 30, 2022. In 2019, 2020, 2021 and the six months ended June 30, 2022, our return on average equity was 11.0%, 10.6%, 10.3% and 6.1% (annualized), respectively.

We have a balanced business structure consisting primarily of life and health insurance business and property and casualty insurance business. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, GWPs of our life and health insurance business amounted to RMB48,118 million, RMB55,104 million, RMB60,826 million, RMB33,209 million and RMB42,058 million, respectively, accounting for 54.7%, 59.5%, 59.8%, 60.3% and 66.8%, of our total GWPs, respectively. For the same periods, GWPs of our property insurance amounted to RMB39,789 million, RMB37,465 million, RMB40,933 million, RMB21,863 million and RMB20,894 million, respectively, accounting for 45.3%, 40.5%, 40.2%, 39.7% and 33.2%, of our total GWPs, respectively.

BASIS OF PRESENTATION AND CONSOLIDATION

Our financial statements have been prepared in accordance with all applicable International Financial Reporting Standards and also comply with the applicable disclosure provisions of the Listing Rules.

Our financial statements have been prepared under historical cost convention except for certain financial assets and liabilities, which have been measured at fair value, and insurance contract liabilities, which have been measured based on actuarial methods, as further explained in the accounting policies set out in the Accountants' Report in Appendix I to this prospectus. The financial information is presented in Renminbi, which is the reporting currency of our Company and our subsidiaries established in the PRC.

The financial information includes our financial statements and the financial statements of entities that we control. We control an entity when we are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between our members are eliminated in full upon consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our results of operations and financial position, as well as the comparability of our financial results for the respective periods, are materially affected by a number of factors, many of which are beyond our control, including the following:

- Economic conditions and demographics and socioeconomic policies in the PRC;
- Product portfolio and pricing capability;
- Customer base and customer satisfaction;
- Sales channels;
- Investment environment;
- Regulatory environment of the PRC insurance industry; and
- Frequency and severity of catastrophic events or events resulting in major claims.

Economic Conditions and Demographics and Socioeconomic Policies in the PRC

As we carry out insurance businesses in China, and substantially all of our revenue derives from China, economic conditions and demographics, as well as socioeconomic policies in China have a significant effect on our results of operations, financial condition and prospects.

According to the Sigma Reports, the PRC insurance market was the largest in Asia and the second largest in the world in terms of total premiums in 2021. In recent years, the focus of economic development in the PRC has shifted from boosting economic growth to high-quality development. The rapid economic development in the PRC has also accelerated the urbanization process and boosted residents' wealth. For details, see "Industry Overview — Current Condition of the PRC Insurance Market — Key Drivers for the Development of the PRC Insurance Industry — Increased demand for insurance arising from the accumulation of social wealth and the expansion of middle-income groups." The accumulation of wealth boosted PRC residents' demand for life and properties protection, and further stimulated the long-term development of the PRC insurance industry.

Moreover, China has undergone demographic changes, including an increase in life expectancy, a decrease in birth rate and an aging population. See "Industry Overview — Current Condition of the PRC Insurance Market — Key Drivers for the Development of the PRC Insurance Industry — Aging population and changes in family structure have driven demand for protection insurance products." The aging population is expected to continually stimulate the demand for health insurance and pension products. The PRC government also encourages certain insurance products such as agricultural insurance and critical illness insurance. These favorable government policies are expected to provide strong support for the stable development of the insurance industry.

Despite the rapid development of the PRC insurance market over the recent years, any unfavorable changes in economic conditions, demographics as well as socioeconomic policies in the PRC may affect the growth of China's insurance market, and in turn, affect our business.

Product Portfolio and Pricing Capability

In respect of life and health insurance business, we have been developing endowment insurance, whole life insurance, and critical illness insurance in recent years. Sunshine Life's GWPs generated from our life and health insurance products have shown continuous growth during the Track Record Period, reaching RMB48,118 million, RMB55,104 million and RMB60,826 million in 2019, 2020 and 2021, respectively. The GWPs from our life and health insurance products increased from RMB33,209 million for the six months ended June 30, 2021 to RMB42,058 million for the same period in 2022. We expect that, with China's demographic shift and growing wealth, there will be enormous potential for these insurance products. Our results of operations and financial performance will be further strengthened if we seize such opportunities.

In respect of property and casualty insurance business, automobile insurance is currently the main component of Sunshine P&C's GWPs. In the six months ended June 30, 2022, Sunshine P&C generated GWPs of RMB12,504 million from automobile insurance, accounting for 60.0% of the total GWPs of Sunshine P&C. We have also been expanding our non-automobile insurance business such as guarantee insurance and accident and health insurance. GWPs generated from these insurance products of Sunshine P&C were RMB15,176 million, RMB13,362 million, RMB17,757 million and RMB8,390 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Nevertheless, our customers' demands are continually evolving. If we fail to continue to diversify and adjust our product portfolio to meet their demands, we may not be able to grow our business as expected and our business and results of operations may be affected.

Moreover, reasonable and accurate pricing can effectively guide underwriting practice and fully reflect the inherent risks corresponding to insurance businesses. As such, pricing capability is critical to underwriting profits. In determining the fee rates of our insurance products, we primarily take into consideration factors including relevant regulatory requirements, frequency and severity of claims, claims expenses, target profit margins, and competition and pricing of similar products in the market. In particular, by leveraging insurance technologies, in 2020 we developed the "intelligent life table for automobile insurance" (車險智能生命表), which enhanced our risk pricing capability and accuracy in risk identification of automobile insurance. We integrate the pricing model for traditional automobile insurance with artificial intelligence and big data technologies to upgrade and form an intelligent life cycle management system for automobile insurance. Please refer to "Business — Property and Casualty Insurance — Property and Casualty Insurance Products — Automobile Insurance" and "Business — Property and Casualty Insurance — Business Flow — Product Development and Pricing." We price insurance products and make provisions based on various assumptions and estimates. Unfavorable differences between the actual experience and the assumptions and estimates used may have an impact on our profitability. Meanwhile, adequacy of reserves directly affects whether the provisions being withdrawn can cover such claim payment when a claim is incurred, which will also, in turn, affect our profitability.

Customer Base and Customer Satisfaction

Our results of operations depend on our ability to maintain and expand our customer base. Therefore, our ability to enhance and expand our customer base is of crucial importance. As of June 30, 2022, we had a large customer base consisting of approximately 31.5 million individual customers and approximately 800,000 institutional customers.

For our life and health insurance business, we are dedicated to delivering customer-focused services of high quality. We have set up a professional team of agents responsible for establishing and maintaining our relationship in specific regions or with specific customer groups. Based on our deep understanding of customer needs, we provide certain customers with diversified product solutions and value-added services, and manage our customers efficiently with intelligent tools, thereby continuously improving customer service experience and satisfaction, as well as enhancing customer stickiness. For our property and casualty insurance business, in order to improve customer satisfaction and loyalty, we provide comprehensive value-added services to our automobile insurance customers. We also provide differentiated value-added services to our loyal customers who have renewed their policies for three consecutive years or more, various institutional clients, and customers from various channels and of various levels, in order to meet their specific demands. Also, we tap customers' demands to enhance our direct sales and cross-selling capabilities, so as to strengthen our abilities in policy renewal. Furthermore, we have made services more convenient and efficient through improvements in our technology to improve customer satisfaction. For details, see "Business — Information Technology."

While we endeavor to introduce products and services that meet the needs of customers, customer preferences are constantly changing. Our operating performance and financial condition may be affected by our ability to launch new products and maintain a high level of customer satisfaction.

Sales Channels

Sales channels have historically affected, and will continue affecting, our results of operations and financial condition.

In our life and health insurance business, our individual life insurance products are mainly sold through our individual insurance agent channel and bancassurance channel, with a nationwide sales network. See "Business — Life and Health Insurance — Sales Channels — Individual insurance agent channel" and "Business — Life and Health Insurance — Sales Channels — Bancassurance channel." GWPs generated from Sunshine Life's individual insurance agent channel were RMB14,959 million, RMB15,796 million, RMB15,089 million and RMB8,468 million, in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, accounting for 31.1%, 28.7%, 24.8% and 20.1%, of GWPs for the same periods, respectively. Through our multilayered and stable bancassurance sales network, our GWPs from the bancassurance channel amounted to RMB26,281 million, RMB32,455 million, RMB39,050 million and RMB29,520 million, in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, accounting for 54.6%, 58.9%, 64.2% and 70.2%, of GWPs for the same periods, respectively. Our ability to sustain growth of our life and health insurance business through the individual insurance agent channel and bancassurance channel depends on our ability to retain competent individual insurance agents or internal sales persons, or our ability to find suitable replacements in a timely manner.

Under our property and casualty insurance business, the agency sales channel is the most important sales channel for Sunshine P&C. In 2019, 2020, 2021 and the six months ended June 30, 2022, the OPI from the agency sales channel accounted for 68.6%, 72.9%, 72.5% and 69.5%, respectively, of Sunshine P&C's total OPI. For details, see "Business — Property and Casualty Insurance — Sales Channel — Agency sales channel."

Investment Environment

With decades of effort taken by the PRC government in promoting the development of the market economy and optimizing the structure of domestic capital markets, the investment environment in China has improved. In recent years, the PRC government has gradually expanded the scope of permitted investments by Chinese insurance companies to cover a number of categories such as deposits, bonds, stocks, funds, real estate and equity investment. We believe that, as an insurance company, the primary purpose of our investment management is to support our insurance business and, therefore, we have put a lot of emphasis on asset-liability management, with solvency as a core measurement of the level of risk tolerance. We have established a comprehensive and scientific asset management and investment system. When developing new investment channels, we will consider our comprehensive investment management capabilities and comply with applicable laws and regulations with respect to limits on the amount and proportion of insurance funds.

Some of our insurance products and investments are sensitive to fluctuations in interest rates. Our investment focus is primarily on fixed-income investments in China. As of December 31, 2019, 2020, 2021 and June 30, 2022, our fixed-income investments accounted for 63.6%, 67.8%, 65.1% and 71.0% of our total investment assets, respectively. When interest rates increase, the investment return of newly added fixed-income investments may also increase, while the fair value of fixed-income investments previously acquired may decrease. On the other hand, a decline in interest rates may reduce the investment return of our newly added fixed-income investments, while the fair value of fixed-income investments previously purchased may increase. As a result, changes in interest rates may affect our financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — Changes in interest rates may adversely affect our profitability and investment return."

Meanwhile, our investments are also affected by fluctuations in the securities market of China. The active development of the securities market in China may be beneficial to our investment returns. However, China's securities market can be materially affected by changes in laws, regulations and government policies. Furthermore, any market volatility, economic downturn or other uncertainties arising in or outside China may intensify the risks related to the securities market of China. These and other factors may from time to time cause a substantial price fluctuation, unexpected losses, impairment in investments and lack of liquidity of the securities market in China, which may, in turn, affect our investment returns. See "Risk Factors — Risks Relating to Our Business and Industry — Market volatility may have an adverse effect on our asset management and investment business."

Furthermore, certain life insurance products contain an adjustment mechanism for customers' policy benefit, which allows, to the extent permitted under the current regulatory framework, customers' policy benefit to be reassessed at the insurer's discretion according to the actual investment returns during a specific period of time.

In addition, as we have made investments in overseas markets, changes in overseas investment environments will also affect our financial condition and results of operations. All of the aforementioned factors will collectively affect the growth rate of the net asset value of our investments.

Regulatory Environment of the PRC Insurance Industry

Our business is subject to extensive regulations by PRC regulatory authorities such as the CBIRC. Under the C-ROSS phase I rules, as of December 31, 2019, 2020 and 2021, our Group's comprehensive solvency ratio was 235%, 229% and 223%, respectively, and our Group's core solvency ratio was 208%, 205% and 197%, respectively. Under the C-ROSS phase II rules, as of June 30, 2022, our Group's comprehensive solvency ratio was 200%, and our Group's core solvency ratio was 144%. Although we maintained an adequate solvency position during the Track Record Period, we cannot make an assurance that we will be able to continue maintaining our comprehensive solvency ratio and core solvency ratio to meet the minimum requirements of the CBIRC in extreme circumstances such as unprecedented catastrophic events. If we violate relevant regulations (including, but not limited to, the minimum statutory requirements for solvency), regulatory authorities may impose on us corresponding regulatory measures, including regulatory interviews, issuance of negative reports or opinions about us, fines, orders to increase our capital and orders to terminate part or all of our new businesses. In addition, changes in laws, regulations and regulatory policies, such as regulations relating to the terms and conditions, and premium rates of our insurance products, may adversely affect our results of operations and financial condition. See "Risk Factors — Risks Relating to Our Business and Industry — If we encounter difficulties in meeting the statutory solvency requirements, we may be subject to regulatory measures, and our financial condition, results of operations and prospects may be adversely affected."

Frequency and Severity of Catastrophic Events or Events Resulting in Major Claims

Our business involves insurance of catastrophic events which can be caused by various reasons, including natural disasters such as earthquakes, typhoons, floods, droughts, storms, hailstorms, severe winter weather, industrial or engineering accidents, fires and explosions, major diseases or virus outbreaks. The frequency and severity of catastrophic events may directly affect the number and amount of claims. Although there have been no major catastrophes causing significant and negative impacts on our results of operations and financial condition during the Track Record Period, the economic disruptions caused by the COVID-19 pandemic have adversely affected, and other catastrophic events in the future may adversely affect, our results of operations, liquidity and solvency. See "Summary — Impact of the COVID-19 Pandemic."

Furthermore, if the customers who have signed insurance contracts with us incur substantial losses, we may make substantial claim payments in our insurance business. Although we control such risks through having strict underwriting policies in place, and make provisions based on prudent actuarial methods, neither the timing of future occurrence of these risks nor their severity is predictable. Therefore, we may be subject to varying levels of claims depending on the frequency and severity of such catastrophic events or events resulting in substantial claims.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with IFRS. These significant accounting policies are set forth in note 3 to the Accountants' Report in Appendix I to this prospectus, which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 4 to the Accountant's Report in Appendix I to this prospectus. The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In particular, we are temporarily exempted from applying IFRS 9 Financial Instruments until January 1, 2023. IFRS 9 replaces IAS 39 Financial Instruments: recognition and measurement. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and hedge accounting. See note 2 to the Accountant's Report in Appendix I to this prospectus.

Our management has identified, below, the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Insurance Contracts

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

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

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

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

- insurance components
- non-insurance components

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

Significant Insurance Risk Testing

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

Insurance Contract Liabilities

Our insurance contract liabilities include long-term life insurance contract reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, we classify insurance contracts whose insurance risks are of similar nature as a measurement unit.

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

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

A reasonable estimate of expected future net cash flows is determined based on information currently available as of the end of each of the relevant periods.

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

- Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows.

- At inception of an insurance contract, any "day-one" gain is not recognized in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At the inception of an insurance contract, the amortization ratio can be computed using residual margin over the expected future value of the amortization factor. The amortization ratio is not adjusted subsequentially for future changes in assumptions. The present value of the amortization factor needs to be determined is based on assumptions currently made at the end of each of the relevant periods. Residual margins can be computed as the adjusted amortization factor multiplied by the amortization ratio. For non-life insurance contracts, we amortize the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and record it in profit or loss. For life insurance contracts, we amortize the residual margin on the basis of the number of policies in force during the whole insurance coverage period.

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

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

Unearned Premium Reserves

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

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

Claim Reserves

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

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

We measure incurred but not reported reserves according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method and the loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

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

Long-term Life Insurance Contract Reserves

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

We determine risk margins of the long-term life insurance contract reserves using value at risk and the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

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

Liability Adequacy Test

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

Investment Contract Liabilities

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

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

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

Reinsurance

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

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

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

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

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

Revenue Recognition

Gross Premiums

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

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

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

Income from Investment Contracts

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

Income from investment contracts is included in other operating income.

Investment Income

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

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Dividends are recognized when the shareholders' right to receive payment is established.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date; that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near-term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with subsequent change in fair value recognized in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the statement of profit or loss. The loss arising from impairment is recognized in profit or loss.

Held-to-maturity Financial Assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when we have the positive intention and ability to hold them to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the statement of profit or loss. The loss arising from impairment is recognized in profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss in investment income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively, and are recognized in the statement of profit or loss as investment income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

We evaluate whether the ability and intention to sell our available-for-sale financial assets in the near-term are still appropriate. When, in rare circumstances, we are unable to trade these financial assets due to inactive markets, we may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost, and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired;

or

- we have transferred our rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either: (a) we have transferred substantially all the risks and rewards of the asset; or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred our rights to receive cash flows from an asset or have entered into a "pass-through" arrangement, we evaluate if and to what extent we have retained the risks and rewards of ownership of the asset. When we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, we continue to recognize the transferred asset to the extent of our continuing involvement. In that case, we also recognize an associated liability. The transferred asset and the associated liability are measured based on the extent that the Company has retained the rights and obligations.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

Impairment of Financial Assets

We assess, at the end of each of the relevant periods, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, we first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, then we include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables, together with any associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to us.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale Financial Assets

For available-for-sale financial assets, we assess, at the end of each of the relevant periods, whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment, and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, we evaluate, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss.

Fair Value of Financial Instruments Determined Using Valuation Techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, we would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, we use unobservable parameters and make estimates for credit risk, market volatility, etc.

The Impact of IFRS 9 and IFRS 17

We are currently preparing for the implementation of IFRS 9 and IFRS 17 and are in the process of building and testing new measurement models and accounting systems. Certain accounting policy choices under IFRS 17 are yet to be finally decided by us as various analyses and assessments are still on-going. Industry practice and interpretation of IFRS 17 are still developing as well. In view of the complexity of IFRS 9 and IFRS 17, it is difficult to assess the financial impact before completing the implementation of these standards. Therefore, the likely financial impact of the implementation of IFRS 9 and IFRS 17 remains uncertain.

However, based on the preliminary assessment, application of IFRS 9 and IFRS 17 may impact our financial performance and financial position in the following aspects. See also Note 2 of the Appendix I to the prospectus.

- Revenue from long-term life insurance contracts will decrease significantly, because insurance revenue will be recognized over the coverage periods based on provision of services and non-distinct investment components (i.e. the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs) in insurance contracts will be excluded from profit or loss under IFRS 17, i.e. the collection of an investment component is not revenue and its repayment is not an expense; The impact of application of IFRS 17 on the revenue from property and casualty and short-term life insurance contracts is much less, due to the absence of investment components in most of those contracts and the coverage periods are short.

- While the implementation of IFRS 17 will not change the ultimate profitability of insurance contracts, it will have major impacts on how and when profit (or losses) of insurance contracts are recognized, as well as our total equity on transition date. Such changes are mainly due to various changes introduced by IFRS 17:

  (a) the effect of changes in fulfilment cash flows that relate to future services will be added to or deducted from the remaining CSM, while under our current accounting policies, the residual margin will be locked at inception and amortized over the insurance coverage period using amortisation factors;

  (b) under the general model of IFRS 17, the effect of changes in financial assumptions (i.e., discount rates) will be reported in either profit or loss or OCI, determined by OCI Choice made by us, while under our current accounting policies, changes in assumptions are recognized immediately in profit or loss;

  (c) under IFRS 17, the discount rate will be based on observable current market prices (if any) reflecting the characteristics of the insurance contracts, while under our current accounting policies, the discount rate for non-participating life insurance contracts is determined based on a base rate curve at the end of each reporting period;

  (d) IFRS 17 requires a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application is impracticable for a group of insurance contracts, we shall apply one of the two alternative approaches (modified retrospective approach or fair value approach) instead. The total equity and CSM on the transition date will be impacted by the transition approach applied by us;

- On the initial application date of IFRS 9 and IFRS 17, we may redetermine the classifications for most of our financial assets under IFRS 9. Applying IFRS 9 and IFRS 17 at the same time provides an opportunity for us to optimize the accounting match between insurance contract liabilities and related financial assets;

- Under IFRS 9, a large portion of our equity investments currently classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss, unless we elect to designate as FVOCI (i.e., any gain/loss other than dividend would not be recognized in profit or loss). Unquoted equity investments which are currently measured at cost shall also be measured at fair value under IFRS 9. Certain debt investments will be reclassified to financial assets at fair value through profit or loss because their contractual cash flows are not solely payments of principal and interest. The more assets are classified at fair value through profit or loss, the more the profit or loss will be impacted by the volatility of the capital market. However, if such investments are held as underlying items for insurance contracts with direct participation features under IFRS 17, the volatility of profit or loss resulting from the volatile investment income will be wholly or partially mitigated by the offsetting effect of insurance finance income or expenses recognized for such insurance contracts.

- The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit loss rather than only incurred credit losses as is the case under our current accounting policies, which applies to the debt investments measured as amortized cost and FVOCI. This is likely to increase impairment provision and decrease total equity on the initial application date. However, considering the majority of our debt investments have high credit quality, we are expecting that the additional provision under the "expected credit loss" model will have no significant impact on our financial position.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
GWPs	87,907	92,569	101,759	55,072	62,952
Less: Premiums ceded to reinsurers	(2,306)	(2,653)	(3,404)	(2,012)	(2,312)
Net written premiums	85,601	89,916	98,355	53,060	60,640
Net change in unearned premium reserves	(3,598)	861	(1,073)	(2,762)	(978)
Net premiums earned	**82,003**	**90,777**	**97,282**	**50,298**	**59,662**
Investment income	12,759	19,052	17,096	8,406	7,374
Share of profits and losses of associates and joint ventures	2,454	2,243	2,319	1,031	745
Other income	3,621	2,987	3,272	1,637	1,615
Total revenues	**100,837**	**115,059**	**119,969**	**61,372**	**69,396**

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
Net policyholders' benefits and claims:	(60,748)	(71,413)	(79,825)	(40,836)	(50,294)
Life insurance death and other benefits paid	(18,425)	(12,336)	(12,447)	(7,141)	(12,607)
Claims incurred	(21,225)	(23,273)	(26,630)	(12,108)	(12,676)
Changes in long-term life insurance contract liabilities	(19,678)	(34,018)	(38,604)	(20,548)	(23,816)
Policyholder dividends	(1,420)	(1,786)	(2,144)	(1,039)	(1,195)
Interest credited to investment contracts	(2,492)	(3,050)	(3,470)	(1,681)	(1,867)
Commission and brokerage expenses	(10,182)	(11,224)	(11,752)	(7,330)	(6,522)
Finance costs	(1,302)	(1,446)	(1,341)	(797)	(560)
Other operating and administrative expenses	(21,029)	(21,508)	(17,856)	(9,094)	(8,503)
Total benefits, claims and expenses	**(95,753)**	**(108,641)**	**(114,244)**	**(59,738)**	**(67,746)**
Profit before tax	**5,084**	**6,418**	**5,725**	**1,634**	**1,650**
Income tax	67	(737)	295	194	141
Net profit	**5,151**	**5,681**	**6,020**	**1,828**	**1,791**
Attributable to:					
Equity owners of the parent	5,086	5,619	5,883	1,772	1,727
Non-controlling interests	65	62	137	56	64

GWPs

GWPs primarily include premiums written by us on insurance contracts issued and renewed for a given period, without deduction for premiums ceded by us to reinsurers. Our GWPs are derived from our life and health insurance business and property and casualty insurance business. The table below sets forth a breakdown of our GWPs by business line for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
			(RMB in millions)		
Life and health insurance	48,118	55,104	60,826	33,209	42,058
Short-term	2,191	1,883	1,810	1,266	1,751
Long-term	45,927	53,221	59,016	31,943	40,307
Property and casualty insurance	39,789	37,465	40,933	21,863	20,894
Total	**87,907**	**92,569**	**101,759**	**55,072**	**62,952**

The GWPs of our life and health insurance business were generated primarily from traditional life insurance and participating life insurance products, while the GWPs of property and casualty insurance business were generated primarily from automobile insurance, guarantee insurance, and accident and short-term health insurance products.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers represent the portion of GWPs ceded to reinsurers, who, pursuant to the relevant reinsurance contracts, share part of the insured risk that we have assumed under our insurance contracts. Our reinsurance arrangements are primarily in connection with commercial property insurance, health insurance and liability insurance. The table below sets forth a breakdown of our premiums ceded to reinsurers by business line for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
	(RMB in millions)				
Life and health insurance	997	886	1,295	821	1,283
Short-term	319	253	270	144	900
Long-term	678	633	1,025	677	383
Property and casualty insurance	1,309	1,767	2,109	1,191	1,029
Total	**2,306**	**2,653**	**3,404**	**2,012**	**2,312**

Net Written Premiums

Net written premiums represent GWPs less premiums ceded to reinsurers. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our net written premiums were RMB85,601 million, RMB89,916 million, RMB98,355 million, RMB53,060 million and RMB60,640 million, respectively.

Net Change in Unearned Premium Reserves

Net change in unearned premium reserves represents the change in unearned premium reserves, which are provisions for unexpired insurance obligations of property and casualty, and short-term life and health insurance contracts. Our net change in unearned premium reserves was RMB3,598 million in 2019, negative RMB861 million in 2020, RMB1,073 million in 2021, RMB2,762 million in the six months ended June 30, 2021 and RMB978 million in the six months ended June 30, 2022.

Net Premiums Earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our net premiums earned were RMB82,003 million, RMB90,777 million, RMB97,282 million, RMB50,298 million and RMB59,662 million, respectively.

Investment Income

Investment income primarily comprises: (i) interest and dividend income; (ii) realized gains; (iii) unrealized gains or losses; (iv) operating lease income from investment properties; and (v) net charge of impairment losses on financial assets. The table below sets forth a breakdown of our investment income for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
	(RMB in millions)				
Interest and dividend income	11,964	13,107	13,665	7,321	7,388
Realized gains	872	4,639	5,826	2,473	2,215
Unrealized gains/(losses)	1,350	1,534	(2,172)	(839)	49
Operating lease income from investment properties	406	376	421	142	144
Charge of impairment losses on financial assets, net	(1,833)	(604)	(644)	(691)	(2,422)
Total	**12,759**	**19,052**	**17,096**	**8,406**	**7,374**

Share of Profits and Losses of Associates and Joint Ventures

Share of profits and losses of associates and joint ventures represents the aggregate share of our associates' and joint ventures' profits attributable to our interests in those associates and joint ventures. In 2019, 2020, 2021, and the six months ended June 30, 2021 and 2022, our share of profits and losses of associates and joint ventures amounted to RMB2,454 million, RMB2,243 million, RMB2,319 million, RMB1,031 million and RMB745 million, respectively.

Other Income

Other income primarily comprises: (i) income from investment contracts; (ii) income from hotel operation; (iii) income from hospital operation; and (iv) asset management fee. The table below sets forth a breakdown of our other income for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
Income from investment contracts	1,185	898	668	416	283
Income from hotel operation	935	411	648	295	401
Income from hospital operation	656	724	954	457	398
Asset management fee	202	328	346	184	176
Others[(1)]	643	626	656	285	357
Total	**3,621**	**2,987**	**3,272**	**1,637**	**1,615**

(1) Others primarily included consulting services income, commission income from withholding vehicle and vessel tax, and interest income from cash deposits.

Total Revenues

Total revenues represent the sum of net premiums earned, investment income, share of profits and losses of associates and joint ventures, and other income. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total revenues were RMB100,837 million, RMB115,059 million, RMB119,969 million, RMB61,372 million and RMB69,396 million, respectively.

Net Policyholders' Benefits and Claims

Net policyholders' benefits and claims primarily comprise: (i) life insurance death and other benefits paid; (ii) claims incurred; (iii) changes in long-term life insurance contract liabilities; and (iv) policyholder dividends. The table below sets forth a breakdown of our net policyholders' benefits and claims for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
Life insurance death and other benefits paid	18,425	12,336	12,447	7,141	12,607
Claims incurred	21,225	23,273	26,630	12,108	12,676
Changes in long-term life insurance contract liabilities	19,678	34,018	38,604	20,548	23,816
Policyholder dividends	1,420	1,786	2,144	1,039	1,195
Total	**60,748**	**71,413**	**79,825**	**40,836**	**50,294**

Interest Credited to Investment Contracts

Interest credited to investment contracts refers to interest expenses for policyholders' investment contract liabilities. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our interest credited to investment contracts was RMB2,492 million, RMB3,050 million, RMB3,470 million, RMB1,681 million and RMB1,867 million, respectively.

Commission and Brokerage Expenses

Commission and brokerage expenses refer to handling charges and commission expenses paid to individual insurance agents, insurance agencies or insurance brokers for obtaining insurance contracts. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our commission and brokerage expenses were RMB10,182 million, RMB11,224 million, RMB11,752 million, RMB7,330 million and RMB6,522 million, respectively.

Finance Costs

Finance costs primarily comprise: (i) interest on securities sold under agreements to repurchase; (ii) interest on bonds payable; (iii) interest on lease liabilities; and (iv) interest on asset-backed securities. The table below sets forth a breakdown of our finance costs for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
Interest on securities sold under agreements to repurchase	407	457	346	247	107
Interest on bonds payable	723	661	636	349	309
Interest on lease liabilities	37	40	38	17	15
Interest on asset-backed securities	14	182	169	94	52
Others	121	106	152	90	77
Total	**1,302**	**1,446**	**1,341**	**797**	**560**

Other Operating and Administrative Expenses

Other operating and administrative expenses primarily include general and administrative expenses and other expenses. General and administrative expenses include employee salaries and benefits, business promotion and consulting expenses, business marketing and entertainment expenses, office rentals, and other related expenses. Other expenses primarily include business expenses relating to our non-principal businesses, taxes and surcharges, exchange gains and losses, and impairment losses on other assets. The table below sets forth a breakdown of our other operating and administrative expenses for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
General and administrative expenses					
– Employee benefit expense	10,059	9,757	9,364	4,968	4,588
– Promotion and marketing expenses	3,254	3,799	2,991	1,247	1,228
– Depreciation of property and equipment	662	685	774	376	406
– Depreciation of right-of-use assets	617	622	631	317	287
– Other operating expenses(1)	2,707	2,129	1,347	880	675
Subtotal	**17,299**	**16,992**	**15,107**	**7,788**	**7,184**
Other expenses					
Impairment losses on other assets	910	2,347	612	326	191
Taxes and surcharges	454	438	432	205	238
Foreign exchange (gain)/loss, net	19	(146)	87	48	13
Depreciation of investment properties	207	225	295	126	143
Others(2)	2,140	1,652	1,323	601	734
Subtotal	**3,730**	**4,516**	**2,749**	**1,306**	**1,319**
Total	**21,029**	**21,508**	**17,856**	**9,094**	**8,503**

(1) Other operating expenses primarily include insurance guarantee fund, office expenses, traveling expenses, training expenses and conference expenses.

(2) Others primarily include business expenses relating to our non-principal businesses.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. Our Company and our PRC subsidiaries are subject to local EIT in accordance with the PRC EIT law, which is 25% for most members of our Group. In 2020, our effective income tax rate (calculated as income tax divided by profit before tax) was 11.5%, primarily due to tax-exempted income such as interest income from government bonds. Our income tax was negative RMB67 million in 2019, RMB737 million in 2020, negative RMB295 million in 2021, negative RMB194 million in the six months ended June 30, 2021 and negative RMB141 million in the six months ended June 30, 2022.

RESULTS OF OPERATIONS

GWPs

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our GWPs increased by 14.3% to RMB62,952 million in the six months ended June 30, 2022 from RMB55,072 million in the six months ended June 30, 2021, mainly attributable to our focus on the corporate strategy and on sustainable development with high-quality expansion and high-value growth. We have made constant efforts in implementing the multichannel strategy for the sales channels for our life and health insurance business, and have achieved fast growths in bancassurance channel.

Comparisons between 2021 and 2020

Our GWPs increased by 9.9% to RMB101,759 million in 2021 from RMB92,569 million in 2020, primarily due to growth in our insurance businesses resulting from our efforts and effective measures in response to market changes guided by our strategies. As to our life and health insurance business, the increase was primarily driven by an increase in premium from traditional life insurance products and health insurance products as a result of the continuous optimization of our business portfolio. We have adopted a multichannel strategy for the development of sales channels for our life and health insurance business, and have achieved fast growths in bancassurance channel. See "Business — Life and Health Insurance — Sales Channels — Bancassurance channel." As to our property and casualty insurance business, the increase was primarily driven by an increase in premium from short-term health insurance and guarantee insurance products as we improved our capabilities under non-automobile insurance business attributable to our efforts to develop our non-automobile insurance business.

Comparisons between 2020 and 2019

Our GWPs increased by 5.3% to RMB92,569 million in 2020 from RMB87,907 million in 2019, primarily due to increases in premium from traditional life insurance and health insurance products, driven by the continuous optimization of our business portfolio for life and health insurance business and enhanced development of long-term regular premium products and insurance products focusing on protection functions, partially offset by a decrease in premium from property and casualty insurance.

Premiums Ceded to Reinsurers

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our premiums ceded to reinsurers increased by 14.9% to RMB2,312 million in the six months ended June 30, 2022 from RMB2,012 million in the six months ended June 30, 2021, primarily due to increases in premiums and cession ratio of Sunshine Life's short-term health insurance products.

Comparisons between 2021 and 2020

Our premiums ceded to reinsurers increased by 28.3% to RMB3,404 million in 2021 from RMB2,653 million in 2020, primarily due to an increase in premiums from products with relatively higher cession ratio such as health insurance, liability insurance and commercial property insurance products.

Comparisons between 2020 and 2019

Our premiums ceded to reinsurers increased 15.0% to RMB2,653 million in 2020 from RMB2,306 million in 2019, primarily due to an increase in premium from insurance products with relatively higher cession ratio such as health insurance, liability insurance and commercial property insurance products.

Net Written Premiums

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

As a result of the foregoing, our net written premiums increased by 14.3% to RMB60,640 million in the six months ended June 30, 2022 from RMB53,060 million in the six months ended June 30, 2021.

Comparisons between 2021 and 2020

As a result of the foregoing, our net written premiums increased by 9.4% to RMB98,355 million in 2021 from RMB89,916 million in 2020.

Comparisons between 2020 and 2019

As a result of the foregoing, our net written premiums increased by 5.0% to RMB89,916 million in 2020 from RMB85,601 million in 2019.

Net Change in Unearned Premium Reserves

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our net change in unearned premiums reserves decreased by 64.6% to RMB978 million in the six months ended June 30, 2022 from RMB2,762 million in the six months ended June 30, 2021, primarily due to (i) a decrease in premiums from guarantee insurance products of Sunshine P&C with relatively high unearned premium reserves, resulting from the adverse impact of the COVID-19 pandemic and streamlining our customer portfolio and a decrease in premiums from accident and short-term health insurance products resulting from the implementation of laws and regulations relating to internet insurance business and (ii) strengthened ceded reinsurance arrangement leading to a decrease in net written premiums from Sunshine Life short-term health insurance products with relatively high unearned premium reserves.

Comparisons between 2021 and 2020

Our net change in unearned premium reserves changed from negative RMB861 million in 2020 to RMB1,073 million in 2021, primarily due to (i) an increase in unearned premium reserves of automobile insurance as a result of an increase of expected loss ratio in the assumption due to the prevalent lower premium rates and improved customers' insurance coverage in terms of degree and scope, mainly attributable to the comprehensive reform of the automobile insurance industry; and (ii) an increase in unearned premium reserves resulting from the growth of the non-automobile insurance sector in our property insurance business.

Comparisons between 2020 and 2019

Our net change in unearned premium reserves changed from RMB3,598 million in 2019 to negative RMB861 million in 2020, primarily due to a decrease in premium from automobile insurance and guarantee insurance as a result of changes in macroeconomic conditions, the COVID-19 pandemic and the comprehensive reform of automobile insurance.

Net Premiums Earned

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

As a result of the foregoing, our net premiums earned increased by 18.6% to RMB59,662 million in the six months ended June 30, 2022 from RMB50,298 million in the six months ended June 30, 2021.

Comparisons between 2021 and 2020

As a result of the foregoing, our net premiums earned increased by 7.2% to RMB97,282 million in 2021 from RMB90,777 million in 2020.

Comparisons between 2020 and 2019

As a result of the foregoing, our net premiums earned increased by 10.7% to RMB90,777 million in 2020 from RMB82,003 million in 2019.

Investment Income

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our investment income decreased by 12.3% to RMB7,374 million in the six months ended June 30, 2022 from RMB8,406 million in the six months ended June 30, 2021, primarily due to an increase in the impairment losses on financial assets resulting from the overall downturn of the capital markets in the first half year of 2022.

Comparisons between 2021 and 2020

Our investment income decreased by 10.3% to RMB17,096 million in 2021 from RMB19,052 million in 2020, primarily due to a decrease in our unrealized gains, partially offset by an increase in our realized gains.

Comparisons between 2020 and 2019

Our investment income increased by 49.3% to RMB19,052 million in 2020 from RMB12,759 million in 2019, primarily due to: (i) an increase in our interest and dividend income as a result of an increase in our investment assets; (ii) increases in realized gains and unrealized gains; and (iii) a decrease in the impairment losses on financial assets.

Share of Profits and Losses of Associates and Joint Ventures

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Share of profits and losses of associates and joint ventures decreased by 27.7% to RMB745 million in the six months ended June 30, 2022 from RMB1,031 million in the six months ended June 30, 2021, primarily due to the disposal of certain associates in 2021.

Comparisons between 2021 and 2020

Share of profits and losses of associates and joint ventures increased by 3.4% to RMB2,319 million in 2021 from RMB2,243 million in 2020, primarily due to an increase in the profits of certain associates.

Comparisons between 2020 and 2019

Share of profits and losses of associates and joint ventures decreased by 8.6% to RMB2,243 million in 2020 from RMB2,454 million in 2019, primarily due to a decrease in the profits of certain associates.

Other Income

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our other income remained stable at RMB1,637 million and RMB1,615 million in the six months ended June 30, 2021 and 2022, respectively.

Comparisons between 2021 and 2020

Our other income increased by 9.5% to RMB3,272 million in 2021 from RMB2,987 million in 2020, primarily due to an increase in our income from Sunshine Union Hospital and certain hotels, as they gradually returned to business, partially offset by a decrease in the income from investment contracts.

Comparisons between 2020 and 2019

Our other income decreased by 17.5% to RMB2,987 million in 2020 from RMB3,621 million in 2019, primarily due to a decrease in our operating income from commercial operations such as hotel operation, due to the COVID-19 pandemic, and a decrease in the income from investment contracts as we optimized our product portfolio.

Total Revenues

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

As a result of the foregoing, our total revenue increased by 13.1% to RMB69,396 million in the six months ended June 30, 2022 from RMB61,372 million in the six months ended June 30, 2021.

Comparisons between 2021 and 2020

As a result of the foregoing, our total revenues increased by 4.3% to RMB119,969 million in 2021 from RMB115,059 million in 2020.

Comparisons between 2020 and 2019

As a result of the foregoing, our total revenues increased by 14.1% to RMB115,059 million in 2020 from RMB100,837 million in 2019.

Net Policyholders' Benefits and Claims

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our net policyholders' benefits and claims increased by 23.2% to RMB50,294 million in the six months ended June 30, 2022 from RMB40,836 million in the six months ended June 30, 2021, primarily due to an increase in the changes in long-term life insurance contract liabilities as a result of the growth in our life insurance business.

Comparisons between 2021 and 2020

Our net policyholders' benefits and claims increased by 11.8% to RMB79,825 million in 2021 from RMB71,413 million in 2020, primarily due to an increase in the changes in long-term life insurance contract liabilities as a result of the growth in our life insurance business, and an increase in claims incurred from Sunshine P&C as a result of the comprehensive reform of automobile insurance, the growth of non-automobile insurance business, and natural disasters.

Comparisons between 2020 and 2019

Our net policyholders' benefits and claims increased by 17.6% to RMB71,413 million in 2020 from RMB60,748 million in 2019, primarily due to an increase in the changes in long-term life insurance contract liabilities as a result of the growth in our life insurance business and an increase in claims incurred from Sunshine P&C and Sunshine Surety, along with our business development, partially offset by a decrease in life insurance death and other benefits paid.

Interest Credited to Investment Contracts

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our interest credited to investment contracts increased by 11.1% to RMB1,867 million in the six months ended June 30, 2022 from RMB1,681 million in the six months ended June 30, 2021, primarily due to the increase in investment contract liabilities.

Comparisons between 2021 and 2020

Our interest credited to investment contracts increased by 13.8% to RMB3,470 million in 2021 from RMB3,050 million in 2020, primarily due to the increase in investment contract liabilities.

Comparisons between 2020 and 2019

Our interest credited to investment contracts increased by 22.4% to RMB3,050 million in 2020 from RMB2,492 million in 2019, primarily due to the increase in investment contract liabilities.

Commission and Brokerage Expenses

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our commission and brokerage expenses decreased by 11.0% to RMB6,522 million in the six months ended June 30, 2022 from RMB7,330 million in the six months ended June 30, 2021, primarily due to a decrease in GWPs from Sunshine P&C, and lower commission and brokerage ratios in relation to accident and short-term health insurance, resulting from the implementation of laws and regulations relating to internet insurance business.

Comparisons between 2021 and 2020

Our commission and brokerage expenses increased by 4.7% to RMB11,752 million in 2021 from RMB11,224 million in 2020, primarily due to the increase in premium of life and health insurance and changes in payment structure caused by an increase in premiums from regular premium products with relatively higher commission and brokerage ratios.

Comparisons between 2020 and 2019

Our commission and brokerage expenses increased by 10.2% to RMB11,224 million in 2020 from RMB10,182 million in 2019, primarily due to the increase in premium of life and health insurance, and changes in payment structure caused by an increase in premiums from regular premium products with relatively higher commission and brokerage ratios.

Finance Costs

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our finance costs decreased by 29.7% to RMB560 million in the six months ended June 30, 2022 from RMB797 million in the six months ended June 30, 2021, primarily due to decreases in interest on securities sold under agreements to repurchase, bonds payable and asset-backed securities.

Comparisons between 2021 and 2020

Our finance costs decreased by 7.3% to RMB1,341 million in 2021 from RMB1,446 million in 2020, primarily due to a decrease in interest on securities sold under agreements to repurchase in 2021.

Comparisons between 2020 and 2019

Our finance costs increased by 11.1% to RMB1,446 million in 2020 from RMB1,302 million in 2019, primarily due to an increase in interest on asset-backed securities as we issued asset-backed securities in 2020, and an increase in interest on securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our other operating and administrative expenses decreased by 6.5% to RMB8,503 million in the six months ended June 30, 2022 from RMB9,094 million in the six months ended June 30, 2021, primarily due to (i) a decrease in employee benefit expense and other expenses resulting from our enhanced cost management and (ii) a decrease in other operating expenses as a result of our continuous efforts in digital operations transformation.

Comparisons between 2021 and 2020

Our other operating and administrative expenses decreased by 17.0% to RMB17,856 million in 2021 from RMB21,508 million in 2020, primarily due to (i) a decrease in our general and administrative expenses, in particular a decrease in promotion and marketing expenses as we enhanced our expense management and reduced our costs for agency services in response to the comprehensive reform of the automobile insurance industry, and a decrease in other operating expenses as a result of our continuous efforts to the transformation of digital operations; and (ii) a decrease in impairment loss on other assets, mainly due to the base effect.

Comparisons between 2020 and 2019

Our other operating and administrative expenses increased by 2.3% to RMB21,508 million in 2020 from RMB21,029 million in 2019, primarily due to an increase in impairment losses on other assets, mainly due to an increase in impairment of investments based on the impairment test in certain associates whose share prices dropped, partially offset by a decrease in general and administrative expenses, mainly attributable to a decrease in other operating expenses as a result of our improved operation efficiency attributable to the continuous efforts to the transformation of digital operations, as well as our decreased offline operation activities due to the COVID-19 pandemic.

Total Benefits, Claims and Expenses

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

As a result of the foregoing, our total benefits, claims and expenses increased by 13.4% to RMB67,746 million in the six months ended June 30, 2022 from RMB59,738 million in the six months ended June 30, 2021.

Comparisons between 2021 and 2020

As a result of the foregoing, our total benefits, claims and expenses increased by 5.2% to RMB114,244 million in 2021 from RMB108,641 million in 2020.

Comparisons between 2020 and 2019

As a result of the foregoing, our total benefits, claims and expenses increased by 13.5% to RMB108,641 million in 2020 from RMB95,753 million in 2019.

Profit Before Tax

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

As a result of the foregoing, our profit before tax increased by 1.0% to RMB1,650 million in the six months ended June 30, 2022 from RMB1,634 million in the six months ended June 30, 2021.

Comparisons between 2021 and 2020

As a result of the foregoing, our profit before tax decreased by 10.8% to RMB5,725 million in 2021 from RMB6,418 million in 2020.

Comparisons between 2020 and 2019

As a result of the foregoing, our profit before tax increased by 26.2% to RMB6,418 million in 2020 from RMB5,084 million in 2019.

Income Tax

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

Our income tax remained stable at negative RMB194 million in the six months ended June 30, 2021 and negative RMB141 million in the six months ended June 30, 2022.

Comparisons between 2021 and 2020

We recorded income tax of RMB737 million in 2020 and negative RMB295 million in 2021, primarily due to an increase in deferred tax assets resulting from impairment losses in 2021.

Comparisons between 2020 and 2019

We recorded income tax of negative RMB67 million in 2019 and RMB737 million in 2020, primarily as a result of a change in the policy on pre-tax deduction of commission and brokerage expenses in 2019 and a decrease in deferred tax assets resulting from impairment losses in 2020 compared with 2019. Our effective tax rate (calculated as our income tax expenses divided by profit before tax) was 11.5% in 2020.

Net Profit

Comparisons between six months ended June 30, 2022 and six months ended June 30, 2021

As a result of the foregoing, our net profit decreased by 2.0% to RMB1,791 million in the six months ended June 30, 2022 from RMB1,828 million in the six months ended June 30, 2021.

Comparisons between 2021 and 2020

As a result of the foregoing, our net profit increased by 6.0% to RMB6,020 million in 2021 from RMB5,681 million in 2020.

Comparisons between 2020 and 2019

As a result of the foregoing, our net profit increased by 10.3% to RMB5,681 million in 2020 from RMB5,151 million in 2019.

SEGMENTAL RESULTS OF OPERATIONS

Our major operating segments include: (i) our life and health insurance business; and (ii) our property and casualty insurance business. For details, see note 5 to the Accountants' Report set forth in Appendix I of this prospectus. The table below sets forth a summary of GWPs and net profit by each operating segment for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
GWPs					
Life and health insurance	48,118	55,104	60,826	33,209	42,058
Property and casualty insurance[1]	39,824	37,470	40,933	21,863	20,894
Other business and elimination	(35)	(5)	–	–	–
Total	**87,907**	**92,569**	**101,759**	**55,072**	**62,952**
Net profit					
Life and health insurance	4,105	4,249	4,530	1,712	1,778
Property and casualty insurance[1]	949	639	280	151	1,112
Other business and elimination	97	793	1,210	(35)	(1,099)
Total	**5,151**	**5,681**	**6,020**	**1,828**	**1,791**

Note:

(1) Including GWPs or net profit or loss from Sunshine P&C and Sunshine Surety.

Life and Health Insurance

The table below sets forth the summary of the statements of profit or loss for our life and health insurance segment for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
	(RMB in millions)				
GWPs	48,118	55,104	60,826	33,209	42,058
Less: Premiums ceded to reinsurers	(997)	(886)	(1,295)	(821)	(1,283)
Net written premiums	47,121	54,218	59,531	32,388	40,775
Net change in unearned premium reserves	(52)	24	44	(369)	62
Net premiums earned	**47,069**	**54,242**	**59,575**	**32,019**	**40,837**
Investment income	9,808	14,115	12,670	6,978	6,839
Share of profits and losses of associates and joint ventures	2,569	2,488	2,322	1,051	866
Other income	1,532	1,273	1,027	580	516
Total segment revenues	**60,978**	**72,118**	**75,594**	**40,628**	**49,058**
Net policyholders' benefits and claims:	(40,629)	(49,276)	(54,306)	(29,273)	(38,181)
Life insurance death and other benefits paid	(18,425)	(12,336)	(12,447)	(7,141)	(12,607)
Claims incurred	(1,106)	(1,136)	(1,111)	(545)	(563)
Changes in long-term life insurance contract liabilities	(19,678)	(34,018)	(38,604)	(20,548)	(23,816)
Policyholder dividends	(1,420)	(1,786)	(2,144)	(1,039)	(1,195)
Interest credited to investment contracts	(2,492)	(3,050)	(3,470)	(1,681)	(1,867)

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
Commission and brokerage expenses	(5,155)	(6,261)	(6,739)	(4,267)	(4,460)
Finance costs	(983)	(1,164)	(1,074)	(630)	(377)
Other operating and administrative expenses	(7,746)	(8,108)	(6,028)	(3,274)	(2,777)
Total in segment benefits, claims and expenses	**(57,005)**	**(67,859)**	**(71,617)**	**(39,125)**	**(47,662)**
Profit before tax	**3,973**	**4,259**	**3,977**	**1,503**	**1,396**
Income tax	132	(10)	553	209	382
Net profit	**4,105**	**4,249**	**4,530**	**1,712**	**1,778**

GWPs

GWPs for our life and health insurance segment increased by 14.5% to RMB55,104 million in 2020 from RMB48,118 million in 2019, and further increased by 10.4% to RMB60,826 million in 2021, primarily due to an increase in premium from traditional life insurance and health insurance as we optimized our business portfolio. GWPs for the segment increased by 26.6% to RMB42,058 million in the six months ended June 30, 2022 from RMB33,209 million in the same period in 2021, primarily due to the fast growths in bancassurance channel as a result of our multichannel strategy for the development of sales channels.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our life and health insurance segment increased by 56.3% to RMB1,283 million in the six months ended June 30, 2022 from RMB821 million in the six months ended June 30, 2021, primarily due to an increase in premiums ceded to reinsurers for short-term health insurance.

Premiums ceded to reinsurers for our life and health insurance segment increased by 46.2% to RMB1,295 million in 2021 from RMB886 million in 2020, primarily due to an increase in premiums ceded to reinsurers for traditional life insurance and long-term health insurance for critical illness.

Premiums ceded to reinsurers for our life and health insurance segment decreased by 11.1% to RMB886 million in 2020 from RMB997 million in 2019, primarily due to decreases in premiums ceded to reinsurers for health insurance and accident insurance.

Net Written Premiums

As a result of the foregoing, net written premiums for our life and health insurance segment increased by 15.1% to RMB54,218 million in 2020 from RMB47,121 million in 2019, further increased by 9.8% to RMB59,531 million in 2021, and increased by 25.9% to RMB40,775 million in the six months ended June 30, 2022 from RMB32,388 million in the same period in 2021.

Net Change in Unearned Premium Reserves

Net change in unearned premium reserves for our life and health insurance segment decreased to negative RMB24 million in 2020 from RMB52 million in 2019, decreased by 83.3% to negative RMB44 million in 2021, primarily because the premiums from short-term accident insurance decreased. Net change in unearned premium reserves for our life and health insurance segment decreased to negative RMB62 million in the six months ended June 30, 2022 from RMB369 million in the same period in 2021, primarily due to a decrease in net written premiums from short-term health insurance products with a high proportion of unearned premium reserves resulting from the increasing ceded reinsurance arrangement.

Net Premiums Earned

As a result of the foregoing, net premiums earned for our life and health insurance segment increased by 15.2% to RMB54,242 million in 2020 from RMB47,069 million in 2019, further increased by 9.8% to RMB59,575 million in 2021, and increased by 27.5% to RMB40,837 million in the six months ended June 30, 2022 from RMB32,019 million in the same period in 2021.

Investment Income

Investment for our life and health insurance segment decreased by 2.0% to RMB6,839 million in the six months ended June 30, 2022 from RMB6,978 million in the six months ended June 30, 2021, primarily due to an increase in the impairment losses on financial assets resulting from the overall downturn of the capital markets in the first half year of 2022.

Investment income for our life and health insurance segment decreased by 10.2% to RMB12,670 million in 2021 from RMB14,115 million in 2020, primarily due to a decrease in realized gains.

Investment income for our life and health insurance segment increased by 43.9% to RMB14,115 million in 2020 from RMB9,808 million in 2019, primarily due to an increase in interest and dividend income with the growth in our investment assets, and an increase in realized gains as we optimized our investment portfolio.

Share of Profits and Losses of Associates and Joint Ventures

Share of profits and losses of associates and joint ventures for our life and health insurance segment decreased by 3.2% to RMB2,488 million in 2020 from RMB2,569 million in 2019, and further decreased by 6.7% to RMB2,322 million in 2021, primarily due to a decrease in the profits of certain associates. Share of profits and losses of associates and joint ventures for our life and health insurance segment decreased by 17.6% to RMB866 million in the six months ended June 30, 2022 from RMB1,051 million in the same period in 2021, primarily due to the disposal of certain associates in 2021.

Other Income

Other income for our life and health insurance segment decreased by 16.9% to RMB1,273 million in 2020 from RMB1,532 million in 2019, and further decreased by 19.3% to RMB1,027 million in 2021, primarily due to decreases in the income from investment contracts. Other income for our life and health insurance segment decreased by 11.0% to RMB516 million in the six months ended June 30, 2022 from RMB580 million in the same period in 2021, primarily due to a decrease in the income from investment contracts.

Total Segment Revenues

As a result of the foregoing, the total revenues for our life and health insurance segment increased by 18.3% to RMB72,118 million in 2020 from RMB60,978 million in 2019, further increased by 4.8% to RMB75,594 million in 2021, and increased by 20.7% to RMB49,058 million in the six months ended June 30, 2022 from RMB40,628 million in the same period in 2021.

Net Policyholders' Benefits and Claims

Net policyholders' benefits and claims for our life and health insurance segment increased by 21.3% to RMB49,276 million in 2020 from RMB40,629 million in 2019, and further increased by 10.2% to RMB54,306 million in 2021, primarily due to an increase in the changes in long-term life insurance contract liabilities as a result of the growth of our life and health insurance business. Net policyholders' benefits and claims for our life and health insurance segment increased by 30.4% to RMB38,181 million in the six months ended June 30, 2022 from RMB29,273 million in the same period in 2021, primarily due to an increase in the changes in long-term life insurance contract liabilities as a result of the growth in our life insurance business.

Interest Credited to Investment Contracts

Interest credited to investment contracts for our life and health insurance segment increased by 22.4% to RMB3,050 million in 2020 from RMB2,492 million in 2019, and further increased by 13.8% to RMB3,470 million in 2021. Interest credited to investment contracts for our life and health insurance segment increased by 11.1% to RMB1,867 million in the six months ended June 30, 2022 from RMB1,681 million in the same period in 2021, primarily due to an increase in investment contract liabilities.

Commission and Brokerage Expenses

Commission and brokerage expenses for our life and health insurance segment increased by 21.5% to RMB6,261 million in 2020 from RMB5,155 million in 2019, and further increased by 7.6% to RMB6,739 million in 2021, primarily due to an increase in premiums and changes in payment structure caused by an increase in premiums from regular premium products with relatively higher commission and brokerage ratios. Commission and brokerage expenses for our life and health insurance segment increased by 4.5% to RMB4,460 million in the six months ended June 30, 2022 from RMB4,267 million in the same period in 2021, primarily due to an increase in premiums.

Finance Costs

Finance costs for our life and health insurance segment decreased by 40.2% to RMB377 million in the six months ended June 30, 2022 from RMB630 million in the six months ended June 30, 2021, primarily due to decreases in interest on securities sold under agreements to repurchase, bonds payable and asset-backed securities.

Finance costs for our life and health insurance segment decreased by 7.7% to RMB1,074 million in 2021 from RMB1,164 million in 2020, primarily due to a decrease in interest on securities sold under agreements to repurchase in 2021.

Finance costs for our life and health insurance segment increased by 18.4% to RMB1,164 million in 2020 from RMB983 million in 2019, primarily due to an increase in interest on asset-backed securities as we issued asset-backed securities in 2020, and an increase in interest on securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our life and health insurance segment decreased by 15.2% to RMB2,777 million in the six months ended June 30, 2022 from RMB3,274 million in the six months ended June 30, 2021, primarily due to a decrease in general and administrative expenses.

Other operating and administrative expenses for our life and health insurance segment decreased by 25.7% to RMB6,028 million in 2021 from RMB8,108 million in 2020, primarily due to a decrease in general and administrative expenses and a decrease in impairment losses on other assets.

Other operating and administrative expenses for our life and health insurance segment increased by 4.7% to RMB8,108 million in 2020 from RMB7,746 million in 2019, primarily due to an increase in impairment losses on other assets, partially offset by a decrease in general and administrative expenses.

Total in Segment Benefits, Claims and Expenses

As a result of the foregoing, the total benefits, claims and expenses for our life and health insurance segment increased by 19.0% to RMB67,859 million in 2020 from RMB57,005 million in 2019, further increased by 5.5% to RMB71,617 million in 2021, and increased by 21.8% to RMB47,662 million in the six months ended June 30, 2022 from RMB39,125 million in the same period in 2021.

Profit Before Tax

As a result of the foregoing, profit before tax for our life and health insurance segment increased by 7.2% to RMB4,259 million in 2020 from RMB3,973 million in 2019, decreased by 6.6% to RMB3,977 million in 2021, and decreased by 7.1% to RMB1,396 million in the six months ended June 30, 2022 from RMB1,503 million in the same period in 2021.

Income Tax

Income tax for our life and health insurance segment decreased by 82.8% to negative RMB382 million in the six months ended June 30, 2022 from negative RMB209 million in the six months ended June 30, 2021, primarily due to an increase in deferred tax assets resulting from impairment losses in the first half year of 2022.

Income tax for our life and health insurance segment decreased to negative RMB553 million in 2021 from RMB10 million in 2020, primarily due to an increase in deferred tax assets from temporary differences resulting from investment losses in 2021.

Income tax for our life and health insurance segment increased to RMB10 million in 2020 from negative RMB132 million in 2019, primarily due to a decrease in deferred tax assets resulting from impairment losses in 2020.

Net Profit

As a result of the foregoing, net profit for our life and health insurance segment increased by 3.5% to RMB4,249 million in 2020 from RMB4,105 million in 2019, further increased by 6.6% to RMB4,530 million in 2021, and increased by 3.9% to RMB1,778 million in the six months ended June 30, 2022 from RMB1,712 million in the same period in 2021.

Property and Casualty Insurance

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

Sunshine P&C

The table below sets forth the summary income statements information of Sunshine P&C for the periods indicated. For detailed information of the Sunshine P&C segment, see Note 5 of Appendix I to the prospectus:

	Year Ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
			(RMB in millions)		
GWPs	39,671	37,445	40,919	21,851	20,873
Less: Premiums ceded to reinsurers	(1,294)	(1,769)	(2,109)	(1,191)	(1,029)
Net written premiums	38,377	35,676	38,810	20,660	19,844
Net change in unearned premium reserves	(2,360)	1,378	(1,053)	(2,351)	(1,042)
Net premiums earned	**36,017**	**37,054**	**37,757**	**18,309**	**18,802**
Investment income	1,433	2,185	2,312	1,024	1,242
Share of profits and losses of associates and joint ventures	168	194	171	59	87
Other income	192	141	177	85	101
Total segment revenues	**37,810**	**39,574**	**40,417**	**19,477**	**20,232**

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
Net policyholders' benefits and claims:	(20,451)	(21,630)	(25,148)	(11,511)	(12,076)
Life insurance death and other benefits paid	–	–	–	–	–
Claims incurred	(20,451)	(21,630)	(25,148)	(11,511)	(12,076)
Changes in long-term life insurance contract liabilities	–	–	–	–	–
Policyholder dividends	–	–	–	–	–
Interest credited to investment contracts	–	–	–	–	–
Commission and brokerage expenses	(5,302)	(5,246)	(5,242)	(3,166)	(2,157)
Finance costs	(222)	(224)	(196)	(109)	(168)
Other operating and administrative expenses	(10,636)	(10,885)	(9,514)	(4,563)	(4,463)
Total in segment benefits, claims and expenses	**(36,611)**	**(37,985)**	**(40,100)**	**(19,349)**	**(18,864)**
Profit before tax	**1,199**	**1,589**	**317**	**128**	**1,368**
Income tax	140	(157)	135	45	(237)
Net profit	**1,339**	**1,432**	**452**	**173**	**1,131**

GWPs

GWPs of Sunshine P&C decreased by 4.5% to RMB20,873 million in the six months ended June 30, 2022 from RMB21,851 million in the six months ended June 30, 2021, primarily due to (i) a decrease in premiums from guarantee insurance products as a result of the adverse impact of the COVID-19 pandemic and streamlining our customer portfolio and (ii) a decrease in premiums from accident and short-term health insurance products resulting from the implementation of laws and regulations relating to internet insurance business.

GWPs of Sunshine P&C increased by 9.3% to RMB40,919 million in 2021 from RMB37,445 million in 2020, primarily due to the increase in premium from non-automobile insurance such as short-term health insurance and guarantee insurance, partially offset by a decrease in premium from automobile insurance as a result of the comprehensive reform of automobile insurance.

GWPs of Sunshine P&C decreased by 5.6% to RMB37,445 million in 2020 from RMB39,671 million in 2019, primarily due to a decrease in premium from automobile insurance and guarantee insurance as a result of changes in macroeconomic conditions, the COVID-19 pandemic and the comprehensive reform of automobile insurance, partially offset by an increase in premium from accident and short-term health insurance.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers of Sunshine P&C decreased by 13.6% to RMB1,029 million in the six months ended June 30, 2022 from RMB1,191 million in the same period in 2021, primarily due to a decrease in premium from short-term health insurance products, which have a relatively higher cession ratio.

Premiums ceded to reinsurers of Sunshine P&C increased by 36.7% to RMB1,769 million in 2020 from RMB1,294 million in 2019, and further increased by 19.2% to RMB2,109 million in 2021, primarily due to an increase in premium from insurance products with a relatively higher cession ratio such as short-term health insurance, liability insurance and commercial property insurance products.

Net Written Premiums

As a result of the foregoing, net written premiums of Sunshine P&C decreased by 3.9% to RMB19,844 million in the six months ended June 30, 2022 from RMB20,660 million in the six months ended June 30, 2021, increased by 8.8% to RMB38,810 million in 2021 from RMB35,676 million in 2020, and decreased by 7.0% to RMB35,676 million in 2020 from RMB38,377 million in 2019.

Net Change in Unearned Premium Reserves

Net change in unearned premium reserves of Sunshine P&C decreased by 55.7% to RMB1,042 million in the six months ended June 30, 2022 from RMB2,351 million in the six months ended June 30, 2021, primarily due to (i) a decrease in premiums from guarantee insurance products with a high proportion of unearned premium reserves as a result of the adverse impact of the COVID-19 pandemic and streamlining our customer portfolio and (ii) a decrease in premiums from accident and short-term health insurance products resulting from the implementation of laws and regulations relating to internet insurance business.

Net change in unearned premium reserves of Sunshine P&C changed from negative RMB1,378 million in 2020 to RMB1,053 million in 2021, primarily due to an increase in premium as well as an increase of expected loss ratio in the assumption for automobile insurance.

Net change in unearned premium reserves of Sunshine P&C changed from RMB2,360 million in 2019 to negative RMB1,378 million in 2020, primarily due to a decrease in GWPs of Sunshine P&C as a result of a decrease in premium from automobile insurance and guarantee insurance as a result of changes in macroeconomic conditions, the COVID-19 pandemic and the comprehensive reform of automobile insurance.

Net Premiums Earned

As a result of the foregoing, net premiums earned of Sunshine P&C increased by 2.9% to RMB37,054 million in 2020 from RMB36,017 million in 2019, further increased by 1.9% to RMB37,757 million in 2021, and increased by 2.7% to RMB18,802 million in the six months ended June 30, 2022 from RMB18,309 million in the same period in 2021.

Investment Income

Investment income of Sunshine P&C increased by 21.3% to RMB1,242 million in the six months ended June 30, 2022 from RMB1,024 million in the six months ended June 30, 2021, primarily due to an increase in interest and dividend income.

Investment income of Sunshine P&C increased by 5.8% to RMB2,312 million in 2021 from RMB2,185 million in 2020, primarily due to an increase in realized gains.

Investment income of Sunshine P&C increased by 52.5% to RMB2,185 million in 2020 from RMB1,433 million in 2019, primarily as a result of an increase in interest and dividend income.

Share of Profits and Losses of Associates and Joint Ventures

Share of profits and losses of associates and joint ventures of Sunshine P&C increased by 47.5% to RMB87 million in the six months ended June 30, 2022 from RMB59 million in the six months ended June 30, 2021, primarily due to an increase in the profits of certain associates.

Share of profits and losses of associates and joint ventures of Sunshine P&C decreased by 11.9% to RMB171 million in 2021 from RMB194 million in 2020, primarily due to a decrease in the profits of certain associates.

Share of profits and losses of associates and joint ventures of Sunshine P&C increased by 15.5% to RMB194 million in 2020 from RMB168 million in 2019, primarily due to an increase in the profits of certain associates.

Other Income

Other income of Sunshine P&C increased by 18.8% to RMB101 million in the six months ended June 30, 2022 from RMB85 million in the six months ended June 30, 2021, primarily due to an increase in government grants.

Other income of Sunshine P&C increased by 25.5% to RMB177 million in 2021 from RMB141 million in 2020, primarily due to an increase in commission income from withholding vehicle and vessel tax.

Other income of Sunshine P&C decreased by 26.6% to RMB141 million in 2020 from RMB192 million in 2019, primarily due to a decrease in interest income from our cash deposits.

Total segment revenues

As a result of the foregoing, the total revenues of Sunshine P&C increased by 4.7% to RMB39,574 million in 2020 from RMB37,810 million in 2019, further increased by 2.1% to RMB40,417 million in 2021, and increased by 3.9% to RMB20,232 million in the six months ended June 30, 2022 from RMB19,477 million in the same period in 2021.

Net Policyholders' Benefits and Claims

Net policyholders' benefits and claims of Sunshine P&C increased by 4.9% to RMB12,076 million in the six months ended June 30, 2022 from RMB11,511 million in the six months ended June 30, 2021, primarily due to an increase in claims incurred from guarantee insurance and cargo insurance resulting from the adverse impact of the COVID-19 pandemic.

Net policyholders' benefits and claims of Sunshine P&C increased by 16.3% to RMB25,148 million in 2021 from RMB21,630 million in 2020, primarily due to an increase in claims incurred as a result of the comprehensive reform of automobile insurance, the growth of non-automobile insurance business and natural disasters.

Net policyholders' benefits and claims of Sunshine P&C increased by 5.8% to RMB21,630 million in 2020 from RMB20,451 million in 2019, primarily due to an increase in claims incurred, along with our business's development.

Commission and Brokerage Expenses

Commission and brokerage expenses of Sunshine P&C decreased by 31.9% to RMB2,157 million in the six months ended June 30, 2022 from RMB3,166 million in the six months ended June 30, 2021, primarily due to a decrease in GWPs from Sunshine P&C, and lower commission and brokerage ratios in relation to accident and short-term health insurance, resulting from the implementation of laws and regulations relating to the internet insurance business.

Commission and brokerage expenses of Sunshine P&C remained relatively stable at RMB5,302 million in 2019, RMB5,246 million in 2020, and RMB5,242 million in 2021.

Finance Costs

Finance costs of Sunshine P&C increased by 54.1% to RMB168 million in the six months ended June 30, 2022 from RMB109 million in the six months ended June 30, 2021, primarily due to an increase in the interest on bonds payable.

Finance costs of Sunshine P&C decreased by 12.5% to RMB196 million in 2021 from RMB224 million in 2020, primarily due to a decrease in interest on bonds payable.

Finance costs of Sunshine P&C remained stable at RMB222 million and RMB224 million in 2019 and 2020, respectively.

Other Operating and Administrative Expenses

Other operating and administrative expenses of Sunshine P&C decreased by 2.2% to RMB4,463 million in the six months ended June 30, 2022 from RMB4,563 million in the six months ended June 30, 2021, primarily due to a decrease in our general and administrative expenses.

Other operating and administrative expenses of Sunshine P&C decreased by 12.6% to RMB9,514 million in 2021 from RMB10,885 million in 2020, primarily due to a decrease in our general and administrative expenses.

Other operating and administrative expenses of Sunshine P&C increased by 2.3% to RMB10,885 million in 2020 from RMB10,636 million in 2019, primarily due to a slight increase in our general and administrative expenses.

Total in Segment Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses of Sunshine P&C increased by 3.8% to RMB37,985 million in 2020 from RMB36,611 million in 2019, further increased by 5.6% to RMB40,100 million in 2021, and decreased by 2.5% to RMB18,864 million in the six months ended June 30, 2022 from RMB19,349 million in the same period in 2021.

Profit Before Tax

As a result of the foregoing, profit before tax of Sunshine P&C increased by 968.8% to RMB1,368 million in the six months ended June 30, 2022 from RMB128 million in the six months ended June 30, 2021, decreased by 80.1% to RMB317 million in 2021 from RMB1,589 million in 2020, and increased by 32.5% to RMB1,589 million in 2020 from RMB1,199 million in 2019.

Income Tax

Income tax of Sunshine P&C increased to RMB237 million in the six months ended June 30, 2022 from negative RMB45 million in the six months ended June 30, 2021, primarily due to an increase in the taxable income.

Income tax of Sunshine P&C significantly changed to negative RMB135 million in 2021 from RMB157 million in 2020, primarily due to an increase in deductible losses.

Income tax of Sunshine P&C significantly changed to RMB157 million in 2020 from negative RMB140 million in 2019, primarily due to a change in the policy on pre-tax deduction of commission and brokerage expenses in 2019.

Net Profit

As a result of the foregoing, net profit of Sunshine P&C increased by 553.8% to RMB1,131 million in the six months ended June 30, 2022 from RMB173 million in the six months ended June 30, 2021, decreased by 68.4% to RMB452 million in 2021 from RMB1,432 million in 2020, and increased by 6.9% to RMB1,432 million in 2020 from RMB1,339 million in 2019.

Sunshine Surety

GWPs of Sunshine Surety increased by 75.0% to RMB21 million in the six months ended June 30, 2022 from RMB12 million in the six months ended June 30, 2021, primarily due to our efforts in exploring innovative non-financing business, such as the launch of the letter of guarantee business relating to the bid guarantee of construction projects, performance guarantee of construction projects and foreclosure guarantee.

GWPs of Sunshine Surety decreased from RMB153 million in 2019 to RMB25 million in 2020, and further decreased to RMB14 million in 2021, mainly because we have strengthened risk control. We have been downsizing the business of Sunshine Surety since 2020, and Sunshine Surety has fully withdrawn from all financing credit guarantee insurance business since September 2021. Meanwhile, we continue to explore innovative non-financing business to strengthen our operational management capabilities.

The net loss of Sunshine Surety decreased by 13.6% to RMB19 million in the six months ended June 30, 2022 from RMB22 million in the six months ended June 30, 2021, primarily due to an increase in GWPs resulting from our efforts in exploring innovative non-financing business as well as a decrease in general and administrative expenses resulting from enhanced cost management.

The net loss of Sunshine Surety decreased by 78.3% to RMB172 million in 2021 from RMB793 million in 2020, primarily due to a decrease of RMB658 million in claims incurred as we downsized its businesses and enhanced our collection efforts under existing businesses.

The net loss of Sunshine Surety substantially increased from RMB390 million in 2019 to RMB793 million in 2020, primarily due to an increase of RMB304 million in claims incurred as a result of the increased overdue risk and increased difficulty in collection of receivables, primarily due to the COVID-19 pandemic.

Others

The table below sets forth the summary income statement data for other businesses and inter-segment eliminations for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in millions)				
GWPs	(35)	(5)	–	–	–
Less: Premiums ceded to reinsurers	–	2	–	–	–
Net written premiums	(35)	(3)	–	–	–
Net change in unearned premium reserves	(1,221)	(616)	(103)	(83)	–
Net premiums earned	**(1,256)**	**(619)**	**(103)**	**(83)**	**–**
Investment income	1,360	2,690	2,076	385	(723)
Share of profits and losses of associates and joint ventures	(283)	(439)	(174)	(79)	(208)
Other income	1,886	1,551	2,047	961	991
Total segment revenues	**1,707**	**3,183**	**3,846**	**1,184**	**60**
Net policyholders' benefits and claims:	854	319	(203)	(11)	(31)
Claims incurred	854	319	(203)	(11)	(31)
Changes in long-term life insurance contract liabilities	–	–	–	–	–
Policyholder dividends	–	–	–	–	–
Interest credited to investment contracts	–	–	–	–	–
Commission and brokerage expenses	275	283	230	103	103
Finance costs	(95)	(57)	(70)	(58)	(14)
Others operating and administrative expenses	(2,436)	(2,368)	(2,200)	(1,193)	(1,213)
Segment benefits, claims and expenses	**(1,402)**	**(1,823)**	**(2,243)**	**(1,159)**	**(1,155)**
Profit before tax	**305**	**1,360**	**1,603**	**25**	**(1,095)**
Income tax	(208)	(567)	(393)	(60)	(4)
Net profit	**97**	**793**	**1,210**	**(35)**	**(1,099)**

DISCUSSION OF SELECTED COMBINED FINANCIAL POSITION INFORMATION

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
ASSETS				
Property and equipment	17,790	19,245	18,306	18,498
Right-of-use assets	3,431	3,445	3,298	3,133
Investment properties	6,519	7,511	9,372	9,229
Investments in associates and joint ventures	32,494	32,470	28,795	29,958
Held-to-maturity financial assets	62,568	83,788	84,093	116,682
Investments classified as loans and receivables	40,831	40,111	31,191	29,935
Term deposits	13,946	28,942	22,401	22,340
Statutory deposits	5,286	5,418	5,418	5,418
Available-for-sale financial assets	77,334	109,872	159,501	160,775
Financial assets at fair value through profit or loss	24,190	24,141	12,161	19,717
Securities purchased under agreements to resell	4,526	5,542	18,618	3,588
Policy loans	8,157	9,289	10,464	10,729
Interest receivables	2,361	2,649	3,128	2,860
Premium receivables	14,721	14,192	15,489	16,590
Reinsurance assets	2,387	2,685	3,391	4,084
Policyholder account assets in respect of investment contracts	392	321	322	319
Deferred tax assets	483	169	864	2,713
Other assets	8,423	10,424	8,147	9,173
Cash and short-term time deposits	6,719	6,280	6,664	7,896
Total assets	**332,558**	**406,494**	**441,623**	**473,637**
LIABILITIES				
Insurance contract liabilities	161,865	196,382	238,976	264,722
Investment contract liabilities	63,913	75,722	86,239	90,853
Policyholder dividend payable	1,858	2,828	4,150	4,927
Lease liabilities	983	987	922	819
Bonds payable	16,945	16,509	12,923	13,035
Financial liabilities at fair value through profit or loss	381	537	2,432	2,546

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Securities sold under agreements to repurchase	14,812	32,025	12,106	20,688
Insurance payables	2,771	2,702	2,601	2,826
Income tax payables	413	340	181	612
Premiums received in advance	2,647	3,574	4,515	1,477
Deferred tax liabilities	560	781	192	134
Other liabilities	14,267	17,160	17,170	15,292
Total liabilities	**281,415**	**349,547**	**382,407**	**417,931**
Net assets	**51,143**	**56,947**	**59,216**	**55,706**
Equity				
Attributable to equity owners of the parent	49,969	55,796	58,008	54,501
Non-controlling interests	1,174	1,151	1,208	1,205
Total Equity	**51,143**	**56,947**	**59,216**	**55,706**

Assets

Our assets primarily consist of (i) financial assets such as held-to-maturity financial assets, investments classified as loans and receivables, term deposits, statutory deposits, available-for-sale financial assets and financial assets at fair value through profit or loss, and (ii) assets other than financial assets such as interest receivables, premium receivables, reinsurance assets, property and equipment, investment properties, and right-of-use assets.

Our total assets increased by 7.2% to RMB473,637 million as of June 30, 2022 from RMB441,623 million as of December 31, 2021, primarily due to an increase in investment assets as a result of the growth of our insurance business, among which our held-to-maturity financial assets increased by RMB32,589 million; our financial assets at fair value through profit or loss increased by RMB7,556 million; and our securities purchased under agreements to resell decreased by RMB15,030 million.

Our total assets increased by 8.6% to RMB441,623 million as of December 31, 2021 from RMB406,494 million as of December 31, 2020, primarily due to an increase in investment assets as a result of the growth of our insurance business, among which, our available-for-sale financial assets increased by RMB49,629 million, while our financial assets at fair value through profit or loss decreased by RMB11,980 million, due to our optimization of investment portfolio.

Our total assets increased by 22.2% to RMB406,494 million as of December 31, 2020 from RMB332,558 million as of December 31, 2019, primarily due to an increase in investment assets as a result of the growth of our insurance business, among which: (i) our held-to-maturity financial assets increased by RMB21,220 million; (ii) our available-for-sale financial assets increased by RMB32,538 million; and (iii) our term deposits increased by RMB14,996 million, partially offset by a decrease of RMB720 million in investments classified as loans and receivables.

Liabilities

Our liabilities primarily consist of: (i) insurance contract liabilities; and (ii) liabilities other than insurance contract liabilities such as investment contract liabilities, policyholder dividend payable, lease liabilities, bonds payable and securities sold under agreements to repurchase.

Our total liabilities increased by 9.3% to RMB417,931 million as of June 30, 2022 from RMB382,407 million as of December 31, 2021, primarily due to: (i) an increase of RMB25,746 million in insurance contract liabilities, which was mainly in line with the growth of our insurance business; (ii) an increase of RMB4,614 million in investment contract liabilities, mainly due to a growth in the investment contracts under our management; and (iii) an increase of RMB8,582 million in securities sold under agreement to repurchase, primarily due to an increase in liquidity need. Such increase was partially offset by: (i) a decrease of RMB3,038 million in premiums received in advance, mainly because the premiums received in advance at the beginning of the year were recognized as premium income; and (ii) a decrease of RMB1,878 million in other liabilities, mainly due to the repayment of asset-backed securities.

Our total liabilities increased by 9.4% to RMB382,407 million as of December 31, 2021 from RMB349,547 million as of December 31, 2020, primarily due to: (i) an increase of RMB42,594 million in insurance contract liabilities, which was mainly in line with the growth of our insurance business; and (ii) an increase of RMB10,517 million in investment contract liabilities, mainly due to a growth in the investment contracts under our management. Such increase was partially offset by: (i) a decrease of RMB19,919 million in securities sold under agreements to repurchase, mainly due to less liquidity need; and (ii) a decrease of RMB3,586 million in bonds payable, mainly due to the redemption of capital supplementary bonds and senior offshore bonds.

Our total liabilities increased by 24.2% to RMB349,547 million as of December 31, 2020 from RMB281,415 million as of December 31, 2019, primarily due to: (i) an increase of RMB34,517 million in insurance contract liabilities, in line with the growth of our insurance business; (ii) an increase of RMB17,213 million in securities sold under agreements to repurchase, mainly due to our increased liquidity needs; and (iii) an increase of RMB11,809 million in investment contract liabilities, mainly due to an increase in investment contracts under our management, partially offset by a decrease of RMB436 million in bonds payable, mainly as a result of the fluctuations in exchange rates.

Available-for-sale financial assets

Our available-for-sale financial assets include debt investments and equity investments. The debt investments primarily consist of government bonds, interbank deposit and finance bonds. The equity investments primarily consist of stocks and funds. The table below sets forth the details of our available-for-sale financial assets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions)			
Debt investments				
Government bonds	7,249	17,801	39,566	12,554
Finance bonds	2,898	6,463	17,835	14,706
Corporate bonds	1,366	5,937	7,408	10,131
Interbank deposit	12,740	20,143	5,680	30,370
Other	4,770	9,339	13,966	14,890
Equity investments				
Stocks	16,170	12,888	32,085	33,010
Funds	11,310	11,766	16,156	18,113
Other equity investments	20,831	25,535	26,805	27,001
Total	77,334	109,872	159,501	160,775

Our available-for-sale financial assets increased by 42.1% from RMB77,334 million as of December 31, 2019 to RMB109,872 million as of December 31, 2020, increased by 45.2% to RMB159,501 million as of December 31, 2021 and further increased to RMB160,775 million as of June 30, 2022, primarily due to (i) an increase in our investment assets as a result of an increase in cash inflows from operating activities as our insurance business grows and (ii) the fact that we strategically increased the proportion of available-for-sale financial assets in our asset allocation plan. See "— Held-to-maturity financial assets" for details of our risk control measures.

The fair value assessment of available-for-sale financial assets that are measured at level 3 fair value hierarchy requires significant estimates, including the discount rate, liquidity discount and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

Our finance department performs the valuation of level 3 financial instruments for financial reporting purposes. We manage the valuation exercise of the investments on a case by case basis. Our finance department uses valuation techniques to determine the fair value of our level 3 instruments and reports to senior management and the Directors of our Group.

Our available-for-sale financial assets which are categorized within level 3 of fair value measurements were mainly equity investments and debts investments.

In respect of the assessment of fair value of the equity investments and debts investments, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) reviewing the valuation policies, the financial statements prepared in accordance with the IFRS, and other supporting documents, and sufficiently understanding the valuation model, methodologies, and techniques; and (ii) reviewing the valuation results. Based on the foregoing, our Directors are satisfied with the valuation work for the level 3 fair value measurement on financial assets performed during the Track Record Period. In respect of the valuation of our equity investments and debts investments, details and the quantitative information about the significant unobservable inputs used in level 3 fair value measurements are set forth in Note 44 to the Accountants' Report set out in Appendix I.

Our reporting accountant has carried out necessary audit work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's historical financial information for the Track Record Period as a whole in Appendix I to this prospectus. Our reporting accountant's opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

The Joint Sponsors have (i) reviewed the relevant notes in the Accountant's Report as contained in Appendix I to this prospectus and discussed the Company's accounting policies with our reporting accountant to understand the relevant valuation model, methodologies and techniques; and (ii) reviewed the relevant valuation results, and are not aware of any facts and/or circumstances which indicate that the Directors have not undertaken sufficient due diligence on the level 3 fair value measurements.

Held-to-maturity financial assets

Our held-to-maturity financial assets primarily consist of government bonds, finance bonds and corporate bonds. The table below sets forth the details of our held-to-maturity financial assets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Debt investments				
Government bonds	33,075	56,371	60,947	90,800
Finance bonds	20,749	21,266	17,751	21,615
Corporate bonds	7,198	6,151	5,395	4,267
Interbank deposits	1,546	–	–	–
Total	62,568	83,788	84,093	116,682

Our held-to-maturity financial assets increased by 33.9% from RMB62,568 million as of December 31, 2019 to RMB83,788 million as of December 31, 2020, subsequently increased to RMB84,093 million as of December 31, 2021, and further increased by 38.8% to RMB116,682 million as of June 30, 2022. During the Track Record Period, our held-to-maturity financial assets increased, primarily due to an increase in the scale and proportion of government bonds, considering that (i) the relatively long duration of long-term government bonds is conducive to optimizing duration matching and enhancing our asset and liability management; and (ii) the low credit risk and stable returns of government bonds allows us to achieve long-term stable investment income returns in a volatile market environment.

We have implemented asset allocation management to achieve a sound asset allocation structure and maintain proper risk control, which mainly include:

- We continuously optimize the asset allocation and achieve relatively stable investment returns by steadily increasing the proportion of fixed-income financial assets, and focusing on interest and dividend incomes from debt and equity that are less sensitive to capital market fluctuations. We strategically maintain an appropriate level of available-for-sale assets and financial assets held for trading to maintain sufficient funds to pay debts or meet other payment obligations in the short- to medium-term and to manage liquidity risk. Meanwhile, we further increase the allocation of held-to-maturity assets in line with the characteristics of our insurance business and liabilities. As such, we strive to balance the cash flows, assets and liabilities by adjusting our maturity structure, and achieve sustainable profitability with the expected return covering the cost of liabilities. For example, Sunshine Life has set an overall target for maturity of fixed-income assets, with lower limits for the average maturity of new held-to-maturity bonds, and upper limits for that of new non-standardized assets, respectively. It has also set a target amount for investments in held-to-maturity government bonds.

- Our Company, Sunshine Life, Sunshine P&C and Sunshine Surety formulate the annual asset allocation plan taking into consideration the asset and liability positions, target weight and risk tolerance, while taking into consideration the analysis of macroeconomic trends and financial markets for the following year. The Board of Directors bears the ultimate responsibility for the asset allocation and investment policies of these investment assets. The strategy and investment decision committee under the Board is responsible for investment management tasks, supervising the effectiveness of the strategic management and investment decision-making system, assuming responsibilities related to the Company's asset and liability management. The members of each Management Committee have deep expertise in the relevant fields. See "Business — Asset Management and Investment Mechanism" for details.

- We have also implemented internal control measures to mitigate the relevant investment risks. The strategic asset allocation planning, annual asset allocation plans and investment guidelines must be reviewed and approved by the senior management and the board of directors of us and our insurance subsidiaries. We carry out regular valuations on investment projects, monitor changes in risks, and respond to and handle potential risks of investment projects in a timely manner. See "Business — Asset Management and Investment Mechanism — Risk Management" for details of our risk management framework.

The investment in available-for-sale financial assets and held-to-maturity financial assets will be subject to Chapter 14 of the Listing Rules.

Investments classified as loans and receivables

Our investments classified as loans and receivables consist of debt investment scheme, trust scheme and other investments. The table below sets forth the details of our investments classified as loans and receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Debt investments				
Debt investment scheme	10,825	13,342	13,153	13,310
Trust scheme	26,366	23,129	17,758	16,625
Others	3,640	3,640	280	–
Total	40,831	40,111	31,191	29,935

Our investments classified as loans and receivables decreased by 4.0% to RMB29,935 million as of June 30, 2022 from RMB31,191 million as of December 31, 2021, primarily due to the maturity of certain trust schemes.

Our investments classified as loans and receivables decreased by 22.2% from RMB40,111 million as of December 31, 2020 to RMB31,191 million as of December 31, 2021, primarily due to the maturity of certain trust schemes. Our investments classified as loans and receivables remained relatively stable at RMB40,831 million and RMB40,111 million as of December 31, 2019 and 2020, respectively.

Investments in associates and joint ventures

Our investments in associates and joint ventures primarily consist of investments in Yangze Power, Bank of Beijing and Huishang Bank. The table below sets forth the details of our investments in associates and joint ventures as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions)			
Associates				
Yangtze Power	10,851	11,609	12,037	13,660
Bank of Beijing	7,595	6,749	–	–
Huishang Bank	3,031	2,947	3,178	3,497
Others	9,924	10,054	12,427	11,649
Subtotal	31,401	31,359	27,642	28,806
Joint ventures	1,093	1,111	1,153	1,152
Total	32,494	32,470	28,795	29,958

Our investments in associates and joint ventures increased by 4.0% to RMB29,958 million as of June 30, 2022 from RMB28,795 million as of December 31, 2021, primarily due to (i) the income of investments in associates and joint ventures recognized under the equity method of accounting in the first half year of 2022 and (ii) an increase in the investments in certain associates according to our investment strategies.

Our investments in associates and joint ventures decreased by 11.3% from RMB32,470 million as of December 31, 2020 to RMB28,795 million as of December 31, 2021, primarily due to our disposal of investment in an associate, Bank of Beijing Co. Ltd., for the purpose of asset and liability management, capital management and liquidity management. Our investments in associates and joint ventures remained relatively stable at RMB32,494 million and RMB32,470 million as of December 31, 2019 and 2020, respectively.

Premium receivables

Our premium receivables increased by 7.1% to RMB16,590 million as of June 30, 2022 from RMB15,489 million as of December 31, 2021, primarily due to an increase in premium receivables of Sunshine Life from short-term health insurance products.

Our premium receivables increased by 9.1% from RMB14,192 million as of December 31, 2020 to RMB15,489 million as of December 31, 2021, primarily due to an increase in premium receivables of Sunshine P&C from short-term health insurance and guarantee insurance. Our premium receivables remained relatively stable at RMB14,721 million and RMB14,192 million as of December 31, 2019 and 2020, respectively.

For non-life insurance with regular premiums, although we allow customers to pay in installment, premium income that equals to the total of premiums from all installments is recognized when the policy enters into force, and premiums for subsequent installments that has not been received are recognized as premium receivables. As of October 31, 2022, RMB4,670 million, representing 25.6% of our gross premium receivables outstanding as of June 30, 2022 had been subsequently settled. As of the same date, RMB11,599 million, or 85.5% of the unsettled gross premium receivables did not reach their time of collection. To the best of our knowledge, we are not aware of any circumstances suggesting that such premium receivables are at risk of being unrecoverable when they arrive at the time of collection. We have made sufficient provision for bad debts according to our impairment policy for the outstanding amount of premium receivables that have reached their time of collection.

LIQUIDITY AND CAPITAL RESOURCES

We funded our working capital primarily from cash generated from business operations and capital contribution from shareholders during the Track Record Period.

In the future, we believe that we will be able to meet our liquidity needs through cash generated from business operations, funds raised from the capital markets and the net proceeds received from the Global Offering.

Our Company is a holding company which primarily conducts business operations through our subsidiaries. Our cash flows are mainly derived from dividends and other investment income from our operating subsidiaries.

The principal sources of funds of our Group include written premiums, investment income or cash inflow from the sale or maturity of investment assets. Our funds are primarily used for:

- payments of life and health insurance policy benefits, settlements of surrenders or withdrawals, payments of short-term accident and health insurance claims and payments of dividends or interest to policyholders;

- payments of property and casualty insurance claims and related claims expenses; and

- payments of other operating costs.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in millions)		
Net cash inflows from operating activities	27,829	39,167	44,573	19,923	21,842
Net cash (outflows)/inflows from investing activities	(15,801)	(55,969)	(4,686)	3,496	(39,753)
Net cash inflows/(outflows) from financing activities	(9,842)	17,454	(26,363)	(23,879)	4,054
Effects of foreign exchange rate changes	5	(75)	(64)	(73)	59
Net increase/(decrease) in cash and cash equivalents	2,191	577	13,460	(533)	(13,798)
Cash and cash equivalents at the beginning of the year	9,054	11,245	11,822	11,822	25,282
Cash and cash equivalents at the end of the year	**11,245**	**11,822**	**25,282**	**11,289**	**11,484**

Operating activities

Our cash generated from operating activities primarily consists of revenue from our businesses. Our cash flows from operating activities reflect: (i) profit before tax adjusted by non-cash and non-operating items (such as investment income, share of profits and losses of associates and joint ventures, finance costs and depreciation); (ii) effects of movements in working capital (such as increases or decreases in insurance contract liabilities, other operating liabilities, premium receivables and other assets); and (iii) other cash items (such as income tax paid).

In the six months ended June 30, 2022, we had net cash inflows from operating activities of RMB21,842 million, resulting from our profit before tax of RMB1,650 million, income tax paid of RMB203 million, adjustment of non-cash and non-operating items and movements in working capital of RMB19,989 million. Our movements in working capital primarily reflected: (i) an increase of RMB25,053 million in insurance contract liabilities, mainly due to an increase in our GWPs; and (ii) an increase of RMB4,614 million in investment contract liabilities, mainly due to increased payments to investment contracts.

In 2021, we had net cash inflows from operating activities of RMB44,573 million, resulting from our profit before tax of RMB5,725 million, income tax paid of RMB305 million, adjustment of non-cash and non-operating items and movements in working capital of RMB38,543 million. Our movements in working capital primarily reflected: (i) an increase of RMB41,888 million in insurance contract liabilities, mainly due to an increase in our GWPs; and (ii) an increase of RMB10,517 million in investment contract liabilities, mainly due to increased payments to investment contracts.

In 2020, we had net cash inflows from operating activities of RMB39,167 million, resulting from profit before tax of RMB6,418 million, income tax paid of RMB528 million, adjustment of non-cash and non-operating items and movements in working capital of RMB32,221 million. Our movements in working capital primarily reflected: (i) an increase of RMB34,219 million in insurance contract liabilities, mainly due to an increase in our GWPs; and (ii) an increase of RMB11,809 million in investment contract liabilities, mainly due to increased payments to investment contracts.

In 2019, we had net cash inflows from operating activities of RMB27,829 million, resulting from profit before tax of RMB5,084 million, income tax paid of RMB453 million, adjustment of non-cash and non-operating items and movements in working capital of RMB22,292 million. Our movements in working capital primarily reflected: (i) an increase of RMB24,329 million in insurance contract liabilities, mainly due to an increase in our GWPs; and (ii) an increase of RMB15,425 million in investment contract liabilities, mainly due to increased payments to investment contracts. Such movements were partially offset by an increase of RMB4,068 million in premium receivables, mainly due to the increases in premium receivables of guarantee insurance and liability insurance. Our premium receivables are primarily generated from guarantee insurance business. The premium income from regular-premium guarantee insurance is recognized according to the total premium specified in the insurance contracts when the policies come into force, and the premium payables by the policyholders for the subsequent installments are classified as premium receivables. The credit risk associated with the premium receivables is relatively low.

Investing activities

In the six months ended June 30, 2022, we had net cash outflows from investing activities of RMB39,753 million, primarily due to our purchases of investments of RMB181,252 million, partially offset by our disposals of investments of RMB135,031 million and interest received of RMB7,022 million.

In 2021, we had net cash outflows from investing activities of RMB4,686 million, primarily due to our purchases of investments of RMB201,074 million, partially offset by our disposals of investments of RMB185,934 million and interest received of RMB12,269 million.

In 2020, we had net cash outflows from investing activities of RMB55,969 million, primarily due to our purchases of investments of RMB236,741 million, partially offset by our disposals of investments of RMB169,001 million.

In 2019, we had net cash outflows from investing activities of RMB15,801 million, primarily due to our purchases of investments of RMB195,270 million, partially offset by our disposals of investments of RMB168,388 million.

Financing activities

In the six months ended June 30, 2022, we had net cash inflows from financing activities of RMB4,054 million, primarily due to a net increase in securities sold under agreements to repurchase of RMB8,582 million, partially offset by repayment of asset-backed securities of RMB2,200 million.

In 2021, we had net cash outflows from financing activities of RMB26,363 million, primarily due to: (i) a net decrease in securities sold under agreements to repurchase of RMB19,919 million; and (ii) repayment of bonds of RMB13,570 million, partially offset by proceeds from bonds issued of RMB10,000 million.

In 2020, our net cash inflows from financing activities was RMB17,454 million, primarily due to: (i) a net increase in securities sold under agreements to repurchase of RMB17,213 million; and (ii) an increase in proceeds from the issuance of asset-backed securities of RMB2,198 million, partially offset by interest paid of RMB1,087 million.

In 2019, our net cash outflows from financing activities was RMB9,842 million, primarily due to: (i) a net decrease in securities sold under agreements to repurchase of RMB6,015 million; and (ii) repayment of bonds of RMB4,856 million, partially offset by proceeds from the issuance of asset-backed securities of RMB2,750 million.

Solvency Ratios

Solvency ratios are measurements of solvency for PRC insurance companies and are calculated according to the regulations promulgated by the CBIRC. Insurance companies carrying out business in China are required to comply with requirements on the solvency ratios imposed by the CBIRC.

Under the C-ROSS, PRC insurance companies must comply with: (i) quantitative capital requirements; (ii) qualitative regulatory requirements and (iii) a market discipline mechanism. C-ROSS requires each insurance company to maintain a minimum core solvency ratio of 50%, a minimum comprehensive solvency ratio of 100% and a Category B or above on the integrated risk rating results. Under the C-ROSS phase I rules, as of December 31, 2019, 2020 and 2021, our Group's comprehensive solvency ratio was 235%, 229% and 223%, respectively, and our Group's core solvency ratio was 208%, 205% and 197%, respectively. Under the C-ROSS phase II rules, as of December 31, 2021 and June 30, 2022, our Group's comprehensive solvency ratio was 218% and 200%, respectively, and our Group's core solvency ratio was 161% and 144%, respectively. Our Group's solvency ratios were significantly higher than the statutory minimum requirements.

The following table sets forth our solvency ratios as of the dates indicated under the C-ROSS:

	C-ROSS phase I rules			C-ROSS phase II rules	
	As of December 31,			As of December 31,	As of June 30,
	2019	2020	2021	2021(1)	2022
Core solvency ratio					
The Group	208%	205%	197%	161%	144%
Sunshine Life	195%	188%	175%	138%	120%
Sunshine P&C	173%	194%	181%	156%	157%
Sunshine Surety	1,172%	389%	760%	285%	287%
Comprehensive solvency ratio					
The Group	235%	229%	223%	218%	200%
Sunshine Life	215%	206%	189%	191%	172%
Sunshine P&C	227%	248%	267%	235%	242%
Sunshine Surety	1,172%	389%	760%	285%	287%

Note:

(1) The Group, Sunshine Life, Sunshine P&C and Sunshine Surety restated the comprehensive solvency ratio and core solvency ratio as of December 31, 2021 based on the C-ROSS phase II rules and relevant policies. Such data is unaudited and the calculation took into account factors that include our Company's judgment on the industry's growth rate, among others.

Under the C-ROSS phase I rules, as of December 31, 2019, 2020 and 2021, the core solvency ratio of our Group was 208%, 205% and 197%, respectively, and the comprehensive solvency ratio of our Group was 235%, 229% and 223%, respectively. Both the core solvency ratio and the comprehensive solvency ratio of our Group decreased during the years ended December 31, 2019, 2020 and 2021, mainly due to the growth of our insurance business and dividends distributed.

Under the C-ROSS phase II rules, as of December 31, 2021 and June 30, 2022, the core solvency ratio of our Group was 161% and 144%, respectively, and the comprehensive solvency ratio of our Group was 218% and 200%, respectively. As of December 31, 2021, the core solvency ratio of our Group under the C-ROSS phase II rules was lower than that as of December 31, 2021 calculated under the C-ROSS phase I rules, mainly due to the lower core capital resulting from the stricter capital classification standard under C-ROSS Phase II rules. As of December 31, 2021, the comprehensive solvency ratio of our Group under the C-ROSS phase II rules remained relatively stable as compared to that as of December 31, 2021 calculated under the C-ROSS phase I rules. As of June 30, 2022, the core solvency ratio and the comprehensive solvency ratio of our Group both decreased as compared to those as of December 31, 2021 calculated under the C-ROSS phase II rules, primarily due to the capital markets volatility in the first half of the year, dividends distributed, the growth of our insurance business and the decline of interest rate in solvency reserve valuation.

Under the C-ROSS phase I rules, as of December 31, 2019, 2020 and 2021, the core solvency ratio of Sunshine Life was 195%, 188% and 175%, respectively, and its comprehensive solvency ratio was 215%, 206% and 189%, respectively. The core solvency ratio of Sunshine Life decreased as of December 31, 2021 as compared to that as of December 31, 2020, mainly due to the growth in our business and dividends distributed. The comprehensive solvency ratio of Sunshine Life as of December 31, 2021 decreased as compared to that as of December 31, 2020, mainly due to the growth in our business, dividends distributed and the redemption of a capital supplementary bond. Both the core solvency ratio and comprehensive solvency ratio of Sunshine Life as of December 31, 2020 decreased as compared to those as of December 31, 2019, mainly due to the growth in our business.

Under the C-ROSS phase II rules, as of December 31, 2021 and June 30, 2022, the core solvency ratio of Sunshine Life was 138% and 120%, respectively, and its comprehensive solvency ratio was 191% and 172%, respectively. As of December 31, 2021, the core solvency ratio of Sunshine Life under the C-ROSS phase II rules was lower than that as of December 31, 2021 calculated under the C-ROSS phase I rules, primarily due to the lower core capital resulting from the stricter capital classification standard under C-ROSS Phase II rules. As of December 31, 2021, the comprehensive solvency ratio of Sunshine Life under the C-ROSS phase II rules remained relatively stable as compared to that as of December 31, 2021 calculated under the C-ROSS phase I rules. As of June 30, 2022, the core solvency ratio and the comprehensive solvency ratio of Sunshine Life both decreased as compared to those as of December 31, 2021 calculated under the C-ROSS phase II rules, primarily due to capital markets volatility in the first half of the year, the growth in our business and the decline of interest rate in solvency reserve valuation.

Under the C-ROSS phase I rules, as of December 31, 2019, 2020 and 2021, the core solvency ratio of Sunshine P&C was 173%, 194% and 181%, respectively, and its comprehensive solvency ratio was 227%, 248% and 267%, respectively. The core solvency ratio of Sunshine P&C decreased as of December 31, 2021 as compared to that as of December 31, 2020, mainly due to dividends distributed. The comprehensive solvency ratio of Sunshine P&C increased as of December 31, 2021 as compared to that as of December 31, 2020, mainly due to the issue of a capital supplementary bond. Both the core solvency ratio and comprehensive solvency ratio of Sunshine P&C increased as of December 31, 2020 as compared to those as of December 31, 2019, mainly due to changes in our business portfolio and an increase in investment return.

Under the C-ROSS phase II rules, as of December 31, 2021 and June 30, 2022, the core solvency ratio of Sunshine P&C was 156% and 157%, respectively, and its comprehensive solvency ratio was 235% and 242%, respectively. As of December 31, 2021, the core solvency ratio and comprehensive solvency ratio of Sunshine P&C under the C-ROSS phase II rules both were lower than those as of December 31, 2021 calculated under the C-ROSS phase I rules, primarily due to the higher minimum capital resulting from the adjustment of the rules for measuring the risks of certain types of insurance business and higher risk factors of investment assets, as well as the lower core capital resulting from the stricter capital classification standard under C-ROSS phase II rules. As of June 30, 2022, the core solvency ratio and the comprehensive solvency ratio of Sunshine P&C both increased as compared to those as of December 31, 2021 calculated under the C-ROSS phase II rules, primarily due to the decrease of minimum capital resulting from the decreased combined ratio of automobile insurance in the first half of the year.

Under the C-ROSS phase I rules, as of December 31, 2019, 2020 and 2021, the core solvency ratio of Sunshine Surety was 1,172%, 389% and 760%, respectively, and its comprehensive solvency ratio was 1,172%, 389% and 760%, respectively. Both the core solvency ratio and comprehensive solvency ratio of Sunshine Surety increased as of December 31, 2021 as compared to those as of December 31, 2020, mainly due to a decrease in minimum capital as a result of a decrease in claim reserves. The core solvency ratio and comprehensive solvency ratio of Sunshine Surety decreased as of December 31, 2020 as compared to those as of December 31, 2019, mainly due to a decrease in actual capital as a result of underwriting loss, and an increase in minimum capital as a result of an increase in claim reserves.

Under the C-ROSS phase II rules, as of December 31, 2021 and June 30, 2022, the core solvency ratio of Sunshine Surety was 285% and 287%, respectively and its comprehensive solvency ratio was 285% and 287%, respectively. Both the core solvency ratio and comprehensive solvency ratio of Sunshine Surety as of December 31, 2021 calculated under the C-ROSS phase II rules were lower than those as of December 31, 2021 calculated under the C-ROSS phase I rules, mainly due to the higher minimum capital resulting from the changes in the rules for measuring credit risk under the C-ROSS phase II rules. The core solvency ratio and comprehensive solvency ratio of Sunshine Surety as of June 30, 2022 remained relatively stable as compared to those as of December 31, 2021 calculated under the C-ROSS phase II rules.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprise expenditures for the purchase of property and equipment, and intangible assets, such as office equipment, motor vehicles and software. The following table sets forth our capital expenditure for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Purchase of property and equipment, intangible assets and other assets	1,348	2,357	2,276	601

We have funded and expect to continue to fund our capital expenditure primarily with cash generated from our operating activities. We estimate that our capital expenditure for the year ending December 31, 2022 will be approximately RMB2,600 million, which we will use primarily for investments in infrastructure projects, purchases of computer devices, medical equipment and software.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Contracted but not provided for	14,096	13,546	16,796	13,637

We have funded and expect to continue to fund our capital commitments primarily with cash generated from our operating activities. In 2019, 2020, 2021 and the six months ended June 30, 2022, our capital commitments were mainly related to investments in unlisted equities and private equity funds, as well as projects under construction.

INDEBTEDNESS

The table below sets forth details of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
					(unaudited)
	(RMB in millions)				
Bank loans	416	394	364	354	343
Lease liabilities	983	987	922	819	796
Bonds payable	16,945	16,509	12,923	13,035	12,184
Securities sold under agreements to repurchase	14,812	32,025	12,106	20,688	15,784
Total	**33,156**	**49,915**	**26,315**	**34,896**	**29,107**

Apart from the foregoing, as of October 31, 2022, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

Bank Loans

Other than our operating cash flow, we also finance our working capital using bank loans. As of December 31, 2019, 2020 and 2021, June 30, 2022 and October 31, 2022 (being the latest date for determining our indebtedness), the aggregate balance of our bank loans was RMB416 million, RMB394 million, RMB364 million, RMB354 million and RMB343 million, respectively. The decrease in the aggregate balance of our bank loans was primarily due to our repayments of bank loans and the fluctuations in the exchange rates between US dollars and Renminbi in relation to our loans in US dollars. As of October 31, 2022, RMB38 million of our bank loans would be required to be repaid within one year. As of the same date, we did not have any bank facilities.

In November 2016, one of our subsidiaries, Sunflower American Capital Ltd., borrowed US$15 million (approximately RMB96 million) from Bank of China U.S.A. New York Branch for its operations with an interest rate of LIBOR plus 2.5% per annum and due in November, 2023. The loan is guaranteed by the assets of the subsidiary. The loan was primarily to support the operation of Baccarat Hotel NY as a part of our overseas business. See "Business — Other Businesses — Elderly Care Communities and Hotels." The source of funding for the repayment of the loan mainly is the cash generated from the operation of the hotel.

In December 2017, one of our subsidiaries, Guangzhou Hefeng Industry Investment Co., Ltd., entered into a facility agreement of RMB350 million with the Bank of China with an interest of PBOC benchmark interest rate plus 133.5 basis points per annum (on or before April 15, 2018) and PBOC benchmark interest rate plus 132.5 basis points per annum (after April 15, 2018). We were required to make all draw-downs under this agreement before December 31, 2020. Borrowings under this agreement are secured by our Independent Third Party.

Our loan agreements contain standard terms and conditions and covenants that are customary for commercial bank loans. We also undertake financial covenants that require us to meet certain financial ratio requirements under the loan agreements. Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings, nor any breach of financial covenants during the Track Record Period.

Lease Liabilities

As required by IFRS 16, at the commencement of a lease, a lessee will recognize a liability to make lease payments, namely, the lease liabilities, and an asset representing the right to use the underlying asset during the lease term, namely, the right-of-use assets. During the Track Record Period, we entered into leases for buildings for our operations and motor vehicles. Our lease liabilities remained relatively stable at RMB983 million as of December 31, 2019 and RMB987 million as of December 31, 2020. Our lease liabilities decreased from RMB987 million as of December 31, 2020 to RMB922 million as of December 31, 2021, primarily due to our payments of rentals. Our lease liabilities decreased from RMB922 million as of December 31, 2021 to RMB819 million as of June 30, 2022, primarily due to our payments of rentals.

As of October 31, 2022, we had lease liabilities of RMB796 million.

Bonds Payable

As of October 31, 2022, the outstanding balance of our bonds payable was RMB12,184 million. The table below sets forth a summary of our major bonds payable as of October 31, 2022:

Issuer	Par value	Issue date	Term	Early redemption option	Interest rate
Sunshine P&C	RMB5,000 million	December 2021	10 years	End of the fifth year	4.5%-5.5%
Sunshine Life	US$300 million	April 2016	10 years	None	4.5%
Sunshine Life	RMB5,000 million	March 2021	10 years	End of the fifth year	4.4%-5.4%

Securities Sold under Agreements to Repurchase

We have entered into repurchase agreements whereby securities are sold with a concurrent agreement to repurchase at a specified date. Funds are duly borrowed by entering into the repurchase agreements and recorded at the actual amounts received from the sale of the securities. As of October 31, 2022, the outstanding balance of our securities sold under agreements to repurchase was RMB15,784 million.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial and related ratios for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,[1]
	2019	2020	2021	2022
The Group				
Return on average equity[2]	11.0%	10.6%	10.3%	6.1%
Return on average assets[3]	1.6%	1.5%	1.4%	0.8%
Net investment yield[4]	5.8%	5.2%	4.6%	4.3%
Total investment yield[5]	5.8%	6.5%	5.4%	4.2%
Life and Health Insurance				
Growth rate of retained premiums[6]	26.5%	15.1%	9.8%	25.9%
Total investment yield[5]	5.4%	5.6%	5.1%	4.2%
Commission and brokerage ratio[7]	10.7%	11.4%	11.1%	10.6%
Property and Casualty Insurance[8]				
Growth rate of retained premiums[6]	9.4%	(7.0)%	8.8%	(3.9%)
Retention ratio[9]	96.7%	95.3%	94.8%	95.1%
Loss ratio[10]	56.8%	58.4%	66.6%	64.3%
Expense ratio[11]	43.2%	42.3%	38.5%	34.5%
Combined ratio[12]	100.0%	100.7%	105.1%	98.8%
Total investment yield[5]	4.5%	6.2%	5.9%	5.5%

(1) The weighted average return on equity, return on average assets, net investment yield and total investment yield for the six months ended June 30, 2022 are annualized for convenience only. Such ratios are derived by multiplying the actual ratios for the six months ended June 30, 2022 by 2. In the calculation of the net investment yield and total investment yield, only net investment income are annualized. Annualized ratios for the six months ended June 30, 2022 shall not be used to estimate such ratios for the year ending December 31, 2022 and are not comparable to the ratios for the years ended December 31, 2019, 2020 and 2021. The growth rate of retained premiums, commission and brokerage ratio, retention ratio, loss ratio, expense ratio and combined ratio for the six months ended June 30, 2022 are not annualized.

(2) Return on average equity equals net profits for the period attributable to equity owners of the parent divided by the average total net assets attributable to equity owners of the parent as of the beginning and end of the period.

(3) Return on average assets equals net profits for the period divided by the average total assets as of the beginning and end of the period.

(4) Net investment yield equals net investment income less interest expense relating to securities sold under agreements to repurchase for the period, divided by average investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period. Net investment income consists of interest revenue from fixed-income financial assets, dividend income from equity financial assets, share of profits and losses of associates and joint ventures, operating lease income from investment properties, interest revenue from securities purchased under agreements to resell and interest revenue from demand deposits. Investment assets refer to cash and short-term deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, fixed-term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, policy loans, investments in associates and joint ventures, statutory deposits and investment properties.

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

(6) Growth rate of retained premiums refers to the difference of retained premiums for the current period and the previous corresponding period, divided by the retained premiums for the previous corresponding period. Retained premiums equal net written premiums (GWPs less premiums ceded to reinsurers).

(7) Commission and brokerage ratio equals commission and brokerage expenses in a period divided by GWPs for the period.

(8) Financial ratios of property and casualty insurance refer to those financial ratios of Sunshine P&C.

(9) Retention ratio equals net written premiums divided by GWPs.

(10) Loss ratio represents the ratio of loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned.

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

(12) Combined ratio equals the sum of the loss ratio and the expense ratio.

Our Group

In 2019, 2020, 2021 and the six months ended June 30, 2022, the return on average equity of our Group was 11.0%, 10.6%, 10.3% and 6.1% (annualized), respectively. The annualized return on average equity of our Group in the six months ended June 30, 2022 stood at a relatively low level, primarily due to a decrease in investment income resulting from the downturn of capital markets in the first half year of 2022. The return on average equity of our Group remained relatively stable in 2019, 2020 and 2021.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the return on average assets of our Group was 1.6%, 1.5%, 1.4% and 0.8% (annualized), respectively. The annualized return on average assets of our Group in the six months ended June 30, 2022 stood at a relatively low level, primarily due to a decrease in investment income resulting from the downturn of capital markets in the first half year of 2022. The return on average assets of our Group remained relatively stable in 2019, 2020 and 2021.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the net investment yield of our Group was 5.8%, 5.2%, 4.6% and 4.3% (annualized), respectively. The net investment yield of our Group in the six months ended June 30, 2022 stood at a relatively low level, primarily due to (i) a decrease in dividends from the asset management schemes and funds we invested and (ii) a decrease in the income from investments in associates and joint ventures. The net investment yield of our Group decreased in 2021 compared with that in 2020, mainly due to decreases in dividends from funds and dividend incomes. The net investment yield of our Group decreased in 2020 compared with that in 2019, mainly due to an increased contribution from fixed-income financial assets as we optimized our investment portfolio and a decrease in return of newly added investment assets.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the total investment yield of our Group was 5.8%, 6.5%, 5.4% and 4.2% (annualized), respectively. The total investment yield of our Group in the six months ended June 30, 2022 stood at a relatively low level, mainly due to an increase in the impairment losses on financial assets resulting from the overall downturn of the capital markets in the first half year of 2022. The total investment yield of our Group fluctuated from 2019 to 2021, with a relatively high record in 2020, mainly due to an increase in realized gains as we optimized our investment portfolio.

Life and Health Insurance

In 2019, 2020, 2021 and the six months ended June 30, 2022, the growth rate of retained premiums for our life and health insurance segment was 26.5%, 15.1%, 9.8% and 25.9% (unannualized), respectively. The growth rate of retained premiums in the six months ended June 30, 2022 stood at a relatively high level, mainly due to our constant efforts in implementing the multichannel strategy for the sales channels, which has enabled us to achieve fast growths in bancassurance channel. From 2019 to 2021, our retained premiums continued increasing while the growth rates of retained premiums for our life and health insurance segment decreased, mainly as a result of the effects of the COVID-19 pandemic and the optimization of our business portfolio.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the total investment yield for our life and health insurance segment was 5.4%, 5.6%, 5.1% and 4.2% (annualized), respectively. In the six months ended June 30, 2022, the total investment yield for our life and health insurance segment was at a relatively low level, mainly due to an increase in impairment losses on financial assets resulting from the downturn of capital markets in the first half year of 2022. The total investment yield for our life and health insurance segment decreased in 2021 compared with that in 2020, primarily as a result of a decrease in the realized gains. In 2019 and 2020, the total investment yield for our life and health insurance segment remained relatively stable.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the commission and brokerage ratio for our life and health insurance segment was 10.7%, 11.4%, 11.1% and 10.6% (unannualized), respectively. In the six months ended June 30, 2022, the commission and brokerage ratio for our life and health insurance segment was at a relatively low level, mainly due to changes in our business portfolio. The increases in commission and brokerage ratio for our life and health insurance segment from 2019 to 2021 were mainly attributable to increased proportion of regular premiums which had relatively higher commission and brokerage rates as we optimized our business portfolio.

Property and Casualty Insurance

In 2019, 2020, 2021 and the six months ended June 30, 2022, the growth rate of retained premiums of Sunshine P&C was 9.4%, negative 7.0%, 8.8% and negative 3.9% (unannualized), respectively. In the six months ended June 30, 2022, the growth rate of retained premiums of Sunshine P&C was negative, mainly due to a decrease in premiums from guarantee insurance products resulting from the effect of the COVID-19 pandemic and a decrease in premiums from accident and short-term health insurance products resulting from the implementation of laws and regulations relating to internet insurance business. The growth rate of retained premiums of Sunshine P&C increased in 2021 compared with that in 2020, primarily due to an increase in premium from non-automobile insurance. The growth rate of retained premiums of Sunshine P&C decreased in 2020 compared with that in 2019, primarily due to a decrease in the GWPs from automobile insurance and guarantee insurance businesses, whose cession ratios were relatively lower, as a result of changes in macroeconomic conditions, the COVID-19 pandemic and the comprehensive reform of automobile insurance.

In 2019, 2020, 2021 and the six months ended June 30, 2022, retention ratio of Sunshine P&C was 96.7%, 95.3%, 94.8% and 95.1% (unannualized), respectively. Retention ratio of Sunshine P&C increased in the six months ended June 30, 2022, primarily due to the adjustment in the portfolio of reinsurance contracts. Retention ratio of Sunshine P&C decreased in 2021 compared with that in 2020, primarily due to an an increase in the proportion of business with fixed cession ratio under agreement such as non-automobile insurance.

Retention ratio of Sunshine P&C decreased in 2020 compared with that in 2019, primarily due to an increase in the proportion of businesses with high contract cession ratios such as commercial property insurance, engineering insurance, liability insurance and short-term health insurance.

In 2019, 2020, 2021 and the six months ended June 30, 2022, loss ratio of Sunshine P&C was 56.8%, 58.4%, 66.6% and 64.3% (unannualized), respectively. In the six months ended June 30, 2022, loss ratio of Sunshine P&C was at a relatively low level, mainly due to the improvement of loss ratio of automobile insurance products as a result of impacts from the COVID-19 pandemic and our enhanced business quality management. Loss ratio of Sunshine P&C increased in 2021 compared with that in 2020, primarily due to an increase in loss ratio of automobile insurance as a result of the prevalent lower premium rates and improved customers' insurance coverage in terms of degree and scope, which were mainly attributable to the comprehensive reform of the automobile insurance industry. In 2019 and 2020, the loss ratio of Sunshine P&C remained relatively stable.

In 2019, 2020, 2021 and the six months ended June 30, 2022, the expense ratio of Sunshine P&C was 43.2%, 42.3%, 38.5% and 34.5% (unannualized), respectively. In the six months ended June 30, 2022, the expense ratio of Sunshine P&C was at a relatively low level, mainly due to a decrease in commission and brokerage ratios of accident and short-term health insurance resulting from the implementation of laws and regulations relating to internet insurance business and a decrease in employee benefit expense and other expenses resulting from our constant effort in enhancing expense management. The expense ratio of Sunshine P&C decreased from 2019 to 2021, primarily due to a decrease in cost of sales and agency services as a result of our enhanced expense management. In response to the comprehensive reform of the automobile insurance industry, we reduced our costs for agency services, and the commission and brokerage fee rate for our automobile insurance decreased from 12.1% in 2020 to 7.2% in 2021. We also empowered our business development and operation management through digital technologies. Therefore, our operating and administrative expenses such as employee benefit expense, office expenses and travelling expenses decreased.

In 2019, 2020, 2021 and the six months ended June 30, 2022, combined ratio of Sunshine P&C was 100.0%, 100.7%, 105.1% and 98.8% (unannualized), respectively. In the six months ended June 30, 2022, combined ratio of Sunshine P&C was at a relatively low level, mainly due to our constant effort in enhancing business quality management and expense management. Combined ratio of Sunshine P&C increased in 2021 compared with that in 2020, primarily due to an increase in loss ratio for automobile insurance, as a result of the prevalent lower premium rates and improved customers' insurance coverage in terms of degree and scope, which were mainly attributable to the comprehensive reform of the automobile insurance industry. In 2019 and 2020, the combined ratio of Sunshine P&C remained relatively stable.

In 2019, 2020, 2021 and the six months ended June 30, 2022, total investment yield of Sunshine P&C was 4.5%, 6.2%, 5.9% and 5.5% (annualized). In the six months ended June 30, 2022, total investment yield of Sunshine P&C was at a relatively low level, mainly due to a decrease in realized gains. Total investment yield of Sunshine P&C decreased in 2021 compared with that in 2020, mainly due to a decrease in interest and dividend income in 2021. Total investment yield of Sunshine P&C increased in 2020 compared with that in 2019, primarily due to an increase in dividends from the asset management schemes and funds we invested.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial position or results of operations. However, there can be no assurance that we will not be involved in the above proceedings in the future.

Our Directors confirm that there has been no material change in our contingent liabilities since June 30, 2022 and up to the date of this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that the related party transactions set out in note 46 of the Accountants' Report in Appendix I to this prospectus were conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

All of the balances with related parties are trade in nature. As of December 31, 2019, 2020, 2021 and as of June 30, 2022, our balances with related parties were resulting from our ordinary insurance and investment businesses, mainly representing (i) commissions prepaid by us for sales of insurance contracts, and (ii) our investments in funds and wealth management products issued and managed by related parties.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of insurance and financial risks, including credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk that one party of a financial transaction or the issuer of a financial instrument will fail to discharge its obligation and cause another party to incur a financial loss. Because our investment portfolio is restricted to the types of investments as permitted by the CBIRC and a significant portion of the portfolio is in government bonds, government agency bonds, interbank deposits, corporate bonds with higher credit rating and term deposits with the state-owned commercial banks, our overall exposure to credit risk is relatively low. We are exposed to credit risks primarily associated with our deposit arrangements with commercial banks, debt investment schemes, trust schemes, insurance receivables, other receivables and reinsurance arrangements, etc.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. We manage credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. Where appropriate, we obtain collateral in the form of rights to cash, securities, property and equipment to lower the credit risk. Our credit risk associated with insurance receivables mainly arises from non-life insurance business for which we only issue insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months, but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by installments are usually arranged. One of our major performance indicators is the ability to collect premiums receivable on a timely basis.

Credit Risk Exposure

The carrying amount of financial assets included on the consolidated statement of financial position represents the maximum credit risk exposure at the reporting date without taking account of any collateral held or other credit enhancements attached. We had no credit risk exposure relating to off-balance sheet items as of December 31, 2019, 2020, 2021 and as of June 30, 2022.

Collateral and Other Credit Enhancements

Securities purchased under agreements to resell are pledged by counterparties' debt securities or term deposits of which we could take the ownership if the owner of the collateral defaults. Policy loans and most of premium receivables are collateralized by their policies' cash value according to the terms and conditions of policy loan contracts and policy contracts, respectively.

Credit Quality

Our debt securities investment mainly includes government bonds, corporate bonds, interbank deposits, financial bonds and subordinated bonds or debts. Most of these corporate bonds and subordinated bonds or debts have credit ratings of AA/A-2 or above. The bonds' or debts' credit ratings are assigned by a qualified appraisal institution in the PRC and updated at each reporting date.

Most of our bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. Our reinsurance is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above except for state-owned reinsurance companies. We believe these commercial banks and reinsurance companies have a high credit qualities.

The credit risk associated with securities purchased under agreements to resell and policy loans has not caused a material impact on the Historical Financial Information taking into consideration their sufficient collateral held and maturity terms of no more than one year as of December 31, 2019, 2020, 2021 and as of June 30, 2022.

Market Risk

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes foreign currency risk, interest rate risk and price risk.

Foreign Currency Risk

The following table summarizes our exposure to foreign currency exchange rate risk at the end of each of the relevant periods by categorizing financial assets and financial liabilities by major currency:

	As of December 31,														As of June 30,				
	2019				2020				2021					2022					
	USD	HKD	AUD	Total	USD	HKD	AUD	Total	USD	HKD	AUD	EUR	Total	USD	HKD	AUD	EUR	Total
	(RMB in millions)																		
Financial assets																			
Cash and cash equivalents	311	87	355	753	1,935	181	194	2,310	532	404	263	38	1,237	1,433	217	274	8	1,932
Term deposits	24	–	–	24	4,693	–	–	4,693	23	–	–	–	23	24	–	–	–	24
Held-to-maturity financial assets	2,175	–	–	2,175	1,555	–	–	1,555	1,257	–	–	–	1,257	977	–	–	–	977
Available-for-sale financial assets	6,107	595	–	6,702	3,228	1,652	–	4,880	5,266	1,061	–	74	6,401	10,947	1,111	–	105	12,163
Total	**8,617**	**682**	**355**	**9,654**	**11,411**	**1,833**	**194**	**13,438**	**7,078**	**1,465**	**263**	**112**	**8,918**	**13,381**	**1,328**	**274**	**113**	**15,096**
Financial liabilities																			
Bonds payable	6,976	–	–	6,976	6,525	–	–	6,525	1,913	–	–	–	1,913	2,011	–	–	–	2,011
Others	105	–	–	105	130	–	–	130	478	–	–	–	478	503	–	–	–	503
Total	**7,081**	**–**	**–**	**7,081**	**6,655**	**–**	**–**	**6,655**	**2,391**	**–**	**–**	**–**	**2,391**	**2,514**	**–**	**–**	**–**	**2,514**

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity when the foreign exchange rates of USD and other foreign currencies vary.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Impact on profit before tax				
+ 10%	(413)	190	13	42
- 10%	413	(190)	(13)	(42)
Impact on equity before tax				
+ 10%	257	678	653	1,258
- 10%	(257)	(678)	(653)	(1,258)

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Our price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, which mainly include available-for-sale financial assets, listed equity securities and security investment funds classified as financial assets at fair value through profit or loss.

We manage price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

The analysis below is performed for reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on our profit and equity when the price of all kinds of financial instruments had been 10% higher/lower.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Change in assumptions				
Impact on profit before tax				
+ 10%	910	1,380	344	561
- 10%	(910)	(1,380)	(344)	(561)
Impact on equity before tax				
+ 10%	4,404	4,739	5,863	5,584
- 10%	(4,404)	(4,739)	(5,863)	(5,584)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Our financial assets are principally composed of term deposits, debt securities and loans which are exposed to interest rate risk. We manage interest rate risk through adjustments to portfolio structure and duration, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on our profit and equity.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Change in assumptions				
Impact on profit before tax				
+ 50bps	(126)	(153)	(60)	(10)
- 50bps	126	153	60	10
Impact on equity before tax				
+ 50bps	(520)	(875)	(3,536)	(889)
- 50bps	520	875	3,536	889

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

We are exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. We seek to manage liquidity risk by matching to the extent possible the duration of investment assets with the duration of insurance policies and to ensure that we are able to meet payment obligations and fund lending and investment operations on a timely basis.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

For a detailed liquidity risk analysis, please see note 45 to the Accountant's Report set forth in Appendix I to this prospectus.

FUTURE DIVIDENDS

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends is formulated by our Board and approved at our Shareholders' meetings. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend upon a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments of cash dividends by our subsidiaries to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

In accordance with the applicable PRC laws and our Articles of Association, we may only distribute dividends out of our profit after tax after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to statutory reserve equivalent to 10% of our profit after tax, until the amount in the statutory reserve has reached and maintained at or above 50% of our registered capital;
- appropriations to required risk reserve; and
- allocations, if any, to a discretionary surplus reserve fund that are approved by our shareholders in a Shareholders' meeting.

In addition, as required by the CBIRC, the CBIRC has the authority to prohibit any insurance company that fails to meet the relevant capital adequacy ratio requirements, or has violated other relevant PRC insurance regulations, from paying dividends or making other forms of distribution.

After completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

In 2019, 2020 and 2021, our Company distributed dividends of RMB828 million, RMB931 million and RMB1,242 million, respectively. In April 2022, our Company declared a dividend of RMB1,553 million. We have no plan to declare other dividend before the Listing. At our shareholders' meeting held on June 25, 2021, it was resolved that our accumulated undistributed profits before the Global Offering would be shared among our existing shareholders and future holders of H Shares. In order to balance the interests of existing shareholders and future holders of H Shares, the accumulated undistributed profit before the Global Offering and Listing will be attributable to our new and existing shareholders upon the completion of the Global Offering and Listing of H Shares in proportion to their shareholding, subject to compliance with the Articles of Association and relevant regulatory requirements. Dividends paid in previous periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size, dividends will be paid in the future.

LISTING EXPENSE

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB268 million, representing approximately 4.2% of the gross proceeds from the Global Offering (assuming an Offer Price of HK$6.14 per H Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option). During the Track Record Period, the listing expenses of RMB0.2 million and RMB1.4 million were reflected in our statements of profit or loss and other comprehensive income for the year ended December 31, 2021 and the six months ended June 30, 2022, respectively. After June 30, 2022, approximately RMB8.4 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB258 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses consist of approximately RMB173 million underwriting fees and approximately RMB95 million non-underwriting fees (including fees and expenses of legal advisors and the reporting accountant of approximately RMB70 million and other fees and expenses of approximately RMB25 million). The listing expenses above are the latest practicable estimates for reference only, and the actual amount may be different from this estimate. Our Directors do not expect such expenses to materially impact our results of operations in 2022.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the Shareholders of the Company as of June 30, 2022 as if the Global Offering had taken place on June 30, 2022.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group, assuming the Global Offering had been completed on June 30, 2022 or at any future date. Please refer to "Appendix II — Unaudited Pro Forma Financial Information."

	Consolidated net tangible assets attributable to owners of the parent as of June 30, 2022	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as of June 30, 2022	
	RMB Million	*RMB Million*	*RMB Million*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$5.83 per Share	54,454	5,830	60,284	5.24	5.77
Based on an Offer Price of HK$6.45 per Share	54,454	6,462	60,916	5.30	5.84

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as of June 30, 2022 is arrived at after deducting intangible assets of RMB47 million from the consolidated net assets attributable to owners of the parent of RMB54,501 million as of June 30, 2022, as shown in the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are calculated based on estimated offer prices of HK$5.83 per Share or HK$6.45 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.9082.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 11,501,522,500 Shares are in issue and assuming that the Global Offering has been completed on June 30, 2022 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9082 to HK$1.00.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to June 30, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022 and there has been no event since June 30, 2022 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

In order to provide investors with an additional tool to understand our economic value and business results, we have disclosed information relating to the embedded value of our Group and Sunshine Life, respectively, as discussed below. As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of the presentation of embedded value of our Group and Sunshine Life may change. We have also disclosed the value of one year's new business in respect of our life and health insurance business. Due to the technical complexity involved with these calculations, and the fact that these estimates may also vary materially as key assumptions are changed, investors should read the following discussion in its entirety and the opinions and report of Willis Towers Watson, an independent firm of consulting actuaries, set forth in "Appendix III — Actuarial Consultants' Report" use care in interpreting these values and seek advice of experts familiar with the interpretations of these values. Please also see the two sections of "Forward-looking Statements" and "Risk Factors — Risks Relating to Our Business and Industry — Our embedded value and the value of one year's new business of Sunshine Life are calculated based on a number of assumptions and the results may change significantly due to changes in relevant assumptions."

Our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus are prepared in accordance with IFRS. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life and health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance business of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future after-tax distributable profits, excluding any value attributable to any future new business. While, under IFRS, there is a lag time between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from in-force policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholders' value.

To assess the total economic value of our life and health insurance business, a value of future new business of life and health insurance, which reflects our ability to develop new business, should be considered in addition to the embedded value. The value of future new business is often calculated by applying a multiplying factor to the value of one year's new business. The value of one year's new business is a measure of the economic value added by life and health insurance companies during the course of one year as a result of underwriting new business. Assumptions regarding, among other things, the future new business growth, profit margin of future products, risk discount rate, and the number of years of new business are considered to derive the multiplying factor.

Willis Towers Watson, an independent firm of consulting actuaries, has prepared an actuarial consultants' report on the estimates of the embedded value of our Group and Sunshine Life as of December 31, 2021 and June 30, 2022, and the value of one year's new business of Sunshine Life for the 12 months ended December 31, 2021 and June 30, 2022, on a range of assumptions. A copy of the actuarial consultants' report is included in Appendix III to this prospectus. This report does not constitute an audit opinion of the financial information used in the report.

When preparing the actuarial consultants' report, Willis Towers Watson has relied on the data and information supplied by us, including unaudited and audited data and information as of or before June 30, 2022. The report of Willis Towers Watson, an independent actuarial consultant, provides further information regarding its use of, and reliance on, the data and information available to it.

In the actuarial consultants' report, the value of in-force business and the value of one year's new business in respect of Sunshine Life have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis contained in the actuarial consultants' report, which reflect the impact of different assumptions on these values. Moreover, the values presented in the actuarial consultants' report do not necessarily include the full range of potential outcomes.

The estimates of the value of in-force business and the value of one year's new business in respect of Sunshine Life involve a number of assumptions, such as risk discount rate, investment returns, policy liabilities and required capital standards, taxation, mortality rates, morbidity rates, lapse and surrender rates, fees and commissions. These assumptions are derived based on our historical experience and future expectation, industry performance, market conditions and relevant regulatory requirements, many of which are subject to uncertainties. As a result, actual future results may vary from that assumed in the calculation, and these variations may be material. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

FUTURE PLANS

See "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$6.14 per Share (being the mid-point of the indicative Offer Price Range of between HK$5.83 and HK$6.45 per Share), we estimate that we will receive net proceeds of approximately HK$6,767 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. Based on the indicative Offer Price Range of between HK$5.83 and HK$6.45 per Share, our core capital and actual capital are expected to increase by an amount between HK$6,420 million and HK$7,115 million, being the net proceeds from the Global Offering; assuming that the net proceeds were received on June 30, 2022, our Group's core solvency ratio and comprehensive solvency ratio would be higher than those as of June 30, 2022 by 13 to 15 percentage points.

In the event that the Offer Price is set at the Maximum Offer Price or the Minimum Offer Price of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$348 million and HK$348 million, respectively.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$1,085 million (assuming an Offer Price of HK$6.45 per Share, being the Maximum Offer Price), (ii) HK$1,033 million (assuming an Offer Price of HK$6.14 per Share, being the mid-point of the Offer Price Range) and (iii) HK$981 million (assuming an Offer Price of HK$5.83 per Share, being the Minimum Offer Price).

We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business.

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
UBS AG Hong Kong Branch
CCB International Capital Limited
BNP Paribas Securities (Asia) Limited
BOCOM International Securities Limited
ICBC International Securities Limited
CMB International Capital Limited
CLSA Limited
ABCI Securities Company Limited
China Merchants Securities (HK) Co., Limited
Shenwan Hongyuan Securities (H.K.) Limited
Soochow Securities International Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on November 29, 2022. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the listing and permission not having been revoked and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally (but not jointly) to subscribe or procure subscribers for their applicable proportion of the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall have the right by giving a written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, any of the following events shall occur prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into force:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, civil commotion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, trading, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Singapore Stock Exchange;

(iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions (declared by the relevant competent authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of comprehensive sanctions under any sanctions laws or regulations in, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(viii) other than with the prior written consent of the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the Application Form, the offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(ix) there is the commencement by any authority of any material investigation or other material action (including arrest or detainment) or material proceedings against any Director, Supervisor or member of senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any authority that it intends to commence any such investigation or take any such action or initiate any such proceedings;

(x) any demand by creditors for repayment of indebtedness before its maturity or an order or petition being presented for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution being passed for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

(xi) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director;

(xii) any material contravention by any member of the Group or any Director of any applicable laws and regulations, including the Listing Rules, the PRC Company Law and the Special Regulations;

(xiii) any executive Director is vacating his or her office;

(xiv) any Director or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law, or (in respect of any executive Director only) otherwise disqualified from taking part in the management of a company or taking a directorship of a company;

(xv) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws;

(xvi) any change or prospective change or development, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xvii) there is a breach of, or any event or circumstance rendering untrue, inaccurate, incomplete or misleading in any respect, any of the warranties given by the Company in the Hong Kong Underwriting Agreement and the International Underwriting Agreement (including any supplement or amendment thereto), as applicable,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (i) has or will or is likely to have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition, financial, operational or otherwise, of the Group as a whole; (ii) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; (iii) makes or will make or is likely to make it inadvisable or impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or (iv) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Overall Coordinators that:

(i) any statement contained in this prospectus, the Application Form, the formal notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto (the "**Offer Related Documents**") but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions taken as a whole;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents;

(iii) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement and the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(iv) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by us under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(v) there is any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial, operational or otherwise, of the Group as a whole;

(vi) the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

(vii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(ix) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(x) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings by the Company to the Stock Exchange Pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that we will not issue any shares or other securities convertible into equity securities (whether or not of a class already listed) of the Company or enter into any agreement or arrangement to issue such shares or securities at any time within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement

The Company has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters and the Capital Market Intermediaries that, except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), the Company will not, without the prior written consent of the Joint Sponsors, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Global Coordinators and unless in compliance with the

Listing Rules and applicable laws (and only after the consent of any relevant PRC authority (if required) has been obtained), at any time during the period commencing on the date hereof and ending on, and including, the date falling six months from, and excluding, the Listing Date:

(i) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other equity securities of the Company, as applicable, or any interests in any of the foregoing (including any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other equity securities of the Company, as applicable), or deposit any of the foregoing with a depositary in connection with the issue of depositary receipts;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or other equity securities of the Company, or any interest therein (including any securities convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company);

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the H Shares or other equity securities of the Company or in cash or otherwise (whether or not the issue of such H Shares or other equity securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the First Six-Month Period, the Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares or other equity securities of the Company.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally and not jointly, agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure subscribers or purchasers for such International Offer Shares.

The Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until Wednesday, January 4, 2023, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 172,522,500 additional Offer Shares, representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

It is expected that the International Underwriting Agreement may be terminated on similar ground as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission (the "**Fixed Fees**") of 1.50% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission (if any). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Overall Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, our Company may pay the Underwriters a discretionary incentive fee (the "**Discretionary Fees**") of up to 1.00% of the Offer Price for each Offer Share. The ratio of Fixed Fees and Discretionary Fees (if fully paid) is therefore 3:2.

Assuming the Over-allotment Option is not exercised at all, and based on an Offer Price of HK$6.14 per H Share (being the mid-point of the indicative Offer Price range of HK$5.83 to HK$6.45 per H Share), the aggregate commissions and fees (exclusive of any discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company (collectively the "**Commission and Fee**") are estimated to amount to approximately RMB268 million in aggregate.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save for its obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of the Company or has any right or option (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase securities of the Company in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Joint Sponsors' Fee

A fee of RMB2,000,000 (or its equivalent in USD) is payable by the Company as sponsor fees to each of the Joint Sponsors.

JOINT SPONSORS' INDEPENDENCE

Jiangsu Tiancheng is regarded as a member of the sponsor group of Huatai Financial Holdings (Hong Kong) Limited as defined under the Listing Rules. Jiangsu Tiancheng held approximately 5.80% of the share capital of the Company as of the Latest Practicable Date. Accordingly, Huatai Financial Holdings (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. See "History, Development and Corporate Structure — Our Shareholding and Corporate Structure" for further details.

Save for Huatai Financial Holdings (Hong Kong) Limited, each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, securities investment and trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the Stock Exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the followings:

(a) the Syndicate Members and their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members and their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of their affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 115,015,500 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section headed "The Hong Kong Public Offering"; and

(b) the International Offering of an aggregate of 1,035,137,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in accordance with Regulation S.

Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and CCB International Capital Limited are the Overall Coordinators of the Global Offering.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 10.00% of the enlarged issued share capital of the Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 11.33% of the enlarged issued share capital of the Company immediately after the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 115,015,500 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.00% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "— Conditions of the Hong Kong Public Offering" below.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$6.45 per Hong Kong Offer Share in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum Offer Price of HK$6.45 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the approval for such listing and permission not subsequently having been revoked prior to the Listing Date;

(b) the Offer Price being duly agreed between the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Company on or before the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Friday, December 9, 2022.

If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Company on or before the Price Determination Date, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the website of the Company (**www.sinosig.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The International Offering will consist of an initial offering of 1,035,137,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 9.00% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 172,522,500 additional Offer Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Any investor who has been offered Offer Shares and has made an application under the Hong Kong Public Offering shall provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor will not apply for any Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 172,522,500 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.48% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of our H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our H Shares;

- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Wednesday, January 4, 2023, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;

- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period. Following any over-allocation of Offer Shares in connection with the Global Offering, the Overall Coordinators, their respective affiliates or any person acting on their behalves may cover such over-allocation by, among other methods, using H Shares purchased by Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 172,522,500 Offer Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Pricing

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, December 5, 2022 (Hong Kong time) and in any event on or before Tuesday, December 6, 2022 (Hong Kong time), by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Company. The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, and Stock Exchange trading fee of 0.005% payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per International Offer Share under the International Offering. The SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the International Offering on International Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK$6.45 per Offer Share and is expected to be not less than HK$5.83 per Offer Share unless otherwise announced, as further explained below, on the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Company (**www.sinosig.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares or the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The Offer Price for H Shares under the Global Offering is expected to be announced on Thursday, December 8, 2022. The level of indications of interest in the Global Offering, the level of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, December 8, 2022 on the website of the Company (**www.sinosig.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

Allocation

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering referred to below) is to be divided equally into two pools (to the nearest board lot) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 57,507,500 Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool and representing approximately 50% of the 115,015,500 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL-91-18 require a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

The initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 10% of the Global Offering. In the event of full or over-subscription in both the Hong Kong Public Offering and the International Offering, the Overall Coordinators shall apply a clawback mechanism following the closing of application lists on the following basis:

(a) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators, in their absolute discretion, may (but shall not be obliged to) reallocate up to 115,015,500 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong

Public Offering will increase to 230,031,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$5.83 per Offer Share (being the low-end of the Offer Price range stated in this prospectus);

(b) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 345,046,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(c) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 460,061,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

(d) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 575,076,500 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In the event of undersubscription in the International Offering but full or over-subscription in the Hong Kong Public Offering, the Overall Coordinators, in their absolute discretion, may (but shall not be obliged to) reallocate up to 115,015,500 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 230,031,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$5.83 per Offer Share (being the low-end of the Offer Price range stated in this prospectus).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deems appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 9, 2022, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 9, 2022. Our H Shares will be traded in board lots of 500 H Shares each. The stock code of the H Shares is 6963.

H Share certificates issued in respect of the Offer Shares will only become valid evidence of title at 8:00 a.m. on Friday, December 9, 2022 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.sinosig.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

Set out below are the channels and procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares. The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

APPLICATIONS FOR THE HONG KONG OFFER SHARES

1 How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

We will not provide printed copies of any application forms in relation to the Hong Kong Public Offering.

To apply for the Hong Kong Offer Shares, you may:

(a) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(b) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (a), the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (b)(i) or (b)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Overall Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2 Who Can Apply

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person (except qualified domestic institutional investors) of the People's Republic of China.

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service provider, in addition to the above, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, we and the Overall Coordinators may accept it at our or their discretion and on any conditions we or they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of our H shares and/or a substantial shareholder of any of our subsidiaries;
- are our director or chief executive and/or a director or chief executive of any of our subsidiaries;
- are a close associate of any of the above;
- are our connected person or will become our connected person immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

3 Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and the PRC Company Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, our and their affiliates or their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, our H Share Registrar or the receiving banks any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or will breach any law as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize (i) us to place your name(s) or the name of the HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as may be required under the Articles of Association, and (ii) us and/or our agents to send any Share certificate(s) and/or any White Form e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the sub-section headed "— Despatch/Collection of H Share Certificates and Refund Monies" to collect the H Share certificate(s) and/or refund check(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that we, the Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service provider by anyone as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as his agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4 Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number of the Hong Kong Offer Shares of you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	3,257.50	10,000	65,150.07	150,000	977,250.95	2,000,000	13,030,012.65
1,000	6,515.00	15,000	97,725.10	200,000	1,303,001.27	2,500,000	16,287,515.82
1,500	9,772.50	20,000	130,300.12	250,000	1,628,751.59	5,000,000	32,575,031.63
2,000	13,030.02	25,000	162,875.15	300,000	1,954,501.90	7,500,000	48,862,547.44
2,500	16,287.52	30,000	195,450.19	350,000	2,280,252.22	10,000,000	65,150,063.25
3,000	19,545.02	35,000	228,025.23	400,000	2,606,002.53	20,000,000	130,300,126.50
3,500	22,802.52	40,000	260,600.26	450,000	2,931,752.85	30,000,000	195,450,189.75
4,000	26,060.03	45,000	293,175.29	500,000	3,257,503.17	40,000,000	260,600,253.00
4,500	29,317.52	50,000	325,750.32	1,000,000	6,515,006.33	50,000,000	325,750,316.25
5,000	32,575.03	100,000	651,500.64	1,500,000	9,772,509.49	57,507,500(1)	374,661,726.24

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5 Applying through the White Form eIPO Service

General

Individuals who meet the criteria in the sub-section headed "— 2 Who can apply" above may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Wednesday, November 30, 2022 until 11:30 a.m. on Monday, December 5, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, December 5, 2022 or such later time under the sub-section headed "— Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply for the Hong Kong Offer Shares by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit, an actual application will be deemed to have been made. However, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**Sunshine Insurance Group Company Limited**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6 Applying through CCASS EIPO Services

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to the Customer Service Center of Hong Kong Securities Clearing Company Limited at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong and complete an input request form.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Overall Coordinators and the H Share Registrar.

Applying through CCASS EIPO services

Where you have applied through **CCASS EIPO services** (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

  (i) **agree** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

  (ii) **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(iii) **undertake** and **confirm** that you have not applied for or taken up, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(iv) (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

(v) (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the person's benefit and are duly authorized to give those instructions as his/her/its agent;

(vi) **confirm** that you understand that we, the Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(vii) **authorize** us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you and to such other register as may be required under the Articles of Association, and send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(viii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) **confirm** that you have read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representation, save as set out in any supplement to this prospectus;

(x) **agree** that none of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective affiliates or their respective directors, officers, employees, agents or advisers or any other persons or parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(xi) **agree** to disclose your personal data to us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, our H Share Registrar or the receiving banks;

(xii) **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) **agree** that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Group and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fiftieth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong for this purpose) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provision) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this document;

(xiv) **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

(xv) **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(xvi) **agree** with us, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations on Listing Overseas, the Articles of Association and the PRC Company Law;

(xvii) **agree** with the Company, for itself and for the benefit of each shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

(a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

(xviii) **agree** with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

(xix) **authorize** the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

(xx) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO service**, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instructed** and **authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) by crediting your designed bank account; and

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, November 30, 2022	–	9:00 a.m. to 8:30 p.m.
Thursday, December 1, 2022	–	8:00 a.m. to 8:30 p.m.
Friday, December 2, 2022	–	8:00 a.m. to 8:30 p.m.
Monday, December 5, 2022	–	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, November 30, 2022 until 12:00 noon on Monday, December 5, 2022 (24 hours daily, except on Monday, December 5, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, December 5, 2022, the last day for applications or such later time as described in the sub-section headed "— Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists".

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants/CCASS Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

7 Warning For Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, the Directors, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised to input their instructions to the systems as soon as possible. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, December 5, 2022, the last day for applications, or such later time as described in the subsection headed "— Effect of Bad Weather on the Opening and Closing of the Application Lists".

8 How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$6.45 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK$3,257.50.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the subsection headed "— Applications for the Hong Kong Offer Shares — Minimum Application Amount and Permitted Numbers".

If your application is successful, brokerage will be paid to the Stock Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and in the case of the AFRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the AFRC respectively).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering — Pricing and Allocation — Pricing".

EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 5, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, December 5, 2022 or if there is any of those warnings in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", we will make an announcement on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.sinosig.com**.

PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 8, 2022 on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.sinosig.com**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.sinosig.com**, respectively, by no later than 9:00 a.m. on Thursday, December 8, 2022;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English website **https://www.eipo.com.hk/en/Allotment**; Chinese website **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24 hour basis from 8:00 a.m. on Thursday, December 8, 2022 to 12:00 midnight on Wednesday, December 14, 2022; or
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, December 8, 2022 to Tuesday, December 13, 2022 (except Saturday, Sunday and Hong Kong public holidays).

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in section "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **White Form eIPO** service or through the **CCASS EIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding for this purpose Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If we or our agents exercise discretion to reject your application:

We, the Overall Coordinators, the **White Form eIPO** Service Provider and our/their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 57,507,500 Hong Kong Offer Shares, being approximately 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering "or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Thursday, December 8, 2022.

DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made through **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

We will not issue: (i) the temporary document of title in respect of H Share certificates; or (ii) the receipt for sums paid application.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Thursday, December 8, 2022.

H Share certificates will only become valid at 8:00 a.m. on Friday, December 9, 2022 provided that the Global Offering has become unconditional or such time. Investors who trade H Shares prior to the receipt of H Share certificates or H share certificates becoming valid do so at their own risk.

(a) If you apply through White Form eIPO service

Personal collection of H Share certificates

- If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 8, 2022, or any other place or date notified by us.

Despatch of H Share certificate(s) by post

- If you do not personally collect your H Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, December 8, 2022 by ordinary post and at your own risk.

Refund monies

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of White Form e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(b) If you apply through CCASS EIPO service

Allocation of the Hong Kong Offer Shares

- For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 8, 2022 or on any other date determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offer in the manner as described in the subsection headed "— Publication of Results" on Thursday, December 8, 2022. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 8, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 8, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Thursday, December 8, 2022.

ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses.

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

We have made all necessary arrangements to enable the H Shares to be admitted into CCASS.

PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data held by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, the H Share Registrar or the receiving banks about you.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) and/or refund checks to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of H Shares including, where applicable, HKSCC Nominees;

- maintaining or updating our register of members;

- verifying identities of the holders of H Shares;

- establishing benefit entitlements of holders of H Shares, such as dividends, rights issues, bonus issues, etc.;

- distributing communications from us and our subsidiaries;

- compiling statistical information and profiles of the holder of H Shares;

- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable us and the H Share Registrar to discharge our or their obligations to holders of H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisors and receiving banks;

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the H Share Registrar in connection with their respective business operation;

- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

We and our H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed "Corporate Information" or as notified from time to time, for the attention of the secretary, or our H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report received from reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUNSHINE INSURANCE GROUP COMPANY LIMITED

Introduction

We report on the historical financial information of Sunshine Insurance Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-115, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020, 2021, and the six months ended 30 June 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020, 2021 and 30 June 2022, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-115 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2022 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020, 2021 and 30 June 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 16 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Gross written premiums	6(a)	87,907	92,569	101,759	55,072	62,952
Less: Premiums ceded to reinsurers	6(b)	(2,306)	(2,653)	(3,404)	(2,012)	(2,312)
Net written premiums	6(c)	85,601	89,916	98,355	53,060	60,640
Net change in unearned premium reserves		(3,598)	861	(1,073)	(2,762)	(978)
Net premiums earned		82,003	90,777	97,282	50,298	59,662
Investment income	7	12,759	19,052	17,096	8,406	7,374
Share of profits and losses of associates and joint ventures		2,454	2,243	2,319	1,031	745
Other income	8	3,621	2,987	3,272	1,637	1,615
Total revenues		100,837	115,059	119,969	61,372	69,396
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	9	(18,425)	(12,336)	(12,447)	(7,141)	(12,607)
Claims incurred	9	(21,225)	(23,273)	(26,630)	(12,108)	(12,676)
Changes in long-term life insurance contract liabilities	9	(19,678)	(34,018)	(38,604)	(20,548)	(23,816)
Policyholder dividends	9	(1,420)	(1,786)	(2,144)	(1,039)	(1,195)
Interest credited to investment contracts		(2,492)	(3,050)	(3,470)	(1,681)	(1,867)
Commission and brokerage expenses		(10,182)	(11,224)	(11,752)	(7,330)	(6,522)
Finance costs	10	(1,302)	(1,446)	(1,341)	(797)	(560)
Other operating and administrative expenses		(21,029)	(21,508)	(17,856)	(9,094)	(8,503)
Total benefits, claims and expenses		(95,753)	(108,641)	(114,244)	(59,738)	(67,746)
Profit before tax	11	5,084	6,418	5,725	1,634	1,650
Income tax	14	67	(737)	295	194	141
Net profit		5,151	5,681	6,020	1,828	1,791
Attributable to:						
Equity owners of the parent		5,086	5,619	5,883	1,772	1,727
Non-controlling interests		65	62	137	56	64
Basic and diluted earnings per share	15	0.49	0.54	0.57	0.17	0.17

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts expressed in RMB million unless otherwise specified)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Net profit	5,151	5,681	6,020	1,828	1,791
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Net fair value change on available-for-sale financial assets	4,579	6,952	335	3,997	(2,030)
Amount transferred to net profit from other comprehensive income	(196)	(5,469)	(2,790)	(627)	(3,184)
Share of other comprehensive income of associates and joint ventures	89	(143)	(77)	61	137
Exchange differences on translating foreign operations	66	(63)	(319)	(105)	258
Income tax effect	(1,380)	(253)	843	(473)	1,133
Other comprehensive income for the year, net of tax	3,158	1,024	(2,008)	2,853	(3,686)
Total comprehensive income for the year, net of tax	8,309	6,705	4,012	4,681	(1,895)
Attributable to:					
Equity owners of the parent	8,243	6,643	3,875	4,625	(1,960)
Non-controlling interests	66	62	137	56	65

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All amounts expressed in RMB million unless otherwise specified)

		As at 31 December			As at 30 June
	Notes	**2019**	**2020**	**2021**	**2022**
ASSETS					
Property and equipment	*17*	17,790	19,245	18,306	18,498
Right-of-use assets	*18*	3,431	3,445	3,298	3,133
Investment properties	*19*	6,519	7,511	9,372	9,229
Investments in associates and joint ventures	*20*	32,494	32,470	28,795	29,958
Held-to-maturity financial assets	*21*	62,568	83,788	84,093	116,682
Investments classified as loans and receivables	*22*	40,831	40,111	31,191	29,935
Term deposits	*23*	13,946	28,942	22,401	22,340
Statutory deposits	*24*	5,286	5,418	5,418	5,418
Available-for-sale financial assets	*25*	77,334	109,872	159,501	160,775
Financial assets at fair value through profit or loss	*26*	24,190	24,141	12,161	19,717
Securities purchased under agreements to resell	*27*	4,526	5,542	18,618	3,588
Policy loans		8,157	9,289	10,464	10,729
Interest receivables		2,361	2,649	3,128	2,860
Premium receivables	*28*	14,721	14,192	15,489	16,590
Reinsurance assets	*29*	2,387	2,685	3,391	4,084
Policyholder account assets in respect of investment contracts	*30*	392	321	322	319
Deferred tax assets	*37*	483	169	864	2,713
Other assets	*31*	8,423	10,424	8,147	9,173
Cash and short-term time deposits	*32*	6,719	6,280	6,664	7,896
Total assets		332,558	406,494	441,623	473,637

	Notes	As at 31 December 2019	2020	2021	As at 30 June 2022
LIABILITIES AND EQUITY					
Liabilities					
Insurance contract liabilities	*33*	161,865	196,382	238,976	264,722
Investment contract liabilities	*34*	63,913	75,722	86,239	90,853
Policyholder dividend payable		1,858	2,828	4,150	4,927
Lease liabilities		983	987	922	819
Bonds payable	*35*	16,945	16,509	12,923	13,035
Financial liabilities at fair value through profit or loss		381	537	2,432	2,546
Securities sold under agreements to repurchase	*36*	14,812	32,025	12,106	20,688
Insurance payables		2,771	2,702	2,601	2,826
Income tax payables		413	340	181	612
Premiums received in advance		2,647	3,574	4,515	1,477
Deferred tax liabilities	*37*	560	781	192	134
Other liabilities	*38*	14,267	17,160	17,170	15,292
Total liabilities		281,415	349,547	382,407	417,931
Equity					
Share capital	*39*	10,351	10,351	10,351	10,351
Reserves	*40*	28,757	30,799	29,646	25,983
Retained profits		10,861	14,646	18,011	18,167
Attributable to equity owners of the parent		49,969	55,796	58,008	54,501
Non-controlling interests		1,174	1,151	1,208	1,205
Total equity		51,143	56,947	59,216	55,706
Total liabilities and equity		332,558	406,494	441,623	473,637

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All amounts expressed in RMB million unless otherwise specified)

	Attributable to equity owners of the parent											
			Reserves									
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
As at 1 January 2019	10,351	21,460	324	1,829	57	529	(30)	146	7,753	42,419	1,148	43,567
Net profit	–	–	–	–	–	–	–	–	5,086	5,086	65	5,151
Other comprehensive income	–	–	–	–	–	3,002	66	89	–	3,157	1	3,158
Total comprehensive income	–	–	–	–	–	3,002	66	89	5,086	8,243	66	8,309
Dividend declared	–	–	–	–	–	–	–	–	(828)	(828)	–	(828)
Appropriation to surplus reserves	–	–	292	–	–	–	–	–	(292)	–	–	–
Appropriation to general risk reserves	–	–	–	858	–	–	–	–	(858)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(40)	(40)
Others	–	135	–	–	–	–	–	–	–	135	–	135
As at 31 December 2019	10,351	21,595	616	2,687	57	3,531	36	235	10,861	49,969	1,174	51,143

	Attributable to equity owners of the parent													
			Reserves											
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
As at 1 January 2020	10,351	21,595	616	2,687	57	–	3,531	36	235	10,861	49,969	1,174	51,143
Net profit	–	–	–	–	–	–	–	–	–	5,619	5,619	62	5,681
Other comprehensive income	–	–	–	–	–	–	1,230	(63)	(143)	–	1,024	–	1,024
Total comprehensive income	–	–	–	–	–	–	1,230	(63)	(143)	5,619	6,643	62	6,705
Dividend declared	–	–	–	–	–	–	–	–	–	(931)	(931)	–	(931)
Appropriation to surplus reserves	–	–	147	–	–	–	–	–	–	(147)	–	–	–
Appropriation to general risk reserves	–	–	–	752	–	–	–	–	–	(752)	–	–	–
Appropriation to nuclear catastrophic loss reserves	–	–	–	–	–	4	–	–	–	(4)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(80)	(80)
Others	–	115	–	–	–	–	–	–	–	–	115	(5)	110
As at 31 December 2020	10,351	21,710	763	3,439	57	4	4,761	(27)	92	14,646	55,796	1,151	56,947

	Attributable to equity owners of the parent												
			Reserves										
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
As at 1 January 2021	10,351	21,710	763	3,439	57	4	4,761	(27)	92	14,646	55,796	1,151	56,947
Net profit	–	–	–	–	–	–	–	–	–	5,883	5,883	137	6,020
Other comprehensive income	–	–	–	–	–	–	(1,612)	(319)	(77)	–	(2,008)	–	(2,008)
Total comprehensive income	–	–	–	–	–	–	(1,612)	(319)	(77)	5,883	3,875	137	4,012
Dividend declared	–	–	–	–	–	–	–	–	–	(1,242)	(1,242)	–	(1,242)
Appropriation to surplus reserves	–	–	305	–	–	–	–	–	–	(305)	–	–	–
Appropriation to general risk reserves	–	–	–	978	–	–	–	–	–	(978)	–	–	–
Appropriation to nuclear catastrophic loss reserves	–	–	–	–	–	4	–	–	–	(4)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(80)	(80)
Others	–	(432)	–	–	–	–	–	–	–	11	(421)	–	(421)
As at 31 December 2021	10,351	21,278	1,068	4,417	57	8	3,149	(346)	15	18,011	58,008	1,208	59,216

For the six months ended 30 June 2021 (unaudited):

	Attributable to equity owners of the parent												
				Reserves									
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
As at 1 January 2021	10,351	21,710	763	3,439	57	4	4,761	(27)	92	14,646	55,796	1,151	56,947
Net profit	–	–	–	–	–	–	–	–	–	1,772	1,772	56	1,828
Other comprehensive income	–	–	–	–	–	–	2,897	(105)	61	–	2,853	–	2,853
Total comprehensive income	–	–	–	–	–	–	2,897	(105)	61	1,772	4,625	56	4,681
Dividend declared	–	–	–	–	–	–	–	–	–	(1,242)	(1,242)	–	(1,242)
Appropriation to general risk reserves	–	–	–	92	–	–	–	–	–	(92)	–	–	–
Others	–	(280)	–	–	–	–	–	–	–	11	(269)	–	(269)
As at 30 June 2021	10,351	21,430	763	3,531	57	4	7,658	(132)	153	15,095	58,910	1,207	60,117

For the six months ended 30 June 2022:

	Attributable to equity owners of the parent												
					Reserves								
	Share capital	Capital reserves	Surplus reserves	General risk reserves	Agriculture catastrophic loss reserves	Nuclear catastrophic loss reserves	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
As at 1 January 2022	10,351	21,278	1,068	4,417	57	8	3,149	(346)	15	18,011	58,008	1,208	59,216
Net profit	–	–	–	–	–	–	–	–	–	1,727	1,727	64	1,791
Other comprehensive income	–	–	–	–	–	–	(4,082)	258	137	–	(3,687)	1	(3,686)
Total comprehensive income	–	–	–	–	–	–	(4,082)	258	137	1,727	(1,960)	65	(1,895)
Dividend declared	–	–	–	–	–	–	–	–	–	(1,553)	(1,553)	–	(1,553)
Appropriation to general risk reserves	–	–	–	18	–	–	–	–	–	(18)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(72)	(72)
Others	–	6	–	–	–	–	–	–	–	–	6	4	10
As at 30 June 2022	10,351	21,284	1,068	4,435	57	8	(933)	(88)	152	18,167	54,501	1,205	55,706

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts expressed in RMB million unless otherwise specified)

	Note	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Net cash inflows from operating activities	42	27,829	39,167	44,573	19,923	21,842
Cash flows from investing activities						
Purchases of property and equipment, intangible assets and other assets		(1,648)	(2,368)	(1,698)	(756)	(644)
Disposals of property and equipment, intangible assets and other assets		7	8	56	13	62
Purchases of investments		(195,270)	(236,741)	(201,074)	(108,666)	(181,252)
Disposals of investments		168,388	169,001	185,934	106,157	135,031
Interest received		13,259	14,402	12,269	7,261	7,022
Dividends received		882	965	950	66	162
Increase in policy loans, net		(1,161)	(1,132)	(1,175)	(661)	(265)
Others		(258)	(104)	52	82	131
Net cash inflows/(outflows) from investing activities		(15,801)	(55,969)	(4,686)	3,496	(39,753)
Cash flows from financing activities						
(Decrease)/increase in securities sold under agreements to repurchase, net		(6,015)	17,213	(19,919)	(23,025)	8,582
Proceeds from issuance of asset-backed securities		2,750	2,198	2,750	–	–
Repayment of asset-backed securities		–	–	(2,750)	–	(2,200)
Proceeds from bonds issued		–	–	10,000	5,000	–
Repayment of bonds		(4,856)	–	(13,570)	(4,570)	–
Interest paid		(480)	(1,087)	(839)	(436)	(388)
Dividends paid		(759)	(391)	(1,513)	(653)	(1,708)
Payment of principal portion of lease liabilities		(457)	(476)	(471)	(144)	(228)
Others		(25)	(3)	(51)	(51)	(4)
Net cash inflows/(outflows) from financing activities		(9,842)	17,454	(26,363)	(23,879)	4,054
Effects of foreign exchange rate changes		5	(75)	(64)	(73)	59
Net increase/(decrease) in cash and cash equivalents		2,191	577	13,460	(533)	(13,798)
Cash and cash equivalents at the beginning of the year		9,054	11,245	11,822	11,822	25,282
Cash and cash equivalents at the end of the year		11,245	11,822	25,282	11,289	11,484
Analysis of balances of cash and cash equivalents						
Cash at banks and on hand		6,719	6,280	6,664	8,242	7,896
Securities purchased under agreements to resell		4,526	5,542	18,618	3,047	3,588

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(All amounts expressed in RMB million unless otherwise specified)

	Notes	As at 31 December 2019	2020	2021	As at 30 June 2022
ASSETS					
Property and equipment		154	285	451	504
Right-of-use assets		1,217	1,181	1,222	1,189
Investments in subsidiaries	*49(1)*	30,292	30,292	30,292	30,292
Held-to-maturity financial assets		121	101	100	–
Investments classified as loans and receivables	*49(2)*	1,607	1,413	201	–
Available-for-sale financial assets	*49(3)*	3,914	3,645	3,701	6,437
Financial assets at fair value through profit or loss		40	16	19	–
Interest receivables		49	43	33	44
Other assets	*49(4)*	232	1,725	3,266	267
Cash and short-term time deposits		247	138	385	590
Total assets		37,873	38,839	39,670	39,323
LIABILITIES AND EQUITY					
Liabilities					
Lease liabilities		5	3	83	51
Securities sold under agreements to repurchase	*49(5)*	1,135	871	357	1,400
Other liabilities	*49(6)*	883	1,515	1,004	1,209
Total liabilities		2,023	2,389	1,444	2,660
Equity					
Share capital		10,351	10,351	10,351	10,351
Reserves	*49(7)*	23,908	24,263	24,854	24,814
Retained profits	*49(7)*	1,591	1,836	3,021	1,498
Total equity		35,850	36,450	38,226	36,663
Total liabilities and equity		37,873	38,839	39,670	39,323

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 CORPORATE INFORMATION

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

The business scope of the Company includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, investment business permitted by national laws and regulations, as well as insurance business and other businesses approved by China Banking and Insurance Regulatory Commission (the "CBIRC").

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

As of the date of this report, the Company had direct and indirect interests in the following principal subsidiaries, all of which are private limited liability companies. The particulars of the principal subsidiaries are set out below:

Name	Place and date of incorporation/ registration and business	Registered capital/ authorised capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sunshine Life Insurance Corporation Limited *(note(a))** ("Sunshine Life") 陽光人壽保險股份有限公司	PRC/Mainland China (17 December 2007)	RMB18,342,500,000	100	–	Life insurance
Sunshine Property and Casualty Insurance Co., Ltd. *(note(a))** ("Sunshine P&C") 陽光財產保險股份有限公司	PRC/Mainland China (28 July 2005)	RMB5,746,000,000	96	4	Property and casualty insurance
Sunshine Surety Insurance Co., Ltd. *(note(b))** ("Sunshine Surety") 陽光信用保證保險股份有限公司	PRC/Mainland China (11 January 2016)	RMB3,000,000,000	–	87	Credit and guarantee insurance
Sunshine Asset Management Co., Ltd. *(note(a))** ("Sunshine AMC") 陽光資產管理股份有限公司	PRC/Mainland China (4 December 2012)	RMB125,000,000	20	60	Asset management

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

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2019, 2020 and 2021 prepared under China Accounting Standards for Business Enterprises ("PRC GAAP") were audited by Ernst & Young Hua Ming LLP.

(b) The statutory financial statements of this entity for the years ended 31 December 2019 and 2020 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP. The statutory financial statements of this entity for the year ended 31 December 2021 prepared under PRC GAAP were audited by Da Hua Certified Public Accountants LLP (大華會計師事務所(特殊普通合夥)).

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial assets and liabilities, which have been measured at fair value, and insurance contract liabilities, which have been measured based on actuarial methods.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods and the six months ended 30 June 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not adopted the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Standards/Amendments	Content
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
IFRS 9	*Financial Instruments*[1]
IFRS 17	*Insurance Contracts*[1]

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

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

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Based on the current assessment, the Group expects that the adoption of IFRS 9 will have a significant impact on the Group's consolidated financial statements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group adopts the temporary exemption permitted in Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ("IFRS 4 Amendment") to apply IAS 39 rather than IFRS 9, until the effective date of IFRS 17. Refer to Note 41 for more details.

Classification and measurement

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

Impairment

IFRS 9 replaces the "incurred loss" model with the "expected credit loss" model which is designed to include forward-looking information. The Group is in the process of developing and testing the key models required under IFRS 9 and analysing the impact on the expected loss provision; the Group believed that the provision for debt instruments of the Group under the "expected credit loss" model would be larger than that under the previous "incurred loss".

Hedge accounting

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

IFRS 17 – Insurance Contracts

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

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

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

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

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

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

The Group is currently preparing for the implementation of IFRS 9 and IFRS 17 and is in the process of building and testing new measurement models and accounting systems. Certain accounting policy choices under IFRS 17 are yet to be finally decided by the Group as various analyses and assessments are still on-going. Industry practice and interpretation of IFRS 17 are still developing as well. In view of the complexity of IFRS 9 and IFRS 17, it is difficult to assess the financial impact before completing the implementation of these standards. Therefore, the likely financial impact of the implementation of IFRS 9 and IFRS 17 remains uncertain.

However, based on the preliminary assessment, application of IFRS 9 and IFRS 17 may impact the Group's financial performance and financial position in the following aspects:

- Revenue from long-term life insurance contracts will decrease significantly, because insurance revenue will be recognised over the coverage periods based on provision of services and non-distinct investment components (i.e. the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs) in insurance contracts will be excluded from profit or loss under IFRS 17, i.e. the collection of an investment component is not revenue and its repayment is not an expense; The impact of application of IFRS 17 on the revenue from property and casualty and short-term life insurance contracts is much less, due to the absence of investment components in most of those contracts and the coverage periods are short.

- While the implementation of IFRS 17 will not change the ultimate profitability of insurance contracts, it will have major impacts on how and when profit (or losses) of insurance contracts are recognised, as well as the Group's total equity on transition date. Such changes are mainly due to various changes introduced by IFRS 17:

  (a) the effect of changes in fulfilment cash flows that relate to future services will be added to or deducted from the remaining CSM, while under the Group's current accounting policies in note 3(18), the residual margin will be locked at inception and amortised over the insurance coverage period using amortisation factors;

  (b) under the general model of IFRS 17, the effect of changes in financial assumptions (i.e., discount rates) will be reported in either profit or loss or OCI, determined by OCI Choice made by the Group, while under the Group's current accounting policies in note 3(18), changes in assumptions are recognised immediately in profit or loss;

  (c) under IFRS 17, the discount rate will be based on observable current market prices (if any) reflecting the characteristics of the insurance contracts, while under the Group's current accounting policies in note 4, the discount rate for non-participating life insurance contracts is determined based on a base rate curve at the end of each reporting period;

  (d) IFRS 17 requires a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application is impracticable for a group of insurance contracts, the Group shall apply one of the two alternative approaches (modified retrospective approach or fair value approach) instead. The total equity and CSM on the transition date will be impacted by the transition approach applied by the Group;

- On the initial application date of IFRS 9 and IFRS 17, the Group may redetermine the classifications for most of its financial assets under IFRS 9. Applying IFRS 9 and IFRS 17 at the same time provides an opportunity for the Group to optimise the accounting match between insurance contract liabilities and related financial assets;

- Under IFRS 9, a large portion of the Group's equity investments currently classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss, unless the Group elects to designate as FVOCI (i.e., any gain/loss other than dividend would not be recognised in profit or loss). Unquoted equity investments which are currently measured at cost shall also be measured at fair value under IFRS 9. Certain debt investments will be reclassified to financial assets at fair value through profit or loss because their contractual cash flows are not solely payments of principal and interest. The more assets are classified at fair value through profit or loss, the more the profit or loss will be impacted by the volatility of the capital market. However, if such investments are held as underlying items for insurance contracts with direct participation features under IFRS 17, the volatility of profit or loss resulting from the volatile investment income will be wholly or partially mitigated by the offsetting effect of insurance finance income or expenses recognised for such insurance contracts.

- The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit loss rather than only incurred credit losses as is the case under the Group's current accounting policies, which applies to the debt investments measured as amortised cost and FVOCI. This is likely to increase impairment provision and decrease total equity on the initial application date. However, considering the majority of the Group's debt investments have high credit quality (as set out in note 41(b)), the Group is expecting that the additional provision under the "expected credit loss" model will have no significant impact on the financial position of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

(1) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(2) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(3) Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the date of cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

(4) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(5) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with subsequent change in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in investment income in the statement of profit or loss. The loss arising from impairment is recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in investment income in the statement of profit or loss. The loss arising from impairment is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in investment income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as investment income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired;

or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each of the Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

(6) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities at fair value through profit or loss, bonds payable, etc.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(7) Offsetting of financial instruments

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

(8) Fair value measurement

The Group measures financial instruments, such as securities at fair value through profit or loss and available-for-sale financial assets, at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

(9) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amounts advanced under these agreements are reflected as assets in the statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

(10) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortised cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the statement of financial position.

(11) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment properties is 20 to 40 years, the estimated residual value is 5%.

(12) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated residual values	**Estimated useful lives**
Buildings	5%	25 to 40 years
Office equipment	5%	5 years
Motor vehicles	5%	4 to 20 years
Other equipment	5%	5 to 10 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and other items of property as well as costs of equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment or investment properties when completed and ready for use.

(13) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(14) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

(15) Insurance guarantee fund

According to the "Administrative Regulations on the Insurance Guarantee Fund" (CIRC [2008] No.2), the Group calculates the insurance guarantee fund as follows:

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

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

According to the aforementioned regulation, the Group is obliged to pay insurance guarantee fund quarterly to the Insurance Guarantee Fund managed by the China Insurance Security Fund Co., Ltd.. The fund is not refundable and can only be used by the China Insurance Security Fund Co., Ltd. according to the regulation. The fund accrued is presented as part of other operating and administrative expenses.

(16) Insurance contracts

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

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

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

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

- insurance components
- non-insurance components

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

(17) Significant insurance risk testing

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

(18) Insurance contract liabilities

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

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

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

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

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

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

- Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows.
- At inception of an insurance contract, any 'day-one' gain is not recognised in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At the inception of an insurance contract, the amortisation ratio can be computed using residual margin over the expected future value of the amortisation factor. The amortisation ratio is not adjusted subsequentially for future changes in assumptions. The present value of the amortisation factor

needs to be determined is based on assumptions currently made at the end of each of the Relevant Periods. Residual margins can be computed as the adjusted amortisation factor multiplied by the amortisation ratio. For non-life insurance contracts, the Group amortises the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortises the residual margin on the basis of the number of policies in force during the whole insurance coverage period.

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

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

Unearned premium reserves

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

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

Claim reserves

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

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

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

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

Long-term life insurance contract reserves

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

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

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

Liability adequacy test

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

(19) Investment contract liabilities

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

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

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

(20) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognised for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

(21) Revenue recognition

Gross premiums

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

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

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

Income from investment contracts

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

Income from investment contracts is included in other operating income.

Investment income

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

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Dividends are recognised when the shareholders' right to receive payment is established.

(22) Reinsurance

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

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

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

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

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

(23) Policyholder dividends

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

(24) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

	Estimated useful lives
Buildings	2 to 15 years
Prepaid land lease payments	30 to 50 years
Others	2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

(25) Employee benefits

Pension benefits

Full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. These government agencies are responsible for the pension liability to these employees upon retirement. The Group contributes on a monthly basis to these pension plans. Contributions to these plans are expensed as incurred. Under these plans, the Group has no legal or constructive obligation for retirement benefit beyond the contributions made.

Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(26) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

(27) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(28) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(29) Bonds payable

Bonds payable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium at issuance and transaction costs.

(30) Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

(1) Classification of financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the directors. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of IAS 39 and their implications to the presentation in the Historical Financial Information.

(2) Unbundling, classification and significant risk testing of contracts

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

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

(3) Measurement unites of insurance contract liabilities

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

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

The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement of management. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

(5) Significant influence on associates with voting rights less than 20%

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39.

(6) Determination of control over the structured entities

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(1) Valuation of insurance contract liabilities

At the end of each of the Relevant Periods, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the end of each of the Relevant Periods.

At the end of each of the Relevant Periods, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the end of each of the Relevant Periods and certain risk margin is considered.

The main assumptions used in measuring long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense assumptions and policy dividend assumptions, etc.

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2019, 2020, 2021 and 30 June 2022 were from 3.47% to 4.70%, from 3.09% to 4.70%, from 2.78% to 4.70%, and from 2.53% to 4.78%, respectively.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. The ranges of discount rates used as at 31 December 2019, 2020, 2021 and 30 June 2022 were from 5.20% to 5.95%, from 5.00% to 5.70%, from 5.00% to 5.70%, and from 5.00% to 5.70%, respectively.

The discount rate assumption is affected by uncertain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors.

(b) Mortality and morbidity

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

Morbidity assumption is determined based on the Group's products pricing assumption, analysis of historical morbidity experience and expectations of current and future developments.

Mortality and morbidity assumptions are uncertain as they are affected by uncertain factors, such as national lifestyle changes in the future, future development of medical technologies, continuing advancements in social conditions and other factors. The risk margin is considered in the Group's mortality and morbidity assumptions.

(c) Surrender rates

Surrender rate assumptions are determined based on the Group's historical experiences, and estimates on current and future expectations, and vary by interest rate, product type and sale channel.

The surrender rate assumption is affected by uncertain factors, such as future macro-economy and market competition. The Group determines surrender rate assumption based on the information available as at the end of each of the Relevant Periods and risk margin is considered.

(d) Expenses

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

The Group's expense assumption is affected by uncertain factors, such as inflation, and market competition. The Group uses information currently available as at the end of each of the Relevant Periods to determine expense assumption and a risk adjustment is considered.

(e) Policy dividend

Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's dividend policy, reasonable expectations of policyholders, etc.

The Group's policy dividend assumption is affected by the above factors. The Group uses information available as at the end of each of the Relevant Periods to determine policy dividend assumption and risk margin is considered.

(2) Fair value of financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility, etc.

(3) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss and timing difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Change in accounting estimates

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

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such changes in accounting estimates resulted in an increase in insurance contract liabilities as at 31 December 2019, 2020, 2021 and 30 June 2022 by approximately RMB203 million, RMB3,010 million, RMB1,548 million and RMB1,650 million, and a decrease in profit before tax for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2022 by approximately RMB203 million, RMB3,010 million, RMB1,548 million and RMB1,650 million, respectively.

5 SEGMENT INFORMATION

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

The Group's operating segments are as follows:

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

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

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

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

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

The segment analysis as at 31 December 2019 and for the year then ended is as follows:

		Property and casualty insurance				
(in RMB million)	**Life insurance**	**Sunshine P&C**	**Sunshine Surety**	**Subtotal**	**Other business and elimination**	**Total**
Gross written premiums	48,118	39,671	153	39,824	(35)	87,907
Less: Premiums ceded to reinsurers	(997)	(1,294)	(15)	(1,309)	–	(2,306)
Net written premiums	47,121	38,377	138	38,515	(35)	85,601
Net change in unearned premium reserves	(52)	(2,360)	35	(2,325)	(1,221)	(3,598)
Net premiums earned	47,069	36,017	173	36,190	(1,256)	82,003
Investment income	9,808	1,433	158	1,591	1,360	12,759
Share of profits and losses of associates and joint ventures	2,569	168	–	168	(283)	2,454
Other income	1,532	192	11	203	1,886	3,621
Total revenues	60,978	37,810	342	38,152	1,707	100,837

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Property and casualty insurance: Sunshine Surety	Property and casualty insurance: Subtotal	Other business and elimination	Total
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	(18,425)	–	–	–	–	(18,425)
Claims incurred	(1,106)	(20,451)	(522)	(20,973)	854	(21,225)
Changes in long-term life insurance contract liabilities	(19,678)	–	–	–	–	(19,678)
Policyholder dividends	(1,420)	–	–	–	–	(1,420)
Interest credited to investment contracts	(2,492)	–	–	–	–	(2,492)
Commission and brokerage expenses	(5,155)	(5,302)	–	(5,302)	275	(10,182)
Finance costs	(983)	(222)	(2)	(224)	(95)	(1,302)
Other operating and administrative expenses	(7,746)	(10,636)	(211)	(10,847)	(2,436)	(21,029)
Total benefits, claims and expenses	(57,005)	(36,611)	(735)	(37,346)	(1,402)	(95,753)
Profit before tax	3,973	1,199	(393)	806	305	5,084
Income tax	132	140	3	143	(208)	67
Net profit	4,105	1,339	(390)	949	97	5,151
Segment assets	261,575	57,105	3,153	60,258	10,725	332,558
Segment liabilities	230,237	46,315	570	46,885	4,293	281,415

Other segment information for the year ended 31 December 2019:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Property and casualty insurance: Sunshine Surety	Property and casualty insurance: Subtotal	Other business and elimination	Total
Depreciation and amortisation	490	375	19	394	623	1,507
Capital expenditure	217	110	1	111	1,020	1,348
Impairment loss charges	1,226	573	8	581	936	2,743
Interest income	6,083	588	87	675	769	7,527
Unrealised gains from financial assets at fair value through profit or loss	15	3	–	3	1,402	1,420

The segment analysis as at 31 December 2020 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Gross written premiums	55,104	37,445	25	37,470	(5)	92,569
Less: Premiums ceded to reinsurers	(886)	(1,769)	–	(1,769)	2	(2,653)
Net written premiums	54,218	35,676	25	35,701	(3)	89,916
Net change in unearned premium reserves	24	1,378	75	1,453	(616)	861
Net premiums earned	54,242	37,054	100	37,154	(619)	90,777
Investment income	14,115	2,185	62	2,247	2,690	19,052
Share of profits and losses of associates and joint ventures	2,488	194	–	194	(439)	2,243
Other income	1,273	141	22	163	1,551	2,987
Total revenues	72,118	39,574	184	39,758	3,183	115,059
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	(12,336)	–	–	–	–	(12,336)
Claims incurred	(1,136)	(21,630)	(826)	(22,456)	319	(23,273)
Changes in long-term life insurance contract liabilities	(34,018)	–	–	–	–	(34,018)
Policyholder dividends	(1,786)	–	–	–	–	(1,786)
Interest credited to investment contracts	(3,050)	–	–	–	–	(3,050)
Commission and brokerage expenses	(6,261)	(5,246)	–	(5,246)	283	(11,224)
Finance costs	(1,164)	(224)	(1)	(225)	(57)	(1,446)
Other operating and administrative expenses	(8,108)	(10,885)	(147)	(11,032)	(2,368)	(21,508)
Total benefits, claims and expenses	(67,859)	(37,985)	(974)	(38,959)	(1,823)	(108,641)
Profit before tax	4,259	1,589	(790)	799	1,360	6,418
Income tax	(10)	(157)	(3)	(160)	(567)	(737)
Net profit	4,249	1,432	(793)	639	793	5,681
Segment assets	334,412	58,314	2,807	61,121	10,961	406,494
Segment liabilities	298,382	45,703	1,026	46,729	4,436	349,547

Other segment information for the year ended 31 December 2020:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Depreciation and amortisation	494	395	17	412	648	1,554
Capital expenditure	433	106	10	116	1,808	2,357
Impairment loss charges	2,010	896	–	896	45	2,951
Interest income	7,195	676	37	713	773	8,681
Unrealised gains/(losses) from financial assets at fair value through profit or loss	(13)	(2)	–	(2)	1,546	1,531

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

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Gross written premiums	60,826	40,919	14	40,933	–	101,759
Less: Premiums ceded to reinsurers	(1,295)	(2,109)	–	(2,109)	–	(3,404)
Net written premiums	59,531	38,810	14	38,824	–	98,355
Net change in unearned premium reserves	44	(1,053)	39	(1,014)	(103)	(1,073)
Net premiums earned	59,575	37,757	53	37,810	(103)	97,282
Investment income	12,670	2,312	38	2,350	2,076	17,096
Share of profits and losses of associates and joint ventures	2,322	171	–	171	(174)	2,319
Other income	1,027	177	21	198	2,047	3,272
Total revenues	75,594	40,417	112	40,529	3,846	119,969

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	(12,447)	–	–	–	–	(12,447)
Claims incurred	(1,111)	(25,148)	(168)	(25,316)	(203)	(26,630)
Changes in long-term life insurance contract liabilities	(38,604)	–	–	–	–	(38,604)
Policyholder dividends	(2,144)	–	–	–	–	(2,144)
Interest credited to investment contracts	(3,470)	–	–	–	–	(3,470)
Commission and brokerage expenses	(6,739)	(5,242)	(1)	(5,243)	230	(11,752)
Finance costs	(1,074)	(196)	(1)	(197)	(70)	(1,341)
Other operating and administrative expenses	(6,028)	(9,514)	(114)	(9,628)	(2,200)	(17,856)
Total benefits, claims and expenses	(71,617)	(40,100)	(284)	(40,384)	(2,243)	(114,244)
Profit before tax	3,977	317	(172)	145	1,603	5,725
Income tax	553	135	–	135	(393)	295
Net profit	4,530	452	(172)	280	1,210	6,020
Segment assets	361,263	64,578	2,282	66,860	13,500	441,623
Segment liabilities	324,330	53,052	676	53,728	4,349	382,407

Other segment information for the year ended 31 December 2021:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Depreciation and amortisation	515	402	12	414	786	1,715
Capital expenditure	270	119	1	120	1,886	2,276
Impairment loss charges	1,495	393	–	393	(632)	1,256
Interest income	8,514	739	35	774	433	9,721
Unrealised gains/(losses) from financial assets at fair value through profit or loss	13	(6)	–	(6)	(2,137)	(2,130)

The segment analysis for the six months ended 30 June 2021 is as follows (unaudited):

		Property and casualty insurance				
(in RMB million)	**Life insurance**	**Sunshine P&C**	**Sunshine Surety**	**Subtotal**	**Other business and elimination**	**Total**
Gross written premiums	33,209	21,851	12	21,863	–	55,072
Less: Premiums ceded to reinsurers	(821)	(1,191)	–	(1,191)	–	(2,012)
Net written premiums	32,388	20,660	12	20,672	–	53,060
Net change in unearned premium reserves	(369)	(2,351)	41	(2,310)	(83)	(2,762)
Net premiums earned	32,019	18,309	53	18,362	(83)	50,298
Investment income	6,978	1,024	19	1,043	385	8,406
Share of profits and losses of associates and joint ventures	1,051	59	–	59	(79)	1,031
Other income	580	85	11	96	961	1,637
Total revenues	40,628	19,477	83	19,560	1,184	61,372
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	(7,141)	–	–	–	–	(7,141)
Claims incurred	(545)	(11,511)	(41)	(11,552)	(11)	(12,108)
Changes in long-term life insurance contract liabilities	(20,548)	–	–	–	–	(20,548)
Policyholder dividends	(1,039)	–	–	–	–	(1,039)
Interest credited to investment contracts	(1,681)	–	–	–	–	(1,681)
Commission and brokerage expenses	(4,267)	(3,166)	–	(3,166)	103	(7,330)
Finance costs	(630)	(109)	–	(109)	(58)	(797)
Other operating and administrative expenses	(3,274)	(4,563)	(64)	(4,627)	(1,193)	(9,094)
Total benefits, claims and expenses	(39,125)	(19,349)	(105)	(19,454)	(1,159)	(59,738)
Profit before tax	1,503	128	(22)	106	25	1,634
Income tax	209	45	–	45	(60)	194
Net profit	1,712	173	(22)	151	(35)	1,828

Other segment information for the six months ended 30 June 2021 (unaudited):

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Depreciation and amortisation	243	198	6	204	381	828
Capital expenditure	122	60	–	60	618	800
Impairment loss charges	912	225	–	225	(120)	1,017
Interest income	4,721	332	18	350	333	5,404
Unrealised gains/(losses) from financial assets at fair value through profit or loss	3	1	–	1	(825)	(821)

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

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Sunshine Surety	Subtotal	Other business and elimination	Total
Gross written premiums	42,058	20,873	21	20,894	–	62,952
Less: Premiums ceded to reinsurers	(1,283)	(1,029)	–	(1,029)	–	(2,312)
Net written premiums	40,775	19,844	21	19,865	–	60,640
Net change in unearned premium reserves	62	(1,042)	2	(1,040)	–	(978)
Net premiums earned	40,837	18,802	23	18,825	–	59,662
Investment income	6,839	1,242	16	1,258	(723)	7,374
Share of profits and losses of associates and joint ventures	866	87	–	87	(208)	745
Other income	516	101	7	108	991	1,615
Total revenues	49,058	20,232	46	20,278	60	69,396

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Property and casualty insurance: Sunshine Surety	Property and casualty insurance: Subtotal	Other business and elimination	Total
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	(12,607)	–	–	–	–	(12,607)
Claims incurred	(563)	(12,076)	(6)	(12,082)	(31)	(12,676)
Changes in long-term life insurance contract liabilities	(23,816)	–	–	–	–	(23,816)
Policyholder dividends	(1,195)	–	–	–	–	(1,195)
Interest credited to investment contracts	(1,867)	–	–	–	–	(1,867)
Commission and brokerage expenses	(4,460)	(2,157)	(8)	(2,165)	103	(6,522)
Finance costs	(377)	(168)	(1)	(169)	(14)	(560)
Other operating and administrative expenses	(2,777)	(4,463)	(50)	(4,513)	(1,213)	(8,503)
Total benefits, claims and expenses	(47,662)	(18,864)	(65)	(18,929)	(1,155)	(67,746)
Profit before tax	1,396	1,368	(19)	1,349	(1,095)	1,650
Income tax	382	(237)	–	(237)	(4)	141
Net profit	1,778	1,131	(19)	1,112	(1,099)	1,791
Segment assets	391,069	65,979	2,174	68,153	14,415	473,637
Segment liabilities	354,928	54,336	587	54,923	8,080	417,931

Other segment information for the six months ended 30 June 2022:

(in RMB million)	Life insurance	Property and casualty insurance: Sunshine P&C	Property and casualty insurance: Sunshine Surety	Property and casualty insurance: Subtotal	Other business and elimination	Total
Depreciation and amortisation	254	194	4	198	398	850
Capital expenditure	70	69	–	69	462	601
Impairment loss charges	2,389	218	–	218	6	2,613
Interest income	4,345	441	16	457	32	4,834
Unrealised gains/(losses) from financial assets at fair value through profit or loss	89	(36)	–	(36)	(38)	15

6 GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
(a) Gross written premiums					
Property and casualty insurance premiums	39,789	37,465	40,933	21,863	20,894
Short-term life insurance premiums	2,191	1,883	1,810	1,266	1,751
Long-term life insurance premiums	45,927	53,221	59,016	31,943	40,307
Total	87,907	92,569	101,759	55,072	62,952
(b) Premiums ceded to reinsurers					
Property and casualty insurance premiums ceded to reinsurers	(1,309)	(1,767)	(2,109)	(1,191)	(1,029)
Short-term life insurance premiums ceded to reinsurers	(319)	(253)	(270)	(144)	(900)
Long-term life insurance premiums ceded to reinsurers	(678)	(633)	(1,025)	(677)	(383)
Total	(2,306)	(2,653)	(3,404)	(2,012)	(2,312)
(c) Net written premiums	85,601	89,916	98,355	53,060	60,640

7 INVESTMENT INCOME

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Interest and dividend income *(a)*	11,964	13,107	13,665	7,321	7,388
Realised gains *(b)*	872	4,639	5,826	2,473	2,215
Unrealised gains/(losses) *(c)*	1,350	1,534	(2,172)	(839)	49
Operating lease income from investment properties	406	376	421	142	144
Charge of impairment losses on financial assets, net	(1,833)	(604)	(644)	(691)	(2,422)
Total	12,759	19,052	17,096	8,406	7,374

(a) Interest and dividend income

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Financial assets at fair value through profit or loss	1,063	1,117	649	385	391
Held-to-maturity financial assets	1,910	3,008	3,474	1,755	1,930
Loans and receivables	3,785	2,875	2,698	2,101	850
Available-for-sale financial assets	3,854	4,374	4,962	2,168	3,279
Others	1,352	1,733	1,882	912	938
Total	11,964	13,107	13,665	7,321	7,388

(b) Realised gains

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Financial assets at fair value through profit or loss	646	1,660	2,489	1,233	(293)
Available-for-sale financial assets	226	2,879	3,870	1,329	731
Investments in associates and joint ventures	–	100	(533)	(89)	1,777
Total	872	4,639	5,826	2,473	2,215

(c) Unrealised gains/(losses)

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Financial assets at fair value through profit or loss	1,420	1,531	(2,130)	(821)	15
Financial liabilities at fair value through profit or loss	(70)	3	(42)	(18)	34
Total	1,350	1,534	(2,172)	(839)	49

8 OTHER INCOME

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Income from investment contracts	1,185	898	668	416	283
Income from hotel operation	935	411	648	295	401
Income from hospital operation	656	724	954	457	398
Asset management fee	202	328	346	184	176
Others	643	626	656	285	357
Total	3,621	2,987	3,272	1,637	1,615

9 NET POLICYHOLDERS' BENEFITS AND CLAIMS

(in RMB million)	Year ended 31 December 2019 Gross	Ceded	Net
Life insurance death and other benefits paid	18,862	(437)	18,425
Claims incurred	22,106	(881)	21,225
Short-term life insurance	1,225	(119)	1,106
Property and casualty insurance	20,881	(762)	20,119
Changes in long-term life insurance contract liabilities	19,700	(22)	19,678
Policyholder dividends	1,420	–	1,420
Total	62,088	(1,340)	60,748

(in RMB million)	Year ended 31 December 2020 Gross	Ceded	Net
Life insurance death and other benefits paid	12,798	(462)	12,336
Claims incurred	24,290	(1,017)	23,273
Short-term life insurance	1,279	(143)	1,136
Property and casualty insurance	23,011	(874)	22,137
Changes in long-term life insurance contract liabilities	34,009	9	34,018
Policyholder dividends	1,786	–	1,786
Total	72,883	(1,470)	71,413

(in RMB million)	Year ended 31 December 2021 Gross	Ceded	Net
Life insurance death and other benefits paid	13,059	(612)	12,447
Claims incurred	28,164	(1,534)	26,630
Short-term life insurance	1,380	(270)	1,110
Property and casualty insurance	26,784	(1,264)	25,520
Changes in long-term life insurance contract liabilities	38,674	(70)	38,604
Policyholder dividends	2,144	–	2,144
Total	82,041	(2,216)	79,825

(in RMB million)	Six months ended 30 June 2021 *(unaudited)* Gross	Ceded	Net
Life insurance death and other benefits paid	7,467	(326)	7,141
Claims incurred	12,666	(558)	12,108
Short-term life insurance	715	(170)	545
Property and casualty insurance	11,951	(388)	11,563
Changes in long-term life insurance contract liabilities	20,615	(67)	20,548
Policyholder dividends	1,039	–	1,039
Total	41,787	(951)	40,836

(in RMB million)	Six months ended 30 June 2022 Gross	Ceded	Net
Life insurance death and other benefits paid	12,923	(316)	12,607
Claims incurred	13,505	(829)	12,676
Short-term life insurance	959	(396)	563
Property and casualty insurance	12,546	(433)	12,113
Changes in long-term life insurance contract liabilities	23,787	29	23,816
Policyholder dividends	1,195	–	1,195
Total	51,410	(1,116)	50,294

10 FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
(in RMB million)	2019	2020	2021	2021	2022
				(unaudited)	
Interest on securities sold under agreements to repurchase	407	457	346	247	107
Interest on bonds payable	723	661	636	349	309
Interest on lease liabilities	37	40	38	17	15
Interest on asset-backed securities	14	182	169	94	52
Others	121	106	152	90	77
Total	1,302	1,446	1,341	797	560

11 PROFIT BEFORE TAX

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

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 *(unaudited)*	2022
Employee benefit expenses	10,059	9,757	9,364	4,968	4,588
Auditors' remuneration	8	12	10	5	5
Depreciation of investment properties	207	225	295	126	143
Depreciation of property and equipment	662	685	774	376	406
Amortisation of intangible assets	21	22	15	9	14
Depreciation of right-of-use assets	617	622	631	317	287
Impairment losses on financial assets *(note 7)*	1,833	604	644	691	2,422
Impairment losses on other assets(i)	910	2,347	612	326	191
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(15)	(1)	(3)	(1)	(1)
Listing expenses	–	–	–	–	1
Foreign exchange (gain)/loss, net	19	(146)	87	48	13

(i) Impairment losses on other assets primarily consist of impairment losses on premium receivables, investments in associates and joint ventures and investment properties, etc.

12 EMPLOYEE BENEFIT EXPENSES

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 *(unaudited)*	2022
Salaries, allowances and other benefits	9,345	9,538	8,683	4,646	4,235
Contributions to defined contribution plans	714	219	681	322	353
Total	10,059	9,757	9,364	4,968	4,588

13 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company for the year ended 31 December 2019 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Executive directors					
ZHANG Weigong	–	4,553	52	4,605	3,298
ZHAO Zongren	–	3,413	–	3,413	2,275
LI Ke	–	4,841	52	4,893	3,506
PENG Jihai	–	3,259	52	3,311	2,265
NING Shoubo	–	1,626	52	1,678	1,130
Non-executive directors(i)					
WANG Jingwei	–	–	–	–	–
JIANG Xiong	–	–	–	–	–
LIN Lijun	–	–	–	–	–
QIN Wei	–	–	–	–	–
ZHANG Zhankui	–	–	–	–	–
Independent non-executive directors					
MA Guangyuan	151	–	–	151	29
LIU Zhanqing	151	–	–	151	29
WANG Jianxin	151	–	–	151	29
GAO Bin	151	–	–	151	29
FAN Gang	151	–	–	151	29
Total	755	17,692	208	18,655	12,619

The aggregate amounts of emoluments paid to directors of the Company for the year ended 31 December 2020 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Executive directors					
ZHANG Weigong	–	3,988	41	4,029	2,952
ZHAO Zongren	–	2,473	–	2,473	1,526
LI Ke	–	5,444	41	5,485	3,956
PENG Jihai	–	5,584	32	5,616	4,060
WANG Yongwen(ii)	–	–	–	–	–
NING Shoubo(iii)	–	839	10	849	13

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Non-executive directors(i)					
WANG Jingwei	–	–	–	–	–
YUAN Mouzhen(iv)	–	–	–	–	–
JIANG Xiong	–	–	–	–	–
LIN Lijun(v)	–	–	–	–	–
QIN Wei(vi)	–	–	–	–	–
ZHANG Zhankui(vi)	–	–	–	–	–
Independent non-executive directors					
MA Guangyuan	151	–	–	151	29
LIU Zhanqing	151	–	–	151	29
WANG Jianxin	151	–	–	151	29
GAO Bin	151	–	–	151	29
FAN Gang	151	–	–	151	29
Total	755	18,328	124	19,207	12,652

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

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

The aggregate amounts of emoluments paid to directors of the Company for the six months ended 30 June 2021 (unaudited) are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Executive directors					
ZHANG Weigong	–	2,217	27	2,244	1,447
ZHAO Zongren	–	950	–	950	730
LI Ke	–	1,653	24	1,677	1,152
PENG Jihai	–	1,160	27	1,187	890
WANG Yongwen	–	730	27	757	538
Non-executive directors(i)					
WANG Jingwei	–	–	–	–	–
YUAN Mouzhen	–	–	–	–	–
WU Yi(vii)	–	–	–	–	–
CAI Qiwu(viii)	–	–	–	–	–
JIANG Xiong	–	–	–	–	–
Independent non-executive directors					
MA Guangyuan	76	–	–	76	14
LIU Zhanqing	76	–	–	76	14
WANG Jianxin	76	–	–	76	14
GAO Bin	76	–	–	76	14
FAN Gang	76	–	–	76	14
Total	380	6,710	105	7,195	4,827

The aggregate amounts of emoluments paid to directors of the Company for the six months ended 30 June 2022 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
Executive directors					
ZHANG Weigong	–	1,149	28	1,177	857
ZHAO Zongren	–	655	–	655	545
LI Ke	–	1,085	19	1,104	720
PENG Jihai	–	850	28	878	690
WANG Yongwen	–	618	28	646	482
Non-executive directors(i)					
WANG Jingwei	–	–	–	–	–
YUAN Mouzhen	–	–	–	–	–
WU Yi(vii)	–	–	–	–	–
CAI Qiwu(viii)	–	–	–	–	–
Independent non-executive directors					
MA Guangyuan	126	–	–	126	24
LIU Zhanqing	126	–	–	126	24
WANG Jianxin	126	–	–	126	24
GAO Bin	126	–	–	126	24
JIA Ning	126	–	–	126	24
Total	630	4,357	103	5,090	3,414

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

(ii) WANG Yongwen was appointed as executive director in December 2020.

(iii) NING Shoubo resigned as executive director in April 2020.

(iv) YUAN Mouzhen was appointed as non-executive director in December 2020.

(v) LIN Lijun resigned as non-executive director in October 2020.

(vi) QIN Wei and ZHANG Zhankui resigned as non-executive directors in April 2020.

(vii) WU Yi was appointed as non-executive director in April 2021 and resigned as non-executive director in March 2022.

(viii) CAI Qiwu was appointed as non-executive director in April 2021 and resigned as non-executive director in April 2022.

(ix) JIANG Xiong resigned as non-executive director in August 2021.

(x) JIA Ning was appointed as independent non-executive director in November 2021.

(xi) FAN Gang resigned as independent non-executive director in November 2021.

Supervisors' emoluments

The aggregate amounts of emoluments paid to supervisors of the Company for the year ended 31 December 2019 are as follows:

Name	**Fees**	**Salaries, allowances and other benefits**	**Contributions to defined contribution plans**	**Total after tax**	**Individual income tax**
(in RMB thousand)					
CHEN Zhijie*(i)*	–	–	–	–	–
JI Guangjun	–	579	52	631	229
TAN Chaotian	–	761	52	813	341
Total	–	1,340	104	1,444	570

The aggregate amounts of emoluments paid to supervisors of the Company for the year ended 31 December 2020 are as follows:

Name	**Fees**	**Salaries, allowances and other benefits**	**Contributions to defined contribution plans**	**Total after tax**	**Individual income tax**
(in RMB thousand)					
ZHUANG Liang*(ii)*	–	–	–	–	–
CHEN Zhijie	–	–	–	–	–
JI Guangjun	–	671	42	713	222
TAN Chaotian*(iii)*	–	222	10	232	91
Total	–	893	52	945	313

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

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
ZHUANG Liang	–	646	40	686	307
CHEN Zhijie	–	–	–	–	–
WANG Zhe*(iv)*	–	–	–	–	–
JI Guangjun*(v)*	–	686	54	740	244
Total	–	1,332	94	1,426	551

The aggregate amounts of emoluments paid to supervisors of the Company for the six months ended 30 June 2021 (unaudited) are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
ZHUANG Liang	–	281	19	300	42
CHEN Zhijie	–	–	–	–	–
JI Guangjun	–	258	27	285	34
Total	–	539	46	585	76

The aggregate amounts of emoluments paid to supervisors of the Company for the six months ended 30 June 2022 are as follows:

Name	Fees	Salaries, allowances and other benefits	Contributions to defined contribution plans	Total after tax	Individual income tax
(in RMB thousand)					
ZHUANG Liang	–	260	22	282	64
ZHANG Di*(vi)*	–	–	–	–	–
WANG Zhe	126	–	–	126	24
CHEN Zhijie*(i)*	–	–	–	–	–
Total	126	260	22	408	88

(i) CHEN Zhijie was a shareholder supervisor and did not receive remuneration from the Company. CHEN Zhijie resigned as supervisor in June 2022.

(ii) ZHUANG Liang was appointed as supervisor in December 2020.

(iii) TAN Chaotian resigned as supervisor in March 2020.

(iv) WANG Zhe was appointed as supervisor in November 2021.

(v) JI Guangjun resigned as supervisor in November 2021.

(vi) ZHANG Di was a shareholder supervisor and did not receive remuneration from the Company. Zhang Di was appointed as supervisor in June 2022.

Five highest paid individuals

The five individuals with the highest emoluments in the Group for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2021 (unaudited) and 2022 include four, three, five, five and four directors disclosed above, respectively, details of whose remuneration are set out as above in note 13. Details of the remuneration of the remaining one, two, nil, nil and one highest paid employees who are not directors for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2021 (unaudited) and 2022 are as follows:

	Year ended 31 December			**Six months ended 30 June**	
(in RMB thousand)	**2019**	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Salaries, allowances and other short-term benefits	8,936	14,149	–	–	1,305
Contributions to defined contribution plans	52	72	–	–	19
Total	8,988	14,221	–	–	1,324

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

	Number of individuals				
	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
RMB1,000,001 – RMB2,000,000	–	–	–	–	1
RMB2,000,001 – RMB3,000,000	–	–	–	–	–
RMB3,000,001 – RMB4,000,000	–	–	–	–	–
RMB4,000,001 – RMB5,000,000	–	1	–	–	–
RMB5,000,001 – RMB6,000,000	–	–	–	–	–
RMB6,000,001 – RMB7,000,000	–	–	–	–	–
RMB7,000,001 – RMB8,000,000	–	–	–	–	–
RMB8,000,001 – RMB9,000,000	1	–	–	–	–
RMB9,000,001 – RMB10,000,000	–	1	–	–	–
Total	1	2	–	–	1

During the Relevant Periods, no emoluments were paid by the Company to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Company or compensation for loss of office as a director of any member of the Group or of any other office in connection with the management.

The emoluments of the five highest paid individuals are the total emoluments paid to them during the Relevant Periods.

14 INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority.

(a) Income tax:

	Year ended 31 December			Six months ended 30 June	
(in RMB million)	**2019**	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Current income tax	398	455	146	46	633
Deferred income tax *(note 37)*	(465)	282	(441)	(240)	(774)
Total	(67)	737	(295)	(194)	(141)

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

	Year ended 31 December			Six months ended 30 June	
(in RMB million)	**2019**	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Profit before income tax	5,084	6,418	5,725	1,634	1,650
Tax computed at the statutory tax rate	1,271	1,604	1,431	409	413
Non-taxable income(i)	(1,461)	(1,596)	(1,906)	(839)	(717)
Expenses not deductible for tax purposes	66	56	52	24	23
Tax losses utilised from previous periods	(65)	(59)	(308)	–	–
Effect of unrecognised deferred tax assets	793	792	571	335	279
Adjustments in respect of current tax of previous periods	(653)	(46)	(19)	(19)	(13)
Others	(18)	(14)	(116)	(104)	(126)
Income tax at the effective tax rate	(67)	737	(295)	(194)	(141)

(i) Non-taxable income includes interest income from government bonds, dividend income from funds and equity securities, share of profits and losses of associates and joint ventures, etc.

15 EARNINGS PER SHARE

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

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Consolidated net profit attributable to equity owners of the parent	5,086	5,619	5,883	1,772	1,727
Weighted average number of ordinary shares in issue (million)	10,351	10,351	10,351	10,351	10,351
Basic earnings per share	RMB0.49	RMB0.54	RMB0.57	RMB0.17	RMB0.17
Diluted earnings per share	RMB0.49	RMB0.54	RMB0.57	RMB0.17	RMB0.17

16 DIVIDENDS

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Dividends recognised as distributions during the year:					
2018 final dividend	828	–	–	–	–
2019 final dividend	–	931	–	–	–
2020 final dividend	–	–	1,242	1,242	–
2021 final dividend	–	–	–	–	1,553

17 PROPERTY AND EQUIPMENT

(in RMB million)	Land and buildings	Office equipment	Motor vehicles	Construction in progress	Others	Total
Cost						
As at 1 January 2019	10,440	1,389	610	6,232	994	19,665
Transfers upon completion	25	–	–	(25)	–	–
Additions	77	85	28	877	116	1,183
Disposals	(13)	(32)	(34)	–	–	(79)
Exchange realignment	66	–	–	–	5	71
As at 31 December 2019	10,595	1,442	604	7,084	1,115	20,840
Accumulated depreciation						
As at 1 January 2019	(912)	(736)	(270)	–	(535)	(2,453)
Charge for the year	(295)	(114)	(56)	–	(197)	(662)
Disposals	12	31	30	–	–	73
Exchange realignment	(2)	–	–	–	(6)	(8)
As at 31 December 2019	(1,197)	(819)	(296)	–	(738)	(3,050)
Impairment						
As at 1 January 2019	–	–	–	–	–	–
As at 31 December 2019	–	–	–	–	–	–
Net book value						
As at 1 January 2019	9,528	653	340	6,232	459	17,212
As at 31 December 2019	9,398	623	308	7,084	377	17,790
Cost						
As at 1 January 2020	10,595	1,442	604	7,084	1,115	20,840
Transfers upon completion	1,788	–	–	(1,831)	43	–
Additions	18	117	29	2,037	127	2,328
Transfer to investment properties	(78)	–	–	–	–	(78)
Disposals	–	(59)	(33)	(28)	–	(120)
Exchange realignment	(82)	(1)	–	–	(5)	(88)
As at 31 December 2020	12,241	1,499	600	7,262	1,280	22,882
Accumulated depreciation						
As at 1 January 2020	(1,197)	(819)	(296)	–	(738)	(3,050)
Charge for the year	(294)	(132)	(58)	–	(201)	(685)
Transfer to investment properties	3	–	–	–	–	3
Disposals	–	55	29	–	–	84
Exchange realignment	9	1	–	–	1	11
As at 31 December 2020	(1,479)	(895)	(325)	–	(938)	(3,637)
Impairment						
As at 1 January 2020	–	–	–	–	–	–
As at 31 December 2020	–	–	–	–	–	–
Net book value						
As at 1 January 2020	9,398	623	308	7,084	377	17,790
As at 31 December 2020	10,762	604	275	7,262	342	19,245

(in RMB million)	Land and buildings	Office equipment	Motor vehicles	Construction in progress	Others	Total
Cost						
As at 1 January 2021	12,241	1,499	600	7,262	1,280	22,882
Transfers upon completion	2,788	5	–	(2,861)	68	–
Additions	17	130	27	1,799	222	2,195
Transfer to investment properties	–	–	–	(2,123)	–	(2,123)
Disposals	(27)	(90)	(32)	–	(14)	(163)
Exchange realignment	(125)	(28)	–	–	(78)	(231)
As at 31 December 2021	14,894	1,516	595	4,077	1,478	22,560
Accumulated depreciation						
As at 1 January 2021	(1,479)	(895)	(325)	–	(938)	(3,637)
Charge for the year	(401)	(100)	(49)	–	(224)	(774)
Disposals	5	72	28	–	8	113
Exchange realignment	24	5	–	–	15	44
As at 31 December 2021	(1,851)	(918)	(346)	–	(1,139)	(4,254)
Impairment						
As at 1 January 2021	–	–	–	–	–	–
As at 31 December 2021	–	–	–	–	–	–
Net book value						
As at 1 January 2021	10,762	604	275	7,262	342	19,245
As at 31 December 2021	13,043	598	249	4,077	339	18,306
Cost						
As at 1 January 2022	14,894	1,516	595	4,077	1,478	22,560
Additions	59	20	6	377	130	592
Disposals	–	(71)	(13)	–	(4)	(88)
Exchange realignment	63	4	–	–	3	70
As at 30 June 2022	15,016	1,469	588	4,454	1,607	23,134
Accumulated depreciation						
As at 1 January 2022	(1,851)	(918)	(346)	–	(1,139)	(4,254)
Charge for the period	(228)	(48)	(19)	–	(111)	(406)
Disposals	–	15	12	–	–	27
Exchange realignment	1	(1)	–	–	(3)	(3)
As at 30 June 2022	(2,078)	(952)	(353)	–	(1,253)	(4,636)
Impairment						
As at 1 January 2022	–	–	–	–	–	–
As at 30 June 2022	–	–	–	–	–	–
Net book value						
As at 1 January 2022	13,043	598	249	4,077	339	18,306
As at 30 June 2022	12,938	517	235	4,454	354	18,498

As at 31 December 2019, 2020, 2021 and 30 June 2022, the net book value of buildings which were in the process of obtaining title certificates were RMB2,010 million, RMB3,594 million, RMB6,262 million and RMB6,221 million.

18 LEASES

(a) Right-of-use assets

(in RMB million)	Buildings	Prepaid land lease payments	Others	Total
Cost				
As at 1 January 2019	1,544	2,655	2	4,201
Additions	513	4	–	517
Deductions	(181)	–	–	(181)
As at 31 December 2019	1,876	2,659	2	4,537
Accumulated depreciation				
As at 1 January 2019	(425)	(244)	(1)	(670)
Charge for the year	(539)	(77)	(1)	(617)
Deductions	181	–	–	181
As at 31 December 2019	(783)	(321)	(2)	(1,106)
Impairment				
As at 1 January 2019	–	–	–	–
As at 31 December 2019	–	–	–	–
Net book value				
As at 1 January 2019	1,119	2,411	1	3,531
As at 31 December 2019	1,093	2,338	–	3,431

(in RMB million)	Buildings	Prepaid land lease payments	Others	Total
Cost				
As at 1 January 2020	1,876	2,659	2	4,537
Additions	636	–	1	637
Deductions	(467)	–	(1)	(468)
As at 31 December 2020	2,045	2,659	2	4,706
Accumulated depreciation				
As at 1 January 2020	(783)	(321)	(2)	(1,106)
Charge for the year	(554)	(67)	(1)	(622)
Deductions	466	–	1	467
As at 31 December 2020	(871)	(388)	(2)	(1,261)
Impairment				
As at 1 January 2020	–	–	–	–
As at 31 December 2020	–	–	–	–
Net book value				
As at 1 January 2020	1,093	2,338	–	3,431
As at 31 December 2020	1,174	2,271	–	3,445

(in RMB million)	Buildings	Prepaid land lease payments	Others	Total
Cost				
As at 1 January 2021	2,045	2,659	2	4,706
Additions	505	–	10	515
Deductions	(126)	–	(4)	(130)
As at 31 December 2021	2,424	2,659	8	5,091
Accumulated depreciation				
As at 1 January 2021	(871)	(388)	(2)	(1,261)
Charge for the year	(560)	(70)	(1)	(631)
Deductions	99	–	–	99
As at 31 December 2021	(1,332)	(458)	(3)	(1,793)
Impairment				
As at 1 January 2021	–	–	–	–
As at 31 December 2021	–	–	–	–
Net book value				
As at 1 January 2021	1,174	2,271	–	3,445
As at 31 December 2021	1,092	2,201	5	3,298
Cost				
As at 1 January 2022	2,424	2,659	8	5,091
Additions	149	–	2	151
Deductions	(158)	–	–	(158)
As at 30 June 2022	2,415	2,659	10	5,084
Accumulated depreciation				
As at 1 January 2022	(1,332)	(458)	(3)	(1,793)
Charge for the period	(252)	(34)	(1)	(287)
Deductions	129	–	–	129
As at 30 June 2022	(1,455)	(492)	(4)	(1,951)
Impairment				
As at 1 January 2022	–	–	–	–
As at 30 June 2022	–	–	–	–
Net book value				
As at 1 January 2022	1,092	2,201	5	3,298
As at 30 June 2022	960	2,167	6	3,133

The Group had no significant profit or loss from subleasing right-of-use assets or sale and leaseback transactions for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2022.

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

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021	2022
				(unaudited)	
Interest on lease liabilities	37	40	38	17	15
Depreciation charge of right-of-use assets	617	622	631	317	287
Expense relating to short-term leases and leases of low-value assets	87	91	84	23	20
Total	741	753	753	357	322

19 INVESTMENT PROPERTIES

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Cost				
Beginning of year/period	7,340	7,393	8,967	11,123
Additions	53	1,496	33	–
Transfer from property and equipment	–	78	2,123	–
End of year/period	7,393	8,967	11,123	11,123
Accumulated depreciation				
Beginning of year/period	(667)	(874)	(1,207)	(1,502)
Additions	(207)	(330)	(295)	(143)
Transfer from property and equipment	–	(3)	–	–
End of year/period	(874)	(1,207)	(1,502)	(1,645)
Impairment losses				
Beginning of year/period	–	–	(249)	(249)
Additions	–	(249)	–	–
End of year/period	–	(249)	(249)	(249)
Net book value				
Beginning of year/period	6,673	6,519	7,511	9,372
End of year/period	6,519	7,511	9,372	9,229
Fair value				
End of year/period	8,621	10,377	13,630	13,630

The Group has no restrictions on the use of its investment properties and no contractual obligations to each investment property purchased, constructed or developed or for repairs, maintenance and enhancements.

As at 31 December 2019, 2020, 2021 and 30 June 2022, the net book value of investment properties which were in the process of obtaining title certificates were RMB1,302 million, RMB899 million, RMB2,232 million and RMB2,171 million.

The fair values of investment properties of the Group as at 31 December 2019, 2020, 2021 and 30 June 2022 were estimated by the Group having regards to valuations performed by independent appraisers. The investment properties were classified as Level 3 in the fair value hierarchy.

20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2019		
(in RMB million)	**Carrying amount**	**Fair value**	**Proportion of ordinary shares held by the Group** *(%)*
Associates			
China Yangtze Power Co., Ltd. ("Yangtze Power")	10,851	14,887	3.68*
Bank of Beijing Co., Ltd. ("Bank of Beijing")	7,595	4,908	4.09*
Huishang Bank Co., Ltd. ("Huishang Bank")	3,031	1,532	4.92*
Others	9,924		
Subtotal	31,401		
Joint ventures	1,093		
Total	32,494		

	As at 31 December 2020		
(in RMB million)	**Carrying amount**	**Fair value**	**Proportion of ordinary shares held by the Group** *(%)*
Associates			
Yangtze Power	11,609	15,845	3.64*
Bank of Beijing	6,749	4,182	4.09*
Huishang Bank	2,947	1,278	4.92*
Others	10,054		
Subtotal	31,359		
Joint ventures	1,111		
Total	32,470		

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

(in RMB million)	As at 30 June 2022 Carrying amount	Fair value	Proportion of ordinary shares held by the Group *(%)*
Associates			
Yangtze Power	13,660	18,890	3.59*
Huishang Bank	3,497	1,294	4.31*
Others	11,649		
Subtotal	28,806		
Joint ventures	1,152		
Total	29,958		

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

As at 31 December 2019, 2020, 2021 and 30 June 2022, the fair values of the Group's investments in certain listed associates were below their carrying amounts. As a result, the Group performed an impairment test on investments in such associates. Impairment test was performed by comparing the recoverable amount of such associates, determined by value-in-use approach, with their carrying amount. Management judgement is required in estimating the future cash flows. Based on management's assessment results, impairment losses amounting to RMB484 million, RMB1,621 million, RMB277 million and nil were provided for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2022.

The Group had no contingent liabilities with the associates and joint ventures as at 31 December 2019, 2020, 2021 and 30 June 2022.

The financial information summary of the Group's principal associates is as follows (in RMB million):

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Total assets as at 31 December 2019	Equity attributable to equity holders of the associates as at 31 December 2019	Total revenue in 2019	Net profit in 2019
Yangtze Power	PRC	Beijing	Electric-power industry	296,483	149,510	49,874	21,567
Bank of Beijing	PRC	Beijing	Banking	2,737,040	207,129	63,129	21,591
Huishang Bank	PRC	Anhui	Banking	1,131,721	87,209	31,159	10,062

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Total assets as at 31 December 2020	Equity attributable to equity holders of the associates as at 31 December 2020	Total revenue in 2020	Net profit in 2020
Yangtze Power	PRC	Beijing	Electric-power industry	330,827	172,118	57,783	26,506
Bank of Beijing	PRC	Beijing	Banking	2,900,014	219,219	64,299	21,646
Huishang Bank	PRC	Anhui	Banking	1,271,701	103,041	32,290	9,921

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Total assets as at 31 December 2021	Equity attributable to equity holders of the associates as at 31 December 2021	Total revenue in 2021	Net profit in 2021
Yangtze Power	PRC	Beijing	Electric-power industry	328,200	180,781	55,690	26,447
Huishang Bank	PRC	Anhui	Banking	1,383,662	108,564	35,514	11,785

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Total assets as at 30 June 2022	Equity attributable to equity holders of the associates as at 30 June 2022	Total revenue for the six months ended 30 June 2022	Net profit for the six months ended 30 June 2022
Yangtze Power	PRC	Beijing	Electric-power industry	335,261	174,789	25,388	11,462
Huishang Bank	PRC	Anhui	Banking	1,578,684	114,940	19,115	7,335

21 HELD-TO-MATURITY FINANCIAL ASSETS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Listed				
Debt investments				
Government bonds	12,271	23,178	26,392	26,395
Corporate bonds	373	372	370	369
Subtotal	12,644	23,550	26,762	26,764
Unlisted				
Debt investments				
Government bonds	20,804	33,193	34,555	64,405
Finance bonds	20,749	21,266	17,751	21,615
Corporate bonds	6,825	5,779	5,025	3,898
Interbank deposits	1,546	–	–	–
Subtotal	49,924	60,238	57,331	89,918
Total	62,568	83,788	84,093	116,682

22 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Debt investments				
Debt investment scheme	10,825	13,342	13,153	13,310
Trust scheme	26,366	23,129	17,758	16,625
Others	3,640	3,640	280	–
Total	40,831	40,111	31,191	29,935

23 TERM DEPOSITS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Maturing period				
Within 3 months (including 3 months)	84	4,708	15	34
3 months to 1 year (including 1 year)	2,892	3,534	186	16,605
1 to 2 years (including 2 years)	3,270	–	18,000	1,501
2 to 3 years (including 3 years)	–	18,000	2,700	2,700
3 to 4 years (including 4 years)	5,000	2,700	–	1,500
4 to 5 years (including 5 years)	2,700	–	1,500	–
Total	13,946	28,942	22,401	22,340

24 STATUTORY DEPOSITS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Contractual maturity schedule:				
Within one year	1,460	1,552	2,230	982
After one year but within five years	3,826	3,866	3,188	4,436
Total	5,286	5,418	5,418	5,418

Insurance companies in China are required to deposit an amount that equals to 20% of their registered capital with banks for the compliance with regulations of the CBIRC. These funds may not be used for any purpose other than for paying off debts during liquidation proceedings.

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Available-for-sale financial assets, at fair value				
Listed				
Debt investments				
Government bonds	396	–	66	27
Finance bonds	–	–	142	273
Corporate bonds	1,016	2,579	2,892	4,340
Mortgage-backed securities	–	69	466	740
Equity investments				
Equity securities	16,170	12,888	32,085	33,010
Funds	1,310	1,282	1,535	1,225
Other equity investments	2,175	2,424	922	199
Subtotal	21,067	19,242	38,108	39,814
Unlisted				
Debt investments				
Government bonds	6,853	17,801	39,500	12,527
Finance bonds	2,898	6,463	17,693	14,433
Corporate bonds	350	3,358	4,516	5,791
Interbank deposit	12,740	20,143	5,680	30,370
Debt investment scheme	4,150	5,650	6,650	6,650
Trust schemes	620	3,620	6,850	7,500
Equity investments				
Funds	10,000	10,484	14,621	16,888
Other equity investments	6,978	7,996	6,911	6,890
Subtotal	44,589	75,515	102,421	101,049
Available-for-sale financial assets, at cost				
Equity investments	11,678	15,115	18,972	19,912
Total	77,334	109,872	159,501	160,775

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Listed				
Debt investments				
Government bonds	5	15	11	12
Finance bonds	2	–	–	20
Corporate bonds	3,861	334	758	670
Mortgage-backed securities	–	–	–	340
Equity investments				
Equity securities	8,077	12,718	1,771	2,723
Funds	27	130	16	39
Subtotal	11,972	13,197	2,556	3,804
Unlisted				
Debt investments				
Government bonds	132	1,084	122	22
Finance bonds	3,574	161	1,481	854
Corporate bonds	5,648	1,540	1,079	919
Interbank deposits	1,720	6,434	4,857	4,445
Equity investments				
Funds	563	950	1,440	9,048
Other equity investments	581	775	626	625
Subtotal	12,218	10,944	9,605	15,913
Total	24,190	24,141	12,161	19,717

27 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Securities – bonds				
Inter-bank market	4,357	5,453	17,667	1,802
Stock exchange	169	89	951	1,786
Total	4,526	5,542	18,618	3,588

28 PREMIUMS RECEIVABLE

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Premium receivables	15,658	15,420	16,946	18,239
Less: Provision for impairment of premium receivables	(937)	(1,228)	(1,457)	(1,649)
Premium receivables, net	14,721	14,192	15,489	16,590
Property and casualty insurance	13,598	13,015	14,288	14,453
Life insurance	1,123	1,177	1,201	2,137
Premium receivables, net	14,721	14,192	15,489	16,590

An aging analysis of premium receivables is as follows:

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Within 3 months	14,708	14,089	15,427	16,198
Over 3 months but within 1 year	355	405	274	589
Over 1 year	595	926	1,245	1,452
	15,658	15,420	16,946	18,239
Less: Provision for impairment of premium receivables	(937)	(1,228)	(1,457)	(1,649)
Premium receivables, net	14,721	14,192	15,489	16,590

29 REINSURANCE ASSETS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Reinsurers' share of insurance contract liabilities *(note 33)*	2,387	2,685	3,391	4,084

30 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Cash and bank balances	–	1	–	1
Financial assets at fair value through profit or loss	341	312	296	293
Available-for-sale financial assets	–	–	20	20
Interest receivables	11	8	6	5
Investments classified as loans and receivables	40	–	–	–
Total	392	321	322	319

31 OTHER ASSETS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Reinsurance accounts receivable	1,838	1,936	2,172	2,534
Credit insurance subrogation receivable	1,321	1,335	929	903
Refundable deposits	702	2,830	382	402
Co-insurance receivable	318	296	350	396
Other receivables	2,330	2,417	2,728	2,277
Prepaid expenses	256	242	84	72
Intangible assets(i)	29	37	52	47
Others	1,629	1,331	1,450	2,542
Total	8,423	10,424	8,147	9,173

(i) The Group's intangible assets primarily consist of software with various amortization periods of 3 to 5 years.

32 CASH AND SHORT-TERM TIME DEPOSITS

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Cash at bank and on hand	6,719	6,280	6,664	7,896

33 INSURANCE CONTRACT LIABILITIES

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (*note 29*)	Net
	As at 31 December 2019		
Long-term life insurance contracts	128,216	(894)	127,322
Short-term life insurance contracts			
Unearned premiums	334	(86)	248
Claim reserves	690	(169)	521
Subtotal	129,240	(1,149)	128,091
Property and casualty insurance contracts			
Unearned premiums	23,458	(561)	22,897
Claim reserves	9,167	(677)	8,490
Subtotal	32,625	(1,238)	31,387
Total	161,865	(2,387)	159,478

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (*note 29*)	Net
	As at 31 December 2020		
Long-term life insurance contracts	162,225	(885)	161,340
Short-term life insurance contracts			
Unearned premiums	305	(80)	225
Claim reserves	657	(145)	512
Subtotal	163,187	(1,110)	162,077
Property and casualty insurance contracts			
Unearned premiums	22,730	(671)	22,059
Claim reserves	10,465	(904)	9,561
Subtotal	33,195	(1,575)	31,620
Total	196,382	(2,685)	193,697

	As at 31 December 2021		
(in RMB million)	**Insurance contract liabilities**	**Reinsurers' share of insurance contract liabilities** *(note 29)*	**Net**
Long-term life insurance contracts	200,899	(955)	199,944
Short-term life insurance contracts			
Unearned premiums	254	(73)	181
Claim reserves	804	(119)	685
Subtotal	201,957	(1,147)	200,810
Property and casualty insurance contracts			
Unearned premiums	24,014	(838)	23,176
Claim reserves	13,005	(1,406)	11,599
Subtotal	37,019	(2,244)	34,775
Total	238,976	(3,391)	235,585

	As at 30 June 2022		
(in RMB million)	**Insurance contract liabilities**	**Reinsurers' share of insurance contract liabilities** *(note 29)*	**Net**
Long-term life insurance contracts	224,686	(926)	223,760
Short-term life insurance contracts			
Unearned premiums	720	(601)	119
Claim reserves	816	(235)	581
Subtotal	226,222	(1,762)	224,460
Property and casualty insurance contracts			
Unearned premiums	25,118	(902)	24,216
Claim reserves	13,382	(1,420)	11,962
Subtotal	38,500	(2,322)	36,178
Total	264,722	(4,084)	260,638

(a) Long-term life insurance contract liabilities

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
As at 1 January 2019	108,516	(872)	107,644
Increase	38,562	(459)	38,103
Decrease			
Claims paid	(6,690)	437	(6,253)
Surrenders	(12,172)	–	(12,172)
As at 31 December 2019	128,216	(894)	127,322
Increase	46,807	(453)	46,354
Decrease			
Claims paid	(8,019)	462	(7,557)
Surrenders	(4,779)	–	(4,779)
As at 31 December 2020	162,225	(885)	161,340
Increase	51,733	(682)	51,051
Decrease			
Claims paid	(7,170)	612	(6,558)
Surrenders	(5,889)	–	(5,889)
As at 31 December 2021	200,899	(955)	199,944
Increase	36,710	(287)	36,423
Decrease			
Claims paid	(3,783)	316	(3,467)
Surrenders	(9,140)	–	(9,140)
As at 30 June 2022	224,686	(926)	223,760

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
As at 1 January 2019	246	(50)	196
Premiums written	2,191	(319)	1,872
Premiums earned	(2,103)	283	(1,820)
As at 31 December 2019	334	(86)	248
Premiums written	1,883	(253)	1,630
Premiums earned	(1,912)	259	(1,653)
As at 31 December 2020	305	(80)	225
Premiums written	1,810	(270)	1,540
Premiums earned	(1,861)	277	(1,584)
As at 31 December 2021	254	(73)	181
Premiums written	1,751	(900)	851
Premiums earned	(1,285)	372	(913)
As at 30 June 2022	720	(601)	119

Movements of claim reserves

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
As at 1 January 2019	511	(114)	397
Claims incurred	1,225	(119)	1,106
Claims paid	(1,046)	64	(982)
As at 31 December 2019	690	(169)	521
Claims incurred	1,279	(143)	1,136
Claims paid	(1,312)	167	(1,145)
As at 31 December 2020	657	(145)	512
Claims incurred	1,380	(270)	1,110
Claims paid	(1,233)	296	(937)
As at 31 December 2021	804	(119)	685
Claims incurred	959	(396)	563
Claims paid	(947)	280	(667)
As at 30 June 2022	816	(235)	581

(c) Property and casualty insurance contract liabilities

Movements of unearned premiums

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
As at 1 January 2019	19,933	(583)	19,350
Premiums written	39,789	(1,309)	38,480
Premiums earned	(36,264)	1,331	(34,933)
As at 31 December 2019	23,458	(561)	22,897
Premiums written	37,465	(1,767)	35,698
Premiums earned	(38,193)	1,657	(36,536)
As at 31 December 2020	22,730	(671)	22,059
Premiums written	40,933	(2,109)	38,824
Premiums earned	(39,649)	1,942	(37,707)
As at 31 December 2021	24,014	(838)	23,176
Premiums written	20,894	(1,029)	19,865
Premiums earned	(19,790)	965	(18,825)
As at 30 June 2022	25,118	(902)	24,216

Movements of claim reserves

(in RMB million)	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
As at 1 January 2019	8,209	(647)	7,562
Claims incurred	20,881	(762)	20,119
Claims paid	(19,923)	732	(19,191)
As at 31 December 2019	9,167	(677)	8,490
Claims incurred	23,011	(874)	22,137
Claims paid	(21,713)	647	(21,066)
As at 31 December 2020	10,465	(904)	9,561
Claims incurred	26,784	(1,264)	25,520
Claims paid	(24,244)	762	(23,482)
As at 31 December 2021	13,005	(1,406)	11,599
Claims incurred	12,546	(433)	12,113
Claims paid	(12,169)	419	(11,750)
As at 30 June 2022	13,382	(1,420)	11,962

34 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Beginning of year/period	258	274	203	205
Premiums received	12	12	6	1
Investment gain allocated to investment contracts	12	6	11	4
Surrenders	(13)	(18)	(13)	(86)
Others	5	(71)	(2)	(6)
End of year/period	274	203	205	118

(b) Universal life and other products

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Beginning of year/period	48,230	63,639	75,519	86,034
Premiums received net of policy fees	16,358	12,990	12,779	5,464
Policyholder principal increased	2,570	3,135	3,543	1,912
Liabilities released for benefits paid	(3,519)	(4,245)	(5,807)	(2,675)
End of year/period	63,639	75,519	86,034	90,735

35 BONDS PAYABLE

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

Issuer (in RMB million)	Issue date	Maturity	Early Redemption option	Interest rate	As at 31 December 2019	2020	2021	As at 30 June 2022
Sunshine P&C	2012/7/13	15	End of the tenth year	5.22%-7.22%	1,000	1,000	1,000	1,000
Sunshine P&C	2016/8/22	10	End of the fifth year	3.58%-4.58%	2,996	2,995	–	–
Sunshine P&C	2021/12/7	10	End of the fifth year	4.5%-5.5%	–	–	4,999	4,998
Sunshine Life	2016/4/20	5	None	3.15%	4,878	4,567	–	–
Sunshine Life	2016/4/20	10	None	4.5%	2,075	1,949	1,909	2,011
Sunshine Life	2016/9/27	10	End of the fifth year	3.6%-4.6%	5,996	5,998	–	–
Sunshine Life	2021/3/30	10	End of the fifth year	4.4%-5.4%	–	–	5,015	5,026
Total					16,945	16,509	12,923	13,035

36 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Bonds				
Inter-bank market	12,534	29,015	11,669	20,112
Stock exchange	2,278	3,010	437	576
Total	14,812	32,025	12,106	20,688

As at 31 December 2019, 2020, 2021 and 30 June 2022, bonds with carrying values of RMB15,312 million, RMB36,864 million, RMB13,984 million and RMB22,417 million were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the interbank market.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balance of the related repurchase transaction. As at 31 December 2019, 2020, 2021 and 30 June 2022, the carrying values of securities deposited in the collateral pool were RMB12,813 million, RMB26,187 million, RMB 19,915 million and RMB22,960 million, respectively. The collateral is restricted from trading during the period of the repurchase transaction.

37 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Net deferred income tax assets/(liabilities), at beginning of year/period	838	(77)	(612)	672
Recognised in profit or loss *(note 14)*	465	(282)	441	774
Recognised in other comprehensive income	(1,380)	(253)	843	1,133
Net deferred income tax assets/(liabilities), at end of year/period	(77)	(612)	672	2,579

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Insurance contract liabilities	255	194	230	439
Impairment of assets	628	387	724	1,329
Salaries and welfare payable	304	351	286	276
Net fair value adjustment on available-for-sale financial assets and financial assets at fair value through profit or loss	(1,373)	(1,632)	(876)	338
Others	109	88	308	197
Net deferred income tax assets/(liabilities), at end of year/period	(77)	(612)	672	2,579
Represented by:				
Deferred tax assets	483	169	864	2,713
Deferred tax liabilities	(560)	(781)	(192)	(134)

38 OTHER LIABILITIES

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Payables for asset-backed securities	2,750	4,950	4,950	2,750
Salaries and welfare payable	2,275	2,459	2,037	1,589
Brokerage and commission payable	1,312	1,415	1,729	1,577
Payables to reinsurers	2,011	2,072	2,084	3,229
Tax payable other than income tax	986	831	698	745
Deferred income	718	631	609	615
Accrued expenses	645	638	406	571
Insurance guarantee fund	130	93	134	132
Interest payables	197	308	249	316
Dividends payable	232	852	661	578
Others	3,011	2,911	3,613	3,190
Total	14,267	17,160	17,170	15,292

39 SHARE CAPITAL

	As at 31 December 2019	2020	2021	As at 30 June 2022
Numbers of shares issued and fully paid at RMB1 each (million)	10,351	10,351	10,351	10,351

40 RESERVES

The amounts of the Group's reserves and the movements therein in Relevant Periods are presented in the consolidated statement of changes in equity.

(a) General risk reserve

Pursuant to "Financial Standards of Financial Enterprises – Implementation Guide" issued by MOF of the PRC on 30 March 2007, a general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations for such reserve based on their respective annual profit or year-end risk assets as determined in their annual financial statements. This reserve is not available for profit distribution and cannot be transferred to capital.

Of the Group's reserves, RMB2,687 million as at 31 December 2019, RMB3,439 million as at 31 December 2020, RMB4,417 million as at 31 December 2021 and RMB4,435 million as at 30 June 2022 represented the Company's share of its subsidiaries' general risk reserves.

(b) Agriculture catastrophic loss reserve

Pursuant to "Regulation for the general risk reserve for catastrophic losses" issued by MOF of the PRC on 8 December 2013, the Group is required to make appropriation to a reserve when the agriculture insurance business records underwriting profits. This reserve cannot be used for dividend distribution but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases underwriting agriculture insurance business.

(c) Surplus reserve

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriation to a statutory surplus reserve based on its profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriation to a discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

41 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

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

(a) The tables below present the fair values of the following groups of financial assets[(i)] as at 31 December 2019, 2020, 2021 and 30 June 2022, and the fair value changes for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2022:

(in RMB million)	**Fair value as at 31 December 2019**	**2020**	**2021**	**Fair value as at 30 June 2022**
Held for trading financial assets	24,190	24,141	12,161	19,717
Financial assets that are managed and whose performance are evaluated on a fair value basis	–	–	–	–
Other financial assets	182,763	235,541	281,448	314,960
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI")	114,893	164,390	189,599	219,402
– Financial assets with contractual terms that do not give rise on SPPI	67,870	71,151	91,849	95,558
Total	206,953	259,682	293,609	334,677

(in RMB million)	**Fair value changes for the year ended 31 December 2019**	**2020**	**2021**	**Fair value changes for the six months ended 30 June 2022**
Held for trading financial assets	1,420	1,531	(2,130)	15
Financial assets that are managed and whose performance are evaluated on a fair value basis	–	–	–	–
Other financial assets	5,061	1,565	6,047	(3,600)
– Financial assets with contractual terms that give rise on SPPI	391	(541)	6,063	850
– Financial assets with contractual terms that do not give rise on SPPI	4,670	2,106	(16)	(4,450)
Total	6,481	3,096	3,917	(3,585)

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

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

	Carrying amount(iii)			
	As at 31 December			As at 30 June
(in RMB million)	**2019**	**2020**	**2021**	**2022**
Domestic				
Rating not required(iv)	52,315	85,264	121,481	121,492
AAA	55,454	70,876	51,717	79,634
AA+	336	390	1,492	1,502
AA	–	–	539	543
AA-	251	–	181	182
A	–	–	2,500	2,500
A-	–	–	60	60
Subtotal	108,356	156,530	177,970	205,913
Overseas				
AAA	–	–	–	550
AA	–	–	82	–
A+	1,453	2,324	2,612	2,355
A	964	1,128	578	610
A-	326	523	371	179
BBB+	821	586	211	129
BBB	120	112	228	108
BBB-	15	-	130	26
Not rated(iv)	1,167	1,741	1,315	2,508
Subtotal	4,866	6,414	5,527	6,465
Total	113,222	162,944	183,497	212,378

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

	As at 31 December 2019	
(in RMB million)	**Carrying amount(iii)**	**Fair value**
Domestic	587	587
Total	587	587

	As at 31 December 2020	
(in RMB million)	**Carrying amount(iii)**	**Fair value**
Domestic	390	390
Total	390	390

	As at 31 December 2021	
(in RMB million)	**Carrying amount(iii)**	**Fair value**
Domestic	4,772	4,772
Total	4,772	4,772

	As at 30 June 2022	
(in RMB million)	**Carrying amount(iii)**	**Fair value**
Domestic	4,787	4,787
Total	4,787	4,787

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

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

(iv) Mainly including government bonds and financial bonds.

42 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

(in RMB million)	**Year ended 31 December**			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Profit before income tax	5,084	6,418	5,725	1,634	1,650
Investment income	(12,759)	(19,052)	(17,096)	(8,406)	(7,374)
Foreign exchange (gains)/loss	19	(146)	87	48	13
Finance costs	1,302	1,446	1,341	797	560
Charge of impairment losses on insurance receivables and other assets, net	910	2,347	612	326	191
Depreciation of right-of-use assets	617	622	631	317	287
Depreciation of property and equipment	662	685	774	376	406
Depreciation of investment properties	207	225	295	126	143
Amortisation of intangible assets	21	22	15	9	14
Amortisation of other assets	57	47	25	17	3
Share of profits and losses of associates and joint ventures	(2,454)	(2,243)	(2,319)	(1,031)	(745)
Gain on disposal of items of property and equipment, intangible assets and other long- term assets, net	(15)	(1)	(3)	(1)	(1)
	(6,349)	(9,630)	(9,913)	(5,788)	(4,853)
Increase in reinsurance assets	(120)	(298)	(706)	(309)	(693)
(Increase)/decrease in insurance receivables	(4,068)	529	(1,297)	(2,778)	(1,101)
Increase in other operating assets	(535)	(676)	(48)	(1,307)	(308)
Increase in insurance contract liabilities	24,449	34,517	42,594	24,225	25,746
Increase in other operating liabilities	14,905	15,253	14,248	6,125	3,254
Income tax paid	(453)	(528)	(305)	(245)	(203)
Net cash inflows from operating activities	27,829	39,167	44,573	19,923	21,842

43 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, statutory deposits, etc.

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable that measured at amortised cost with fair value not approximate to the carrying amount.

	As at 31 December 2019	
(in RMB million)	**Carrying amount**	**Fair value**
Financial assets:		
Held-to-maturity financial assets	62,568	64,111
Investments classified as loans and receivables	40,831	41,318
Financial liabilities:		
Bonds payable	16,945	17,121

	As at 31 December 2020	
(in RMB million)	**Carrying amount**	**Fair value**
Financial assets:		
Held-to-maturity financial assets	83,788	85,088
Investments classified as loans and receivables	40,111	40,580
Financial liabilities:		
Bonds payable	16,509	16,733

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

	As at 30 June 2022	
(in RMB million)	**Carrying amount**	**Fair value**
Financial assets:		
Held-to-maturity financial assets	116,682	123,771
Investments classified as loans and receivables	29,935	30,414
Financial liabilities:		
Bonds payable	13,035	13,952

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

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

44 FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

(in RMB million)	Level 1	As at 31 December 2019 Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Equity securities	8,652	595	–	9,247
Debt securities	368	14,575	–	14,943
	9,020	15,170	–	24,190
Available-for-sale financial assets				
Equity securities	25,940	5,845	4,849	36,634
Debt securities	–	24,252	4,770	29,022
	25,940	30,097	9,619	65,656
Assets for which fair values are disclosed				
Held-to-maturity financial assets	–	64,111	–	64,111
Investments classified as loans and receivables	–	–	41,318	41,318
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	381	–	381
Liabilities for which fair values are disclosed				
Bonds payable	6,934	10,187	–	17,121

(in RMB million)	Level 1	As at 31 December 2020 Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Equity securities	12,852	1,721	–	14,573
Debt securities	186	9,382	–	9,568
	13,038	11,103	–	24,141
Available-for-sale financial assets				
Equity securities	23,865	7,196	4,013	35,074
Debt securities	–	50,413	9,270	59,683
	23,865	57,609	13,283	94,757
Assets for which fair values are disclosed				
Held-to-maturity financial assets	–	85,088	–	85,088
Investments classified as loans and receivables	–	–	40,580	40,580
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	537	–	537
Liabilities for which fair values are disclosed				
Bonds payable	6,539	10,194	–	16,733

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

(in RMB million)	Level 1	As at 30 June 2022 Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Equity securities	11,806	629	–	12,435
Debt securities	95	7,187	–	7,282
	11,901	7,816	–	19,717
Available-for-sale financial assets				
Equity securities	50,886	3,517	3,809	58,212
Debt securities	63	68,438	14,150	82,651
	50,949	71,955	17,959	140,863
Assets for which fair values are disclosed				
Held-to-maturity financial assets	–	123,771	–	123,771
Investments classified as loans and receivables	–	–	30,414	30,414
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	2,546	–	2,546
Liabilities for which fair values are disclosed				
Bonds payable	1,938	12,014	–	13,952

For the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2022, there were no significant transfers between Level 1 and Level 2 fair value measurements.

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

(in RMB million)	Available-for-sale financial assets Debt securities	Equity securities
As at 1 January 2019	4,500	6,818
Purchases	270	–
Total gains recognised in other comprehensive income	–	213
Maturity	–	(2,182)
As at 31 December 2019	4,770	4,849

(in RMB million)	Available-for-sale financial assets Debt securities	Equity securities
As at 1 January 2020	4,770	4,849
Purchases	4,500	–
Transferred out of Level 3	–	(836)
As at 31 December 2020	9,270	4,013

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

(in RMB million)	Available-for-sale financial assets Debt securities	Equity securities
As at 1 January 2022	13,500	3,800
Purchases	650	9
As at 30 June 2022	14,150	3,809

Below is a summary of significant unobservable inputs to the valuation of available-for-sale financial assets at fair value classified as Level 3 together with a quantitative sensitivity analysis as at 31 December 2019, 2020, 2021 and 30 June 2022.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Debt securities	Discounted cash flow method	Discount rate	31 December 2019: 3.18%-5.27%; 31 December 2020: 3.11%-5.18%; 31 December 2021: 2.75%-4.55%; 30 June 2022: 2.46%-4.57%.	1% increase/decrease in discount rate would result in decrease/increase fair value by RMB288 million, RMB398 million, RMB456 million and RMB417 million as at 31 December 2019, 2020, 2021 and 30 June 2022.
Equity securities	Discounted cash flow method	Discount rate	31 December 2019: 3.90%-5.54%; 31 December 2020: 3.78%-5.64%; 31 December 2021: 3.79%-5.44%; 30 June 2022: 3.54%-5.21%.	1% increase/decrease in discount rate would result in decrease/increase fair value by RMB121 million, RMB91 million, RMB58 million and RMB42 million as at 31 December 2019, 2020, 2021 and 30 June 2022.
Equity securities	Market approach	Liquidity discount	31 December 2019: 3.39%-10.26%; 31 December 2020: 4.29%; 31 December 2021: Not applicable; 30 June 2022: Not applicable.	3% increase/decrease in liquidity discount would result in decrease/increase fair value by RMB33 million, RMB7 million, nil and nil as at 31 December 2019, 2020, 2021 and 30 June 2022.

Valuation techniques

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

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

45 RISK MANAGEMENT

Insurance risk

(1) Types of insurance risks

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

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

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

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

(2) Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance contract liabilities in note 33.

(3) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Significant judgement is required in determining insurance contract reserves and in choosing discount rates/investment return, mortality, morbidity, lapse rates, expenses assumptions, and policy dividend relating to long-term life insurance contracts.

Sensitivities

The Group has measured the impact on long-term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances.

		31 December 2019		
(in RMB million)	**Change in assumptions**	**Impact on gross and net long-term life insurance policyholders' reserves**	**Impact on profit before tax**	**Impact on equity before tax**
		Increase/(decrease)	*Increase/(decrease)*	*Increase/(decrease)*
Discount rate/investment return	+25bps	(2,708)	2,708	2,708
Discount rate/investment return	-25bps	2,912	(2,912)	(2,912)
Mortality/morbidity	+10%	2,252	(2,252)	(2,252)
Mortality/morbidity	-10%	(2,228)	2,228	2,228
Lapse and surrender rate	+10%	(386)	386	386
Lapse and surrender rate	-10%	411	(411)	(411)
Expenses	+10%	457	(457)	(457)
Expenses	-10%	(458)	458	458

		31 December 2020		
(in RMB million)	**Change in assumptions**	**Impact on gross and net long-term life insurance policyholders' reserves**	**Impact on profit before tax**	**Impact on equity before tax**
		Increase/(decrease)	*Increase/(decrease)*	*Increase/(decrease)*
Discount rate/investment return	+25bps	(3,846)	3,846	3,846
Discount rate/investment return	-25bps	4,147	(4,147)	(4,147)
Mortality/morbidity	+10%	2,956	(2,956)	(2,956)
Mortality/morbidity	-10%	(3,016)	3,016	3,016
Lapse and surrender rate	+10%	(542)	542	542
Lapse and surrender rate	-10%	583	(583)	(583)
Expenses	+10%	463	(463)	(463)
Expenses	-10%	(462)	462	462

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

(in RMB million)	Change in assumptions	30 June 2022 Impact on gross and net long-term life insurance policyholders' reserves	Impact on profit before tax	Impact on equity before tax
		Increase/(decrease)	*Increase/(decrease)*	*Increase/(decrease)*
Discount rate/investment return	+25bps	(6,988)	6,988	6,988
Discount rate/investment return	-25bps	7,519	(7,519)	(7,519)
Mortality/morbidity	+10%	3,896	(3,896)	(3,896)
Mortality/morbidity	-10%	(4,077)	4,077	4,077
Lapse and surrender rate	+10%	(381)	381	381
Lapse and surrender rate	-10%	355	(355)	(355)
Expenses	+10%	600	(600)	(600)
Expenses	-10%	(641)	641	641

Property and casualty and short-term life insurance contracts

Assumptions

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

It is not possible to quantify the sensitivity of certain variables such as legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve was not quantifiable with certainty at the end of each of the Relevant Periods.

The following table indicates the gross claim development for property and casualty insurance contracts:

(in RMB million)	31 December 2018	31 December 2019	31 December 2020	31 December 2021	30 June 2022	Total
Estimated cumulative claims paid:						
Year end	18,168	21,506	23,112	26,134	12,365	
1 year later	18,399	21,196	23,139	26,083		
2 years later	18,784	21,319	22,992			
3 years later	18,869	21,554				
4 years later	19,051					
Current estimate of cumulative claims	19,051	21,554	22,992	26,083	12,365	102,045
Cumulative payments to date	18,899	20,963	21,710	21,462	6,271	89,305
Subtotal						12,740
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount risk margin and eliminations						642
Total gross claim reserves of property and casualty insurance contracts						13,382

The following table indicates the net claim development for property and casualty insurance contracts:

(in RMB million)	31 December 2018	31 December 2019	31 December 2020	31 December 2021	30 June 2022	Total
Estimated cumulative claims paid:						
Year end	17,478	20,794	22,278	25,019	12,020	
1 year later	17,664	20,493	22,351	24,964		
2 years later	18,025	20,620	22,127			
3 years later	18,084	20,823				
4 years later	18,248					
Current estimate of cumulative claims	18,248	20,823	22,127	24,964	12,020	98,182
Cumulative payments to date	18,138	20,371	21,061	20,883	6,217	86,670
Subtotal						11,512
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount risk margin and eliminations						450
Total gross claim reserves of property and casualty insurance contracts						11,962

When the other assumptions remain unchanged, if the expected net loss ratio decreased or increased by 1%, the profit before tax of the Group would have increased or decreased by approximately RMB362 million, RMB372 million, RMB389 million and RMB210 million for the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2022, respectively.

Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers' share of insurance liabilities and amounts due from reinsurers.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Financial risk

(1) Market risk

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes foreign currency risk, interest rate risk and price risk.

(i) Foreign currency risk

The following tables summarise the Group's exposure to foreign currency exchange rate risk at the end of each of the Relevant Periods by categorizing financial assets and financial liabilities by major currency.

	As at 31 December 2019			
(in RMB million)	**USD**	**HKD**	**AUD**	**Total**
Financial assets				
Cash and cash equivalents	311	87	355	753
Term deposits	24	–	–	24
Held-to-maturity financial assets	2,175	–	–	2,175
Available-for-sale financial assets	6,107	595	–	6,702
Total	8,617	682	355	9,654
Financial liabilities				
Bonds payable	6,976	–	–	6,976
Others	105	–	–	105
Total	7,081	–	–	7,081

	As at 31 December 2020			
(in RMB million)	**USD**	**HKD**	**AUD**	**Total**
Financial assets				
Cash and cash equivalents	1,935	181	194	2,310
Term deposits	4,693	–	–	4,693
Held-to-maturity financial assets	1,555	–	–	1,555
Available-for-sale financial assets	3,228	1,652	–	4,880
Total	11,411	1,833	194	13,438
Financial liabilities				
Bonds payable	6,525	–	–	6,525
Others	130	–	–	130
Total	6,655	–	–	6,655

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

(in RMB million)	As at 30 June 2022 USD	HKD	AUD	EUR	Total
Financial assets					
Cash and cash equivalents	1,433	217	274	8	1,932
Term deposits	24	–	–	–	24
Held-to-maturity financial assets	977	–	–	–	977
Available-for-sale financial assets	10,947	1,111	–	105	12,163
Total	13,381	1,328	274	113	15,096
Financial liabilities					
Bonds payable	2,011	–	–	–	2,011
Others	503	–	–	–	503
Total	2,514	–	–	–	2,514

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity when the foreign exchange rates of USD and other foreign currencies vary.

	31 December 2019	
(in RMB million)	**Impact on profit before tax**	**Impact on equity before tax**
	Increase/(decrease)	*Increase/(decrease)*
+10%	(413)	257
-10%	413	(257)

	31 December 2020	
(in RMB million)	**Impact on profit before tax**	**Impact on equity before tax**
	Increase/(decrease)	*Increase/(decrease)*
+10%	190	678
-10%	(190)	(678)

	31 December 2021	
(in RMB million)	**Impact on profit before tax**	**Impact on equity before tax**
	Increase/(decrease)	*Increase/(decrease)*
+10%	13	653
-10%	(13)	(653)

	30 June 2022	
(in RMB million)	**Impact on profit before tax**	**Impact on equity before tax**
	Increase/(decrease)	*Increase/(decrease)*
+10%	42	1,258
-10%	(42)	(1,258)

(ii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, which mainly include available-for-sale financial assets, listed equity securities and security investment funds classified as financial assets at fair value through profit or loss.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

The analysis below is performed for reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit and equity of the Group when the price of all kinds of financial instruments had been 10% higher/lower.

	31 December 2019	
(in RMB million)	**Impact on profit**	**Impact on equity**
	Increase/(decrease)	*Increase/(decrease)*
Change in assumptions		
+10%	910	4,404
-10%	(910)	(4,404)

	31 December 2020	
(in RMB million)	**Impact on profit**	**Impact on equity**
	Increase/(decrease)	*Increase/(decrease)*
Change in assumptions		
+10%	1,380	4,739
-10%	(1,380)	(4,739)

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

	30 June 2022	
(in RMB million)	**Impact on profit**	**Impact on equity**
	Increase/(decrease)	*Increase/(decrease)*
Change in assumptions		
+10%	561	5,584
-10%	(561)	(5,584)

(iii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Group's financial assets are principally composed of term deposits, debt securities and loans which are exposed to interest rate risk. The Group manages interest rate risk through adjustments to portfolio structure and duration, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit and equity.

	31 December 2019	
(in RMB million)	**Impact on profit**	**Impact on equity**
	Increase/(decrease)	*Increase/(decrease)*
Change in assumptions		
+50bps	(126)	(520)
-50bps	126	520

	31 December 2020	
(in RMB million)	**Impact on profit**	**Impact on equity**
	Increase/(decrease)	*Increase/(decrease)*
Change in assumptions		
+50bps	(153)	(875)
-50bps	153	875

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

	30 June 2022	
(in RMB million)	**Impact on profit**	**Impact on equity**
	Increase/(decrease)	*Increase/(decrease)*
Change in assumptions		
+50bps	(10)	(889)
-50bps	10	889

(2) Credit risk

Credit risk is the risk that one party of a financial transaction or the issuer of a financial instrument will fail to discharge its obligation and cause another party to incur a financial loss. Because the Group's investment portfolio is restricted to the types of investments as permitted by the CBIRC and a significant portion of the portfolio is in government bonds, government agency bonds, interbank deposits, corporate bonds with higher credit rating and term deposits with the state-owned commercial banks, the Group's overall exposure to credit risk is relatively low. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, debt investment schemes, trust schemes, insurance receivables, other receivables and reinsurance arrangement, etc.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Group manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. Where appropriate, the Group obtains collateral in the form of rights to cash, securities, property and equipment to lower the credit risk. The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months, but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged. One of the major performance indicators of the Group is the ability to collect premiums receivable on a timely basis.

Credit risk exposure

The carrying amount of financial assets included on the consolidated statement of financial position represents the maximum credit risk exposure at the reporting date without taking account of any collateral held or other credit enhancements attached. The Group had no credit risk exposure relating to off-balance sheet items as at 31 December 2019, 2020, 2021 and 30 June 2022.

Collateral and other credit enhancements

Securities purchased under agreements to resell are pledged by counterparties' debt securities or term deposits of which the Group could take the ownership if the owner of the collateral defaults. Policy loans and most of premium receivables are collateralised by their policies' cash value according to the terms and conditions of policy loan contracts and policy contracts, respectively.

Credit quality

The Group's debt securities investment mainly includes government bonds, corporate bonds, interbank deposits, financial bonds and subordinated bonds or debts. Most of these corporate bonds and subordinated bonds or debts have credit ratings of AA/A-2 or above. The bonds or debts' credit ratings are assigned by a qualified appraisal institution in the PRC and updated at each reporting date.

Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above except for state-owned reinsurance companies. The Group believes these commercial banks and reinsurance companies have a high credit quality.

The credit risk associated with securities purchased under agreements to resell and policy loans has not caused a material impact on the Historical Financial Information taking into consideration their sufficient collateral held and maturity terms of no more than one year as at 31 December 2019, 2020, 2021 and 30 June 2022.

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

The following tables set forth the contractual and expected undiscounted cash flows for financial liabilities:

	As at 31 December 2019					
(in RMB million)	**On demand**	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Undated**	**Total**
Assets						
Held-to-maturity financial assets	–	6,595	21,219	79,887	–	107,701
Investments classified as loans and receivables	–	8,173	27,569	11,283	–	47,025
Restricted statutory deposits	–	1,564	4,270	–	–	5,834
Term deposits	–	3,529	12,899	–	–	16,428
Available-for-sale financial assets	–	15,977	20,198	8,435	40,561	85,171
Financial assets at fair value through profit or loss	–	5,912	10,726	653	8,579	25,870
Securities purchased under agreements to resell	–	4,526	–	–	–	4,526
Policy loans	–	8,250	–	–	–	8,250
Premium receivables	–	6,597	8,124	–	–	14,721
Reinsurance assets	–	3,304	470	560	–	4,334
Cash and short-term time deposits	6,719	–	–	–	–	6,719
Liabilities						
Insurance contract liabilities	–	15,868	53,067	261,051	–	329,986
Investment contract liabilities	–	2,573	23,290	180,488	–	206,351
Lease liabilities	–	476	615	13	–	1,104
Bonds payable	–	624	15,765	2,234	–	18,623
Securities sold under agreements to repurchase	–	14,812	–	–	–	14,812
Insurance payables	–	2,771	–	–	–	2,771

	As at 31 December 2020					
(in RMB million)	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets						
Held-to-maturity financial assets	–	7,833	20,963	129,420	–	158,216
Investments classified as loans and receivables	–	14,205	22,948	8,899	–	46,052
Restricted statutory deposits	–	1,889	4,460	–	–	6,349
Term deposits	–	9,345	22,736	–	–	32,081
Available-for-sale financial assets	–	24,092	44,757	9,400	53,768	132,017
Financial assets at fair value through profit or loss	–	7,913	3,000	236	13,527	24,676
Securities purchased under agreements to resell	–	5,542	–	–	–	5,542
Policy loans	–	9,400	–	–	–	9,400
Premium receivables	–	6,574	7,618	–	–	14,192
Reinsurance assets	–	3,680	565	212	–	4,457
Cash and short-term time deposits	6,280	–	–	–	–	6,280
Liabilities						
Insurance contract liabilities	–	11,883	58,002	349,667	–	419,552
Investment contract liabilities	–	(785)	34,381	162,425	–	196,021
Lease liabilities	–	495	626	15	–	1,136
Bonds payable	–	14,103	1,404	2,002	–	17,509
Securities sold under agreements to repurchase	–	32,025	–	–	–	32,025
Insurance payables	–	2,702	–	–	–	2,702

	As at 31 December 2021					
(in RMB million)	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets						
Held-to-maturity financial assets	–	8,804	18,484	133,061	–	160,349
Investments classified as loans and receivables	–	6,256	26,539	3,663	–	36,458
Restricted statutory deposits	–	2,413	3,704	–	–	6,117
Term deposits	–	1,102	23,670	–	–	24,772
Available-for-sale financial assets	–	16,988	46,107	66,250	72,827	202,172
Financial assets at fair value through profit or loss	–	6,105	2,693	1,095	2,993	12,886
Securities purchased under agreements to resell	–	18,618	–	–	–	18,618
Policy loans	–	10,589	–	–	–	10,589
Premium receivables	–	7,301	8,188	–	–	15,489
Reinsurance assets	–	4,333	825	56	–	5,214
Cash and short-term time deposits	6,664	–	–	–	–	6,664

(in RMB million)	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
			As at 31 December 2021			
Liabilities						
Insurance contract liabilities	–	27,611	50,747	456,958	–	535,316
Investment contract liabilities	–	(60)	41,402	166,430	–	207,772
Lease liabilities	–	556	670	18	–	1,244
Bonds payable	–	1,583	8,994	6,350	–	16,927
Securities sold under agreements to repurchase	–	12,106	–	–	–	12,106
Insurance payables	–	2,601	–	–	–	2,601

(in RMB million)	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
			As at 30 June 2022			
Assets						
Held-to-maturity financial assets	–	7,157	28,598	193,283	–	229,038
Investments classified as loans and receivables	–	6,712	26,781	5,283	–	38,776
Restricted statutory deposits	–	1,048	5,128	–	–	6,176
Term deposits	–	19,368	6,293	–	–	25,661
Available-for-sale financial assets	–	36,020	42,963	36,742	63,178	178,903
Financial assets at fair value through profit or loss	–	5,655	2,254	6,545	5,842	20,296
Securities purchased under agreements to resell	–	3,588	–	–	–	3,588
Policy loans	–	10,858	–	–	–	10,858
Premium receivables	–	12,472	4,118	–	–	16,590
Reinsurance assets	–	5,412	805	(25)	–	6,192
Cash and short-term time deposits	7,896	–	–	–	–	7,896
Liabilities						
Insurance contract liabilities	–	25,825	54,234	536,233	–	616,292
Investment contract liabilities	–	3,827	41,810	164,018	–	209,655
Lease liabilities	–	515	566	20	–	1,101
Bonds payable	–	1,588	9,115	6,080	–	16,783
Securities sold under agreements to repurchase	–	20,688	–	–	–	20,688
Insurance payables	–	2,826	–	–	–	2,826

Capital management

The Group's capital requirements are primarily dependent on the scale and products of insurance business, and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities.

The solvency ratios of the Group and its major insurance subsidiaries as at 31 December 2019, 2020 and 2021 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies issued by the CIRC, effective from 1 January 2016. In December 2021, the CBIRC issued the Regulatory Rules on the Solvency of Insurance Companies (II), effective from the first quarter of 2022. The solvency ratios of the Group and its major insurance subsidiaries as at 30 June 2022 were calculated in accordance with the Regulatory Rules on the Solvency of Insurance Companies (II).

The table below summarises the solvency ratios of the Group and its major insurance subsidiaries as at 31 December 2019, 2020, 2021 and 30 June 2022, calculated in accordance with the relevant solvency rules.

The Group

		31 December		30 June
(in RMB million)	**2019**	**2020**	**2021**	**2022**
Core capital	76,745	83,323	81,669	66,730
Actual capital	86,737	93,316	92,683	92,791
Minimum capital	36,931	40,705	41,557	46,316
Core solvency ratio	208%	205%	197%	144%
Comprehensive solvency ratio	235%	229%	223%	200%

Sunshine Life

		31 December		30 June
(in RMB million)	**2019**	**2020**	**2021**	**2022**
Core capital	57,004	61,722	60,040	46,166
Actual capital	63,001	67,720	65,056	65,859
Minimum capital	29,269	32,899	34,335	38,324
Core solvency ratio	195%	188%	175%	120%
Comprehensive solvency ratio	215%	206%	189%	172%

Sunshine P&C

		31 December		30 June
(in RMB million)	**2019**	**2020**	**2021**	**2022**
Core capital	12,903	14,226	12,769	11,766
Actual capital	16,899	18,221	18,767	18,133
Minimum capital	7,441	7,346	7,036	7,506
Core solvency ratio	173%	194%	181%	157%
Comprehensive solvency ratio	227%	248%	267%	242%

Sunshine Surety

		31 December		30 June
(in RMB million)	**2019**	**2020**	**2021**	**2022**
Core capital	2,579	1,778	1,414	1,394
Actual capital	2,579	1,778	1,414	1,394
Minimum capital	220	457	186	486
Core solvency ratio	1,172%	389%	760%	287%
Comprehensive solvency ratio	1,172%	389%	760%	287%

46 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Shareholders holding more than 5% of the Company's shares:

Name	Relationship with the Company	Percentage of shareholding
Beijing Chengtong Financial Holding Investment Co., Ltd.[1] ("Beijing Chengtong")	Shareholder of the Company	6.76%
China Chengtong Holdings Group Ltd. [1] ("China Chengtong")	Shareholder of the Company	3.38%
Beijing Ruiteng Yihong Investment Management Co., Ltd.	Shareholder of the Company	6.76%
Jiangsu Tiancheng Property Development Co., Ltd.	Shareholder of the Company	5.80%
Lhasa Fengming Construction Machinery Sales Co., Ltd.	Shareholder of the Company	5.80%
Jiangsu Yonggang Group Co., Ltd. ("Jiangsu Yonggang")	Shareholder of the Company	5.06%
Beijing Bangchen Zhengtai Investment Co., Ltd.[2] ("Bangchen Zhengtai")	Shareholder of the Company	4.55%
Shanghai Xuchang Technology Co., Ltd.[2] ("Shanghai Xuchang")	Shareholder of the Company	4.55%
Shannan Hongquan Equity Investment Co., Ltd.[2] ("Shannan Hongquan")	Shareholder of the Company	3.61%

(1) Beijing Chengtong and China Chengtong are related parties, and hold more than 5% of the Company's shares in total.

(2) Bangchen Zhengtai, Shanghai Xuchang and Shannan Hongquan are related parties, and hold more than 5% of the Company's shares in total.

(b) Other related parties

Name	Relationship with the Company
Huishang Bank	An associate of the Group
Sunshine Inclusive Financial Information Service Co., Ltd. ("Inclusive Financial")	An associate of the Group
Tibet YouBaoPlus Information Technology Co., Ltd. ("Tibet YouBaoPlus")	An associate of the Group
Sunshine Family Insurance Sales & Services Co., Ltd. ("Sunshine Family")	An associate of the Group
Guangdong Easy Insurance Brokerage Co., Ltd. ("Easy Insurance")	An associate of the Group
Riverhead Capital Investment Management Co., Ltd. ("Riverhead Capital")	An associate of the Group
Hongde Fund Management Co., Ltd. ("Hongde Fund")	An associate of the Group
Beijing Zhongguancun Ronghui Financial Information Service Co., Ltd. ("Zhongguancun Ronghui")	An associate of the Group
Beijing Yicai Human Resources Consulting Co., Ltd. ("Beijing Yicai")	A joint venture of the Group

(c) Transactions with significant related parties

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

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Gross written premiums from:					
Huishang Bank	38	40	45	19	20
Beijing Yicai	4	19	48	34	12
Investment income from:					
Jiangsu Yonggang	–	23	31	12	12
Administrative and other expenses to:					
Inclusive Financial	146	171	112	55	45
Tibet YouBaoPlus	86	66	–	–	–
Commission and brokerage expenses to:					
Sunshine Family	645	479	951	449	407
Easy Insurance	–	61	104	103	–

(d) Amounts due from/to significant related parties

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Other receivables from:(i)				
Sunshine Family	14	109	27	85
Entrusted assets managed by:(ii)				
Riverhead Capital	7,281	7,425	8,969	9,217
Hongde Fund	3,220	5,430	5,850	5,145
Zhongguancun Ronghui	651	549	612	622

(i) Other receivables from Sunshine Family represent commissions prepaid by the Group for sales of insurance contracts, and these balances are trade in nature.

(ii) Entrusted assets managed by related parties represent the Group's investments in funds and wealth management products issued and managed by related parties. These balances with related parties are trade in nature.

(e) Key management personnel compensation

(in RMB million)	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021 (unaudited)	2022
Employee benefit expenses	57	61	64	21	16

47 COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Contracted, but not provided for	14,096	13,546	16,796	13,637

48 CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 31 December 2019, 2020, 2021 and 30 June 2022, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is extremely low.

49 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(1) Investments in subsidiaries

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Sunshine Life	22,185	22,185	22,185	22,185
Sunshine P&C	7,881	7,881	7,881	7,881
Others	226	226	226	226
Total	30,292	30,292	30,292	30,292

(2) Investments classified as loans and receivables

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Debt investments				
Debt investment products	1,400	1,400	200	–
Trust scheme	207	13	1	–
Total	1,607	1,413	201	–

(3) Available-for-sale financial assets

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Available-for-sale financial assets, at fair value				
Listed				
Debt investments				
Government bonds	101	–	–	–
Corporate bonds	131	–	–	741
Equity investments				
Other equity investments	310	247	247	–
Subtotal	542	247	247	741
Unlisted				
Debt investments				
Government bonds	1,452	1,509	1,056	–
Finance bonds	374	258	346	447
Corporate bonds	111	241	424	1,291
Interbank deposit	497	295	495	2,857
Equity investments				
Funds	81	137	151	136
Other equity investments	855	956	981	965
Subtotal	3,370	3,396	3,453	5,696
Available-for-sale financial assets, at cost				
Equity investments	2	2	1	–
Total	3,914	3,645	3,701	6,437

(4) Other assets

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Dividends receivable from subsidiaries	–	1,507	3,014	–
Other receivables	154	138	179	217
Others	78	80	73	50
Total	232	1,725	3,266	267

(5) Securities sold under agreements to repurchase

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Bonds				
Inter-bank market	745	871	357	1,400
Stock exchange	390	–	–	–
Total	1,135	871	357	1,400

(6) Other liabilities

(in RMB million)	As at 31 December 2019	2020	2021	As at 30 June 2022
Deferred income	389	372	361	356
Dividends payable	232	852	358	578
Salaries and welfare payable	248	253	246	219
Others	14	38	39	56
Total	883	1,515	1,004	1,209

(7) Reserves and retained profits

(in RMB million)	Capital reserves	Surplus reserves	General risk reserves	Available-for-sale financial assets revaluation reserve	Total	Retained profits
As at 1 January 2019	22,539	324	324	46	23,233	75
Net profit	–	–	–	–	–	2,928
Other comprehensive income	–	–	–	91	91	–
Total comprehensive income	–	–	–	91	91	2,928
Dividend declared	–	–	–	–	–	(828)
Appropriation to surplus reserves	–	292	–	–	292	(292)
Appropriation to general risk reserves	–	–	292	–	292	(292)
As at 31 December 2019	22,539	616	616	137	23,908	1,591

(in RMB million)	Capital reserves	Surplus reserves	General risk reserves	Available-for-sale financial assets revaluation reserve	Total	Retained profits
As at 1 January 2020	22,539	616	616	137	23,908	1,591
Net profit	–	–	–	–	–	1,470
Other comprehensive income	–	–	–	61	61	–
Total comprehensive income	–	–	–	61	61	1,470
Dividend declared	–	–	–	–	–	(931)
Appropriation to surplus reserves	–	147	–	–	147	(147)
Appropriation to general risk reserves	–	–	147	–	147	(147)
As at 31 December 2020	22,539	763	763	198	24,263	1,836

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

(in RMB million)	Capital reserves	Surplus reserves	General risk reserves	Available-for-sale financial assets revaluation reserve	Total	Retained profits
As at 1 January 2022	22,539	1,068	1,068	179	24,854	3,021
Net profit	–	–	–	–	–	30
Other comprehensive income	–	–	–	(40)	(40)	–
Total comprehensive income	–	–	–	(40)	(40)	30
Dividend declared	–	–	–	–	–	(1,553)
As at 30 June 2022	22,539	1,068	1,068	139	24,814	1,498

50 SUBSEQUENT EVENTS

The Group has no significant events which took place subsequent to the end of the Relevant Periods that needs to be disclosed.

51 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 30 June 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2022 or at any future date.

	Consolidated net tangible assets attributable to owners of the parent as at 30 June 2022	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as at 30 June 2022**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as at 30 June 2022**	
	RMB Million	*RMB Million*	*RMB Million*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$5.83 per Share	54,454	5,830	60,284	5.24	5.77
Based on an Offer Price of HK$6.45 per Share	54,454	6,462	60,916	5.30	5.84

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as at 30 June 2022 is arrived at after deducting intangible assets of RMB47 million from the consolidated net assets attributable to owners of the parent of RMB54,501 million as at 30 June 2022, as shown in the Accountants' Report set out in Appendix I to this prospectus. The intangible assets of RMB47 million are included in the Note 31 on page I-75 in the Accountants' Report.

(2) The estimated net proceeds from the Global Offering are calculated based on estimated offer prices of HK$5.83 per Share or HK$6.45 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.9082.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 11,501,522,500 Shares are in issue assuming that the Global Offering has been completed on 30 June 2022 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9082 to HK$1.00.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 30 June 2022.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors of Sunshine Insurance Group Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sunshine Insurance Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2022, and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 November 2022 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2022 as if the transaction had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2022, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2022

29th Floor, South Tower
Beijing Kerry Centre
1 Guang Hua Rd, Chaoyang Dist.
Beijing 100020
China
T +86 10 5821 6000
willistowerswatson.com

November 30, 2022

The Directors
Sunshine Insurance Group Company Limited
Sunshine Financial Center
No.33 Building 1, Jing Hui Street
Chaoyang Dist.
Beijing, China

Dear Sirs:

ACTUARIAL CONSULTANTS' REPORT

1. Introduction

Sunshine Insurance Group Company Limited ("**the Group**") has prepared embedded value results as at December 31, 2021 and June 30, 2022.

Towers Watson Management Consulting (Shenzhen) Company Limited Beijing Branch Company ("**Willis Towers Watson**", "**we**" or "**us**") has been engaged by the Group to perform certain review work and provide opinions on certain matters relating to these results, with regards to the initial public offering of the Group on the Hong Kong Stock Exchange ("**H-Share**").

This report has been produced for inclusion in this document (the "**Prospectus**") and sets out the scope of work that we have been engaged to undertake and summarizes the results of our review. This report also summarizes the methodology and assumptions chosen by the Group and the results calculated by the Group.

The rest of the Prospectus includes a description of the Group's various businesses and related risk factors which should be read and considered in conjunction with this report.

The reader's attention is also drawn to Section 9 of this report which sets out certain reliances and limitations for the users of this report.

Willis Towers Watson is acting exclusively for the Group. This report is not addressed to, and may not be relied upon, by any third party for any purpose whatsoever.

2. Scope of Work

The scope of our work was as follows:

- To review and report on the methodology used by the Group and its life subsidiary Sunshine Life Insurance Corporation Limited ("**Sunshine Life**") to calculate the embedded value ("EV") of the Group and Sunshine Life as at December 31, 2021 and June 30, 2022, and the value of one year's new business ("VNB") of Sunshine Life in the 12 months to December 31, 2021 and in the 12 months to June 30, 2022;

- To review and report on the economic and operating assumptions used in calculating the value of in-force business ("VIF") and the VNB by Sunshine Life as at December 31, 2021 and June 30, 2022; and

- To review and report on the following results prepared by the Group and Sunshine Life (collectively the "**EV Results**"):

  – the EV of the Group and Sunshine Life as at December 31, 2021 and June 30, 2022, and the VNB of Sunshine Life in the 12 months to December 31, 2021 and in the 12 months to June 30, 2022;

  – the results of the sensitivity tests of the VIF of Sunshine Life and the VNB of Sunshine Life as at December 31, 2021 and June 30, 2022; and

  – the analysis of change ("AOC") of the EV of the Group and Sunshine Life from December 31, 2020 to December 31, 2021, and from December 31, 2021 to June 30, 2022.

3. Methodology

The Group and Sunshine Life have prepared its EV results based on the CAA Standards of Actuarial Practice: Appraisal of Embedded Value ("**EV Standards**") issued by the China Association of Actuaries ("CAA") in November 2016.

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

- the Group's adjusted net worth ("ANW"); and

- the Group's share in Sunshine Life's VIF after cost of capital ("CoC")

The VNB is an actuarial estimation of the economic value arising from new business sales in the 12 months prior to the valuation date.

The Group's ANW is defined as the Group's audited net asset value based on the China Accounting Standards, inclusive of adjustments after appropriate tax allowance for the book value of certain assets to market value, and for the relevant differences, such as difference between China Accounting Standards reserves and policy liabilities valued under EV Standards.

Sunshine Life's VIF and VNB 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 (in respect of VIF), and from the sales in the 12 months to the valuation date (in respect of VNB). The distributable interest is determined based on policy liabilities and required capital valued under the EV Standards.

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

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

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

4. Results

This section summarizes the EV, VNB and AOC results calculated by the Group and Sunshine Life.

Based on the assumptions described in Section 5, Table 1 shows the EV of the Group and Sunshine Life as at December 31, 2021 and the VNB of Sunshine Life in the 12 months to December 31, 2021, and Table 2 shows the EV of the Group and Sunshine Life as at June 30, 2022 and the VNB of Sunshine Life in the 12 months to June 30, 2022.

Table 1. EV as at December 31, 2021 and VNB in the 12 months to December 31, 2021 (in RMB million)

Risk Discount Rate	10.5%	11.0%	11.5%
The Group' ANW	**65,861**	**65,861**	**65,861**
Sunshine Life's ANW	**44,841**	**44,841**	**44,841**
Sunshine Life's VIF before CoC	34,951	33,769	32,672
CoC	(5,763)	(5,855)	(5,931)
Sunshine Life's VIF after CoC	**29,188**	**27,914**	**26,741**
The Group' EV	**95,049**	**93,776**	**92,602**
Sunshine Life's EV	**74,029**	**72,755**	**71,581**
VNB			
Sunshine Life's VNB before CoC	5,431	5,218	5,022
CoC	(2,144)	(2,204)	(2,258)
Sunshine Life's VNB after CoC	**3,287**	**3,015**	**2,764**

Table 2. EV as at June 30, 2022 and VNB in the 12 months to June 30, 2022 (in RMB million)

Risk Discount Rate	10.5%	11.0%	11.5%
The Group' ANW	**63,278**	**63,278**	**63,278**
Sunshine Life's ANW	**44,979**	**44,979**	**44,979**
Sunshine Life's VIF before CoC	37,972	36,677	35,475
CoC	(6,912)	(7,032)	(7,133)
Sunshine Life's VIF after CoC	**31,060**	**29,645**	**28,342**
The Group' EV	**94,338**	**92,924**	**91,621**
Sunshine Life's EV	**76,039**	**74,624**	**73,321**
VNB			
Sunshine Life's VNB before CoC	5,352	5,145	4,953
CoC	(2,137)	(2,197)	(2,251)
Sunshine Life's VNB after CoC	**3,216**	**2,949**	**2,703**

An analysis of change in the EV reconciles the movement in the EV from one valuation date to the next into its constituent components. Table 3 shows this analysis from December 31, 2020 to December 31, 2021, calculated at a risk discount rate of 11.0%. Table 4 shows this analysis from December 31, 2021 to June 30, 2022, also calculated at a risk discount rate of 11.0%.

Table 3. Analysis of Change in EV from December 31, 2020 to December 31, 2021 (in RMB million)

Items		
1.	**Sunshine Life's EV at beginning of period**	**61,530**
2.	Impact of new business	3,015
3.	Expected return	4,601
4.	Investment experience variance	3,129
5.	Other experience variance	479
6.	Methodology, Model and Assumptions change	1,389
7.	Capital injection/shareholder dividend	(2,018)
8.	Others	631
9.	**Sunshine Life's EV at end of period**	**72,755**
10.	**The Group's other business ANW at end of period**	**22,231**
11.	Adjustment for minority shareholders' interest	(1,210)
12.	**The Group's EV at end of period**	**93,776**

Table 4. Analysis of Change in EV from December 31, 2021 to June 30, 2022 (in RMB million)

Items		
1.	**Sunshine Life's EV at beginning of period**	**72,755**
2.	Impact of new business	1,954
3.	Expected return	2,624
4.	Investment experience variance	(3,610)
5.	Other experience variance	144
6.	Methodology, Model and Assumptions change	307
7.	Capital injection/shareholder dividend	–
8.	Others	449
9.	**Sunshine Life's EV at end of period**	**74,624**
10.	**The Group's other business ANW at end of period**	**19,505**
11.	Adjustment for minority shareholders' interest	(1,206)
12.	**The Group's EV at end of period**	**92,924**

Items of change are explained below:

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

Item 3. Expected return earned on ANW, VIF and value of new business during 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 (including mortality, morbidity, lapse and surrender rates, expenses) and the beginning of period assumptions.

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

Item 7. Capital injection for Sunshine Life and dividend to shareholders.

Item 8. Other miscellaneous items.

Item 11. Adjustment for the Group's minority shareholders' interest.

5. Assumptions

This section summarizes the assumptions used by the Group and Sunshine Life to determine the EV and the VNB. The set of assumptions shown in this section are referred to as the "Central Scenario".

Risk Discount Rate

According to the EV Standards, the risk discount rate consists of risk-free interest rate and risk premium components. The risk-free interest rate reflects the history and current yield level of 10-year Chinese government bonds, while the risk premium reflects the generic risks relating to Sunshine Life's future cash flow, including the company size, business, solvency status, the market and investment risks etc., as well as all the risks that are not considered in other parts of the calculation.

The Group and Sunshine Life have used risk discount rates of 10.5%, 11.0% and 11.5% to calculate the results of EV and VNB as at December 31, 2021 and June 30, 2022.

The determination of a risk discount rate depends on myriad factors and the range of values illustrated is provided in order to assist readers in assessing the sensitivity of values to changes in the risk discount rate applied. The range given should not be interpreted to imply an upper or lower bound. In particular, the appropriate risk discount rate will depend on objective and subjective considerations including readers' own requirements, tax positions and perceptions of risks associated with the realization of future profits.

Investment Returns

Future returns are based on a combination of current portfolio yields together with new money rates based on assumptions for long term forward rates on Chinese government bonds. The investment return assumptions have also been set to be consistent with the basis of valuation of the assets backing the policy liabilities. The returns have been derived by considering current and expected future asset mix and associated investment returns for a range of major investment asset classes at the valuation date. Investment return assumptions of Sunshine Life's major business accounts are set as 5.00%, and that of Bancassurance Participating Single Premium account and Bancassurance Universal Life Single Premium account are set as 5.70%. The latter assumption is based on the Bancassurance Participating Single Premium and Bancassurance Universal Life Single Premium accounts being backed by asset portfolios with a relatively high proportion of equity and non-standard debt assets of a fixed-income nature that generally have lower liquidity and higher investment returns than bonds.

The investment return assumptions used by Sunshine Life are shown in Table 5 for the different funds.

Table 5. Investment Return Assumptions

	2022	**2023+**
Traditional	5.00%	5.00%
Participating	5.00%	5.00%
Universal life	5.00%	5.00%
Unit-linked	5.00%	5.00%

Note: Sunshine Life has set up accounts of Bancassurance Participating Single Premium and Bancassurance Universal Life Single Premium. Investment return assumptions for these accounts are set as 5.70%.

Mortality

Assumptions have been developed based on Sunshine Life's past mortality experience and expectation of current and future experience, and the overall knowledge of the Chinese insurance market. Mortality assumptions have been expressed as percentage of the standard industry mortality tables: "China Life Insurance Mortality Table", and mostly, the experience factors range from 60% to 90% of the standard tables.

Morbidity

Assumptions have been developed based on Sunshine Life's past morbidity experience and expectation of current and future experience, and overall knowledge of the Chinese insurance market. Morbidity assumptions have been expressed as percentage of "China Life Insurance Critical Illness Table" and Sunshine Life's pricing tables. The critical illness experience factors mostly range from 70% to 100% of the standard table, and those of other morbidity coverages are linked to reinsurance rates and Sunshine Life's experience. The trend of long-term morbidity deterioration has been taken into consideration.

Lapse and Surrender Rates

Assumptions have been developed based on Sunshine Life's past lapse and surrender experience, expectation of current and future experience, and overall knowledge of the Chinese insurance market. The lapse and surrender rates vary by different product classes and policy durations.

Expenses

Expense assumptions are classified into two categories: the acquisition expense assumption and the maintenance expense assumption. Both are set on a unit cost basis, reflecting long-term best estimates of future expenses, and the average experience of life insurance companies of similar business size as Sunshine Life. Inflation rate assumption of 3.0% per annum has also been applied.

The VNB of Sunshine Life has been determined by using expected acquisition expense assumptions. The excess of actual acquisition expenses over the expense allowance has been deducted from the ANW and the EV.

Commission and Handling Fees

The assumed level of commission and commission override has been set consistently with the actual level being paid by the business.

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 70% of distributable earnings arising from Participating business is paid to policyholders.

Tax

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

Short-term Business

Short-term business mainly covers accident business and health business. The loss ratio assumption of short-term business is set based on Sunshine Life's past experience and expectation of current and future experience.

Other Assumptions

The cost of required capital is calculated based on the solvency regulation of the China Banking and Insurance Regulatory Commission ("CBIRC"), and the required capital is derived in terms of 100% solvency ratio. Within the calculation of EV, it is assumed that the regulatory requirements for solvency will not change in the future.

The method to determine Sunshine Life's policy liabilities under the EV Standards has been assumed to be unaltered throughout the course of projection.

Sunshine Life's current reinsurance arrangements have been assumed to continue unaltered.

6. Sensitivity Tests

Sensitivity results for the VIF of Sunshine Life as at December 31, 2021 and June 30, 2022 and the VNB of Sunshine Life in the 12 months to December 31, 2021 and June 30, 2022 are shown in Table 6 to Table 9 in Section 11 of this report. These values have been shown under alternative assumptions given the uncertainties associated with the future economic and operational environment in China. The sensitivities chosen do not represent the boundaries of potential outcomes, but instead illustrate how certain alternative assumptions would affect the results.

The sensitivities tested were:

- Risk discount rate 1 percentage point higher than the Central Scenario;
- Risk discount rate 1 percentage point lower than the Central Scenario;
- Investment return 0.5 percentage points per annum higher than the Central Scenario;
- Investment return 0.5 percentage points per annum lower than the Central Scenario;
- Mortality rates increased proportionally by 10% (i.e. 110% of the Central Scenario);
- Mortality rates decreased proportionally by 10% (i.e. 90% of the Central Scenario);
- Morbidity rates increased proportionally by 10% (i.e. 110% of the Central Scenario);
- Morbidity rates decreased proportionally by 10% (i.e. 90% of the Central Scenario);
- Lapse and surrender rates increased proportionally by 10% (i.e. 110% of the Central Scenario);

- Lapse and surrender rates decreased proportionally by 10% (i.e. 90% of the Central Scenario);

- Expense increased 10% higher than the Central Scenario (i.e. 110% of the Central Scenario);

- Short-term products' loss ratios increased proportionally by 10% (i.e. 110% of the Central Scenario);

- Short-term products' loss ratios decreased proportionally by 10% (i.e. 90% of the Central Scenario);

7. Review

In the following section, we describe the approach by which we have performed our review.

(i) Methodology

The VIF and VNB results shown in Section 4 have been prepared by Sunshine Life using the traditional deterministic discounted cash flow methodology. The methodology is consistent with the EV Standards and is a common methodology used by life insurance companies in China at the current time. Allowance for risk has been made through the use of risk discount rates and an explicit allowance for the cost of holding required capital. We have reviewed the methodology against the requirements of the EV Standards and the common methodology used by other life insurance companies in China.

(ii) Assumptions

The operating assumptions used to calculate the VIF and the VNB shown in Section 4 have been set by Sunshine Life having regard to past, current and the expected future operating experience and environment. The economic assumptions used to calculate the VIF and VNB shown in Section 4 have been set by Sunshine Life with regard to economic conditions as at the valuation dates. Our review involved an assessment as to whether the operating assumptions have been set by Sunshine Life with appropriate regard to past, current and expected future experience of Sunshine Life, and whether the economic assumptions are internally consistent and have been set with regard to current economic conditions.

The validity of the VIF and VNB of Sunshine Life shown in Section 4 depends upon the extent to which future experience conforms to the aforementioned assumptions. In addition, it is also our assessment that the situation of Sunshine Life is markedly different in nature from that of a mature company operating in a mature and relatively stable, less dynamic market. The environment in which Sunshine Life, and more generally Chinese life insurance companies, are operating is very dynamic. In these circumstances, past operational experience is less reliable as an indicator of likely future experience than the past experience of a mature company operating in a mature and relatively stable market.

Consequently, the assumptions adopted by Sunshine Life in developing the VIF and VNB should be regarded only as being illustrative of possible future experience, and actual future experience could therefore be materially different to that assumed in this report. Furthermore, it must be emphasized that assumptions are forward looking and should not be mechanically aligned to past experience. We strongly recommend that the readers of this report consider the significance of each assumption by referring to the various values given in order to gain an understanding of the impact on value that result from the use of alternative assumptions.

(iii) Results

We have conducted a review of EV Results and VNB Results of Sunshine Life against the methodology and assumptions used by the Group and Sunshine Life. Our review was designed to confirm whether the results were calculated, in all material respects, in accordance with the methodology and assumptions adopted.

We have not checked all the programs and parameter files used to produce the results. We have, however, carried out a number of checks to satisfy ourselves as to the overall reasonableness of the results including checks on the projected results output from Sunshine Life's valuation models, checks on the validation of valuation models to accounting data, and reasonableness checks on consolidation of the results from the models to arrive at final results.

8. Opinions

On the basis of our review, we have concluded that:

- The methodology adopted to determine the EV of the Group, and VNB of Sunshine Life is consistent with the EV Standards and is a common methodology used by life insurance companies in China at the current time;

- The operating assumptions adopted to determine the VIF and VNB of Sunshine Life have been set with appropriate regard to past, current and expected future experience of Sunshine Life. The economic assumptions are internally consistent and have been set with regard to current economic conditions; and

- The EV results of the Group and the VNB results of Sunshine Life, in all material respects, are in accordance with the methodology and assumptions described in this report.

This opinion is subject to the reliances and limitations set out below.

9. Reliances and Limitations

In performing our work, we have relied on audited and unaudited information supplied to us by, or on behalf of, the Group and Sunshine Life for periods up to June 30, 2022, and on information from a range of other sources.

In particular, we have relied on:

- Policy data covering the numbers and types of policies issued and in force (including policy details), levels of in-force premiums and volumes of new business written;
- Premium rates, base commission rates, override allowances made to agents and other distributors;
- Details of product terms and conditions including surrender and cash values;
- Information regarding reinsurance arrangements and terms and conditions;
- Statistical data and experience investigations relating to the current and historical operating experience;
- Information on expenses incurred;
- Information on current and future investment strategies;
- Information on Sunshine Life's practices in determining dividend rates and credit rates;
- Audited financial statements as at December 31, 2021 and as at June 30, 2022;
- Audited asset values of the Group and Sunshine Life as at December 31, 2021 and as at June 30, 2022, including the ANW;
- Information regarding net of tax difference between the market value of assets and the value shown in the audited financial statements, and other tax adjustments made in the derivation of the ANW;
- Information regarding the taxation basis and the tax treatment of certain investment income for the purpose of determining taxable incomes;
- Information regarding the other business's ANW and minority shareholder interests of the Group; and
- Information as at December 31, 2020 for the purpose of reviewing the analysis of change of EV from December 31, 2020 to December 31, 2021.

Reliance was also placed on, but not limited to, the accuracy and completeness of Sunshine Life's information regarding historical operating experience, commission and override payments to agents and distributors, regulatory files, details of policy terms and conditions and terms of reinsurance arrangements.

In determining the results of VIF and VNB shown in this report, it is noted that Sunshine Life has considered only those claims made by life insurance policyholders in the normal course of business under the terms of the policies. No attempt has been made by us to determine the effect upon the value of any other claims by or against Sunshine Life, and no allowance has been made for any other potential liabilities. The only assumed restrictions on distribution of surplus are the reserving and capital requirements defined in this report.

The projections and values developed by the Group and Sunshine Life have been constructed on a "going concern" basis and assume a continuation of the current political and legal environments prevailing in China. It also should be noted that the values produced in this report assumes that taxable profit is derived using the policy liabilities under the EV Standards. While the Group and Sunshine Life used this method to calculate the EV as at December 31, 2021 and June 30, 2022, there is uncertainty as to whether this basis will continue into the future. Any changes in the tax basis could affect the results presented in this report.

It should be noted that the scope of our work did not include an independent verification, or audit, of the accuracy or completeness of the policy data and other information supplied by the Group and Sunshine Life to us. Similarly, the scope of our work did not include a review of the value or quality of the asset portfolio of the Group and Sunshine Life, nor have we reviewed the adequacy of balance sheet provisions. In addition, we have not checked all the programs or parameter files within the valuation models to produce its results. We have, however, carried out a number of checks to satisfy ourselves as to the overall reasonableness of the results produced.

The values attributed to the components of life insurance business are highly dependent on the results of financial projections. In developing the projections, numerous assumptions have been made with respect to economic conditions and other factors, many of which are beyond Sunshine Life's control. Changes in the internal or external environment will affect the suitability of the parameters used in the projections and could alter the projected results materially. In addition, deviations from the most probable experience are normal and are to be expected. Even without changes in the perceived environments, and in parameters used to reflect them, actual results will vary from those projected due to normal random fluctuations. The results shown are presented at the valuation dates of December 31, 2021 and June 30, 2022 and no warranty is given by Willis Towers Watson that future experience after these valuation dates will be in line with the assumptions made.

10. Disclosures and Consents

Willis Towers Watson has given, and not withdrawn, its written consent to the inclusion of this report and its name within the Prospectus in the form and context in which they are included. Willis Towers Watson does not authorize or cause the issue of this Prospectus and takes no responsibility for its contents other than this report.

For and on behalf of Willis Towers Watson

Lingde Hong
General Manager
Insurance Consulting & Technology, Greater China

November 30, 2022

11. Appendix Tables

Sensitivity Results

Table 6 and Table 7 show the sensitivity results of Sunshine Life's VIF as at December 31, 2021 and the VNB in the 12 months to December 31, 2021. Table 8 and Table 9 show the sensitivity results of Sunshine Life's VIF as at June 30, 2022 and the VNB in the 12 months to June 30, 2022.

Table 6. VIF sensitivity results as at December 31, 2021 (in RMB million)

	Risk Discount Rate = 10.5%			Risk Discount Rate = 11.0%			Risk Discount Rate = 11.5%		
Scenarios	VIF before CoC	CoC	VIF after CoC	VIF before CoC	CoC	VIF after CoC	VIF before CoC	CoC	VIF after CoC
Central Scenario	34,951	(5,763)	29,188	33,769	(5,855)	27,914	32,672	(5,931)	26,741
Risk discount rate 1 percentage point higher	32,672	(5,931)	26,741	31,650	(5,995)	25,655	30,696	(6,048)	24,648
Risk discount rate 1 percentage point lower	37,606	(5,521)	32,086	36,226	(5,653)	30,573	34,951	(5,763)	29,188
Investment return 0.5 percentage points higher	41,219	(5,576)	35,642	39,767	(5,685)	34,082	38,422	(5,777)	32,645
Investment return 0.5 percentage points lower	28,652	(5,952)	22,700	27,739	(6,028)	21,711	26,888	(6,090)	20,798
Mortality 10% higher (110% of central)	34,575	(5,737)	28,839	33,413	(5,829)	27,584	32,334	(5,907)	26,427
Mortality 10% lower (90% of central)	35,333	(5,790)	29,543	34,131	(5,881)	28,250	33,015	(5,956)	27,059
Morbidity 10% higher (110% of central)	34,081	(5,749)	28,332	32,939	(5,841)	27,098	31,878	(5,918)	25,960
Morbidity 10% lower (90% of central)	35,833	(5,777)	30,056	34,611	(5,869)	28,742	33,476	(5,945)	27,531
Lapse and surrender rates 10% higher (110% of central)	34,281	(5,545)	28,735	33,141	(5,639)	27,502	32,082	(5,718)	26,364
Lapse and surrender rates 10% lower (90% of central)	35,645	(5,994)	29,651	34,419	(6,083)	28,336	33,282	(6,157)	27,125
Expense 10% higher (110% of central)	34,588	(5,763)	28,826	33,417	(5,855)	27,563	32,329	(5,931)	26,398
Short-term products' loss ratios 10% higher (110% of central)	34,939	(5,763)	29,176	33,757	(5,855)	27,903	32,660	(5,931)	26,729
Short-term products' loss ratios 10% lower (90% of central)	34,962	(5,763)	29,199	33,781	(5,855)	27,926	32,683	(5,931)	26,752

Table 7. VNB sensitivity results in the 12 months to December 31, 2021 (in RMB million)

	Risk Discount Rate = 10.5%			Risk Discount Rate = 11.0%			Risk Discount Rate = 11.5%		
Scenarios	VNB before CoC	CoC	VNB after CoC	VNB before CoC	CoC	VNB after CoC	VNB before CoC	CoC	VNB after CoC
Central Scenario	5,431	(2,144)	3,287	5,218	(2,204)	3,015	5,022	(2,258)	2,764
Risk discount rate 1 percentage point higher	5,022	(2,258)	2,764	4,839	(2,307)	2,532	4,669	(2,352)	2,317
Risk discount rate 1 percentage point lower	5,910	(2,003)	3,907	5,661	(2,077)	3,583	5,431	(2,144)	3,287
Investment return 0.5 percentage points higher	6,794	(2,013)	4,781	6,515	(2,079)	4,437	6,258	(2,138)	4,120
Investment return 0.5 percentage points lower	4,060	(2,275)	1,785	3,915	(2,329)	1,586	3,779	(2,378)	1,401
Mortality 10% higher (110% of central)	5,368	(2,135)	3,233	5,160	(2,195)	2,965	4,967	(2,250)	2,717
Mortality 10% lower (90% of central)	5,495	(2,153)	3,342	5,279	(2,212)	3,066	5,079	(2,266)	2,812
Morbidity 10% higher (110% of central)	5,337	(2,143)	3,194	5,129	(2,203)	2,926	4,936	(2,257)	2,679
Morbidity 10% lower (90% of central)	5,526	(2,145)	3,381	5,309	(2,205)	3,104	5,108	(2,259)	2,850
Lapse and surrender rates 10% higher (110% of central)	5,234	(2,076)	3,158	5,032	(2,136)	2,897	4,845	(2,190)	2,655
Lapse and surrender rates 10% lower (90% of central)	5,634	(2,215)	3,419	5,411	(2,275)	3,136	5,204	(2,329)	2,876
Expense 10% higher (110% of central)	5,118	(2,144)	2,974	4,907	(2,204)	2,704	4,712	(2,258)	2,454
Short-term products' loss ratios 10% higher (110% of central)	5,318	(2,144)	3,175	5,106	(2,204)	2,903	4,910	(2,258)	2,652
Short-term products' loss ratios 10% lower (90% of central)	5,543	(2,144)	3,400	5,331	(2,204)	3,127	5,133	(2,258)	2,876

Table 8. VIF sensitivity results as at June 30, 2022 (in RMB million)

	Risk Discount Rate = 10.5%			Risk Discount Rate = 11.0%			Risk Discount Rate = 11.5%		
Scenarios	VIF before CoC	CoC	VIF after CoC	VIF before CoC	CoC	VIF after CoC	VIF before CoC	CoC	VIF after CoC
Central Scenario	37,972	(6,912)	31,060	36,677	(7,032)	29,645	35,475	(7,133)	28,342
Risk discount rate 1 percentage point higher	35,475	(7,133)	28,342	34,357	(7,219)	27,138	33,313	(7,292)	26,022
Risk discount rate 1 percentage point lower	40,884	(6,603)	34,281	39,370	(6,770)	32,599	37,972	(6,912)	31,060
Investment return 0.5 percentage points higher	45,240	(6,654)	38,586	43,632	(6,795)	36,838	42,142	(6,914)	35,229
Investment return 0.5 percentage points lower	30,670	(7,172)	23,497	29,688	(7,273)	22,415	28,773	(7,357)	21,416
Mortality 10% higher (110% of central)	37,559	(6,879)	30,680	36,287	(7,000)	29,287	35,105	(7,102)	28,003
Mortality 10% lower (90% of central)	38,392	(6,946)	31,446	37,075	(7,065)	30,010	35,852	(7,165)	28,687
Morbidity 10% higher (110% of central)	37,101	(6,897)	30,204	35,846	(7,017)	28,829	34,681	(7,119)	27,562
Morbidity 10% lower (90% of central)	38,855	(6,927)	31,928	37,520	(7,047)	30,473	36,281	(7,148)	29,133
Lapse and surrender rates 10% higher (110% of central)	37,280	(6,671)	30,609	36,031	(6,793)	29,238	34,870	(6,897)	27,973
Lapse and surrender rates 10% lower (90% of central)	38,683	(7,166)	31,516	37,340	(7,284)	30,056	36,095	(7,382)	28,713
Expense 10% higher (110% of central)	37,601	(6,912)	30,689	36,317	(7,032)	29,286	35,126	(7,133)	27,992
Short-term products' loss ratios 10% higher (110% of central)	37,929	(6,912)	31,017	36,634	(7,032)	29,603	35,433	(7,133)	28,300
Short-term products' loss ratios 10% lower (90% of central)	38,015	(6,912)	31,103	36,720	(7,032)	29,688	35,518	(7,133)	28,385

Table 9. VNB sensitivity results in the 12 months to June 30, 2022 (in RMB million)

	Risk Discount Rate = 10.5%			Risk Discount Rate = 11.0%			Risk Discount Rate = 11.5%		
Scenarios	VNB before CoC	CoC	VNB after CoC	VNB before CoC	CoC	VNB after CoC	VNB before CoC	CoC	VNB after CoC
Central Scenario	5,352	(2,137)	3,216	5,145	(2,197)	2,949	4,953	(2,251)	2,703
Risk discount rate 1 percentage point higher	4,953	(2,251)	2,703	4,775	(2,300)	2,475	4,609	(2,345)	2,264
Risk discount rate 1 percentage point lower	5,820	(1,996)	3,824	5,577	(2,070)	3,506	5,352	(2,137)	3,216
Investment return 0.5 percentage points higher	6,743	(2,005)	4,738	6,470	(2,071)	4,399	6,218	(2,130)	4,088
Investment return 0.5 percentage points lower	3,954	(2,269)	1,686	3,814	(2,323)	1,491	3,682	(2,372)	1,311
Mortality 10% higher (110% of central)	5,291	(2,128)	3,163	5,088	(2,188)	2,900	4,899	(2,242)	2,657
Mortality 10% lower (90% of central)	5,416	(2,146)	3,269	5,205	(2,206)	2,999	5,009	(2,260)	2,750
Morbidity 10% higher (110% of central)	5,281	(2,136)	3,145	5,077	(2,196)	2,881	4,888	(2,250)	2,638
Morbidity 10% lower (90% of central)	5,424	(2,137)	3,287	5,214	(2,197)	3,017	5,019	(2,251)	2,768
Lapse and surrender rates 10% higher (110% of central)	5,186	(2,073)	3,113	4,988	(2,133)	2,855	4,805	(2,187)	2,618
Lapse and surrender rates 10% lower (90% of central)	5,524	(2,203)	3,321	5,307	(2,263)	3,044	5,106	(2,317)	2,789
Expense 10% higher (110% of central)	5,049	(2,137)	2,912	4,843	(2,197)	2,647	4,653	(2,251)	2,402
Short-term products' loss ratios 10% higher (110% of central)	5,215	(2,137)	3,078	5,008	(2,197)	2,812	4,817	(2,251)	2,566
Short-term products' loss ratios 10% lower (90% of central)	5,490	(2,137)	3,353	5,282	(2,197)	3,086	5,090	(2,251)	2,839

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital gain and profit tax, business tax/appreciation tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was last amended on August 31, 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of treaty countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H Shares receiving dividends who are citizens of treaty countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid by Chinese Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions, the main purpose of which includes to gain such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改增值稅試點的通知》) ("**Circular 36**"), effective from May 1, 2016, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

VAT taxpayers are also subject to urban maintenance and construction tax, education surcharge and local education surcharge (collectively, "**local surcharges**"), which is usually at 12% of the VAT payable, if any. However, pursuant to the Law of the PRC on Urban Maintenance and Construction Tax which became effective on September 1, 2021, no urban maintenance and construction tax shall be levied on value-added tax or consumption tax paid for the sale of labor services, other services and intangible assets in China by overseas entities or individuals. Meanwhile, pursuant to Announcement on the Measures for Determining the Tax Basis of Urban Maintenance and Construction Tax and Other Matters (Announcement No. 28 [2021] of the Ministry of Finance and the State Taxation Administration), the basis for calculating and levying education surcharges and local education surcharges is consistent with the basis for calculating the urban maintenance and construction tax since September 1, 2021. In conclusion, no urban maintenance and construction tax, education surcharges, and local education surcharges will be levied on value-added tax paid for the sale of intangible assets in China by overseas entities or individuals since September 1, 2021.

However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice. If relevant tariffs are imposed in the future, the investment value of such holders in H shares may be materially and adversely affected.

Income Tax

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the individual income tax at a rate of 20%.

However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected in reality with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

In accordance with the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) promulgated by the Standing Committee of the NPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to stamp duty.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to EIT Law and its implementation provisions, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and shall pay enterprise income tax at a tax rate of 25%.

Value-added Tax

Pursuant to Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) ("**VAT Regulations**") and Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) ("**VAT Implementation Rules**"), entities and individuals that sell goods or labor services of processing, repair or replacement, sales, intangible assets, real estates, or import goods within the territory of the PRC are taxpayers of value-added tax ("VAT"), and shall pay VAT in accordance with these Regulations.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the MOF and the SAT on March 23, 2016, came into effect on May 1, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax. The Company's tax payment has changed from business tax to value-added tax since May 1, 2016.

Pursuant to the Notice on Relevant Policies for the Deepening of the Reform on the Value added Tax (《關於深化增值稅改革有關政策的公告》) (Notice No. 39 of 2019 issued by the Ministry of Finance, State Taxation Administration, General Administration of Customs), promulgated on March 20, 2019 and came into effect on April 1, 2019, by the MOF and the SAT, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 16% and 10% tax rates are lowered to 13% and 9% respectively.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in China under the PRC laws.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are no longer subject to SAFE's approval, while capital items remain unchanged. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On August 11, 2015, the PBOC announced to improve the central parity quotations of RMB against the USD by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading System before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations of the PRC, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for current item transactions may, without the approval of the SAFE, effect payment from foreign exchange accounts at the designated foreign exchange banks, on the strength of valid transaction receipt or evidence. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015. The notice has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV — Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to the Company. This summary is not intended to include all the information which may be important to potential investors. For discussion of laws and regulations which are relevant to our business, see "Regulatory Overview" in this prospectus.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory, and other regulatory documents. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, environmental protection, historical and cultural protection and other aspects according to the specific circumstances and actual needs of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions.

The ministries and commissions of the State Council, the PBOC, the National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the permissions of their respective departments in accordance with the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and cities with districts may formulate rules and regulations in accordance with the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the Constitution or the Legislation Law. The NPCSC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The Standing Committees of local people's Congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws should be interpreted or provided by the Standing Committee of the NPC, issues related to the specific application of laws and decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the specific application of laws and decrees in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the legal issues other than the above-mentioned should be interpreted by the State Council and the competent authorities. If there are principled differences in the interpretation of the Supreme People's court and the Supreme People's Procuratorate, they shall be submitted to the NPCSC for interpretation or decision. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the people's courts are classified into the Supreme People's Court, the local people's courts at various local levels, and other special people's courts. The local people's courts at various local levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are further divided into civil, criminal and economic tribunals. The intermediate people's courts have structure similar to those of the primary people's courts and other special tribunals, such as the intellectual property courts, military courts, maritime courts. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. The judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in a final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021, respectively, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation, collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years, subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Alternatively, the people's court may, pursuant to an international treaty concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request the foreign court to recognize and execute the judgment or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty or according to the principle of reciprocity, a foreign judgment or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

The PRC Company Law, the Special Regulations and the Mandatory Provisions

The Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The last revised PRC Company Law came into effect on October 26, 2018.

The Special Regulations of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "**Special Regulations**") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994 prescribe the provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association of the Company. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with H shares to be issued. Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company" (the "**company**") refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

The company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A company may be incorporated by promotion or subscription. A company shall be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company incorporated by promotion shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by subscription, the registered capital is the total paid-up capital as registered with the relevant registration authorities. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued are not fully subscribed for within the offer period stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest calculated at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of laws or administrative regulations on valuation without any over-valuation or under-valuation.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. A company may issue registered or bearer shares. However, shares issued to promoters or legal persons shall be in the form of registered shares and shall be registered under the names of such promoters or legal persons and shall not be registered under a different name or the name of a representative.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in foreign currencies. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC, except these regions above, are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

Pursuant to the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by the CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the relevant registration department and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the incorporation of a company.

According to the Securities Law of the PRC (《中華人民共和國證券法》) (the "**Securities Law**") requires the following conditions for a company to issue new shares to the public: the company is a complete and well-operated organization; the company is capable of making profits continuously; no false records or significant irregularities are found in its financial and accounting documents over the last three years; the issuer, its controlling shareholder, and actual controller have not been involved in corruption, bribery, embezzlement, misappropriation of property, or disruption of the socialist market economic order in the past three years; the company is able to fulfill any other requirements as prescribed by the securities regulatory authority of the State Council as approved by the State Council. The approval of the securities regulatory authority of the State Council must be obtained. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and a list of properties;

(ii) the reduction of registered capital must be approved by shareholders at the general meeting;

(iii) the company shall notify its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant company registration authority for registration of the change and reduction in registered capital.

Repurchase of Shares

Pursuant to the PRC Company Law, a company shall not purchase its own shares other than in any of the following circumstances:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) utilizing the shares for employee stock ownership plan or stock ownership incentive scheme;

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or separation;

(v) utilizing the shares for conversion of corporate bonds which are convertible into shares issued by a listed company; and

(vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

Any company's purchase of its own shares for any reason specified in item (i) and item (ii) of the preceding paragraph shall be subject to a resolution of the general meeting; any company's purchase of its own shares for any reason specified in item (iii), item (v) and item (vi) of the preceding paragraph may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the articles of associations or upon authorization by the general meeting.

The shares acquired under the circumstance stipulated in item (i) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either item (ii) or item (iv); and the shares held in total by a company after a share buyback under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. If the share buyback is made under any of the circumstances stipulated in item (iii), item (v) or item (vi) hereof, centralized trading shall be adopted publicly.

A company shall not accept its own shares as the subject matter of pledge.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has not been convened in compliance with the laws, regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(iii) to transfer the shares of the shareholders according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the board of supervisors or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts plan;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association; and

(xi) to exercise any other authority stipulated in the articles of association.

Pursuant to the PRC Company Law, a shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board of directors deems necessary;

(v) the board of supervisors so proposes; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

In accordance with the Mandatory Provisions, a written notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall notify shareholders again within five days by announcement of the matters to be considered at the meeting as well as the date and venue of the meeting, and the general meeting may be held by the company thereafter.

According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, for those companies registered in the PRC and listed overseas, provisions and requirements stipulated in the PRC Company Law in relation to the notice period, shareholders' right to submit proposals to, and the procedures for convening, shareholders' general meetings shall apply, and Article 20 to Article 22 of the Special Regulations shall no longer apply.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

A shareholder may entrust a proxy to attend the general meeting on his/her behalf. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorization.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Pursuant to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and corporate bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders (including his/her proxies) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of Domestic Shares and holders of overseas listed and foreign invested shares are deemed to be shareholders of different classes.

Board of Directors

A company shall have a board of directors which shall consist of five to 19 members. Members of the board of directors may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposals for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend the meetings of the board of directors in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. The board of directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the board of directors violates any laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person without capacity or restricted capacity to undertake any civil liabilities;

(ii) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where no more than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where no more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

(v) a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Mandatory Provisions further stipulate other circumstances under which a person is disqualified from acting as a director of a company, including: (1) the person is under investigation by the judicial authorities after a claim has been brought for violating the criminal law and the case has yet to be settled; (2) a person cannot assume the position of leader of an enterprise according to laws and administrative regulations; (3) the person is not a natural person; and (4) no more than five years has elapsed since the date the person was found to be in violation of the provisions of relevant securities regulations and was involved in deceitful or dishonest activities as ruled by the competent authority.

Pursuant to the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director elected by more than half of the directors shall perform his/her duties.

The Special Regulations provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit.

Board of Supervisors

Pursuant to the PRC Company Law, a company shall have a board of supervisors composed of not less than three members. The board of supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors shall be elected by more than half of the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the board of supervisors shall convene and preside over board of supervisors meetings. Where the chairman of the board of supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over supervisory board meetings. Where the vice chairman of the board of supervisors is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over meetings of the board of supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of directors or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Pursuant to the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager may exercise his/her powers:

(i) to manage the production, operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual operation plans and investment proposals;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(viii) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Pursuant to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and shall be obliged to be faithful and diligent towards the Company.

Directors, supervisors and management personnel are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(vi) accepting commissions paid by a third party for transactions conducted with the company for their own benefit;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

Pursuant to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached more than 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal, withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that dividends and other distributions to be paid to holders of H shares shall be declared and calculated in RMB and paid in foreign currencies. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through receiving agents.

Amendments to the Articles of Association

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other persons determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days from its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

A creditor shall, in making his claim, state matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion, and to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council. Pursuant to the Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from the Securities Committee of the State Council. Subject to approval of the company's plans to issue overseas-listed foreign shares and domestic shares by the Securities Committee of the State Council, the board of directors of the company may make arrangement to implement such plans for the issuance of the foreign shares and domestic shares, respectively, within 15 months from the date of approval by the Securities Committee of the State Council.

At the same time, according to the provisions of the Special Regulations, if the company's shares determined by the company's issuance plan are not fully issued, new shares which were not included in the original issue plan shall not be issued by the company. If the company needs to adjust the issuance plan, the general meeting of shareholders shall make a resolution. After being approved by the company's examination and approval department authorized by the State Council, it shall be submitted to the securities commission of the State Council for examination and approval.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H shares certificates of the overseas-listed foreign shareholders of the PRC is provided for in the Mandatory Provisions, details of which are set out in the articles of association.

Merger and Demerger

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within ten days from the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days from the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide corresponding guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within ten days from the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the registration as a result of the merger or division shall be registered with the relevant administration authority.

The PRC Securities Law, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and the CSRC and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends, other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019 respectively. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles regulating, among other matters, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, in a contract between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission (the "**CIETAC**") or the Hong Kong International Arbitration Center (the "**HKIAC**"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including, but not limited to, irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state based on the principle of reciprocity; and (ii) the New York Convention will only apply to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Pursuant to this arrangement, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, the Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under the Hong Kong company law, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on October 26, 2018 has no provision on the minimum registered capital of joint stock company, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under the Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in the company's registered capital must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets transfer procedures must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, the Company's Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau, Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, eligible institutional investors and individual investors may participate in the trading of Hong Kong Stock Connect and Shanghai Stock Connect (or Shenzhen Stock Connect) through participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company transferred each year by its directors, supervisors and senior management during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix headed "Appendix VI — Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in the class in question, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of the board of supervisors. There is no mandatory requirement for the establishment of the board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

The Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their obligations and cause damages to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law stipulates that if the company's operation and management are seriously distressed and continuous existing will cause significant losses to shareholders' interests and cannot be resolved through other channels, shareholders holding more than 10% of the company's shareholders' voting rights may request the People's Court to dissolve the company. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary shareholders meeting must be given to shareholders not less than 20 days and 15 days before the meeting, respectively. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must send their writing replies to the company at least 20 days before the date of the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, for those companies registered in the PRC and listed overseas, provisions and requirements stipulated in the PRC Company Law in relation to the notice period, shareholders' right to submit proposals to, and the procedures for convening, shareholders' general meetings shall apply, and Article 20 to Article 22 of the Special Regulations shall no longer apply.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' General Meetings

Under Hong Kong company law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders (including agent for the shareholders) who attend the general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of the board of supervisors and financial and accounting reports, which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members under Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at the shareholders' general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent. Under the Mandatory Provisions, directors, supervisors and senior management are not permitted, without the approval of the shareholders' general meeting that has been informed, to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to the Company as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to the Company.

Compliance Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' Report

The accountants' report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises (the "**CASBE**") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$125 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules unless (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution; or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Display

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

– a complete duplicate register of shareholders;

– a report showing the state of the PRC issuer's issued share capital;

– the PRC issuer's latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;

– special resolutions;

– reports showing the number and nominal value of securities repurchased by the PRC issuer since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);

– copy of the latest annual return filed with the SAIC or other competent PRC authority; and

– for shareholders only, copies of minutes of shareholders' general meetings.

Receiving Agents

Under Hong Kong laws, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in H Share Certificates

A PRC issuer is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

– agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;

– agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management) agrees with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

– agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and

– authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning affairs between the Company and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. Such arbitration shall be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC laws or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of the Articles of Association, the objective of which is to provide investors with an overview of the Articles of Association.

As the information contained below is in summary form, it may not contain all the information that may be important to prospective investors. Copies of the full English and Chinese texts of the Articles of Association are available for inspection as mentioned in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available on Display".

The Articles of Association was considered and approved by the shareholders of the Company in the 2020 general meeting held on June 25, 2021 and approved by the CBIRC on March 29, 2022. The Articles of Association will become effective on the date that the H shares of the Company are listed on the Hong Kong Stock Exchange.

DIRECTORS AND OTHER SENIOR MANAGEMENT

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the directors to allot and issue shares.

To increase the registered capital of the Company, the proposal must be submitted for approval by a special resolution at a general meeting.

The board of directors' resolution to increase the registered capital of the Company shall be passed by more than two-thirds of all directors.

Power to Dispose of the Assets of the Company

The Board shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within four months before such proposal to dispose of the fixed assets exceeds 33% of the value of the fixed assets as shown on the latest audited balance sheet considered and approved by the general meeting. Disposals of the fixed assets mentioned herein include transfer of certain asset interests, but do not include guarantee provided by pledge of fixed assets.

The effectiveness of the disposal of the fixed assets by the Company shall not be affected by any breach of the foregoing regulations.

Remunerations and Compensation for Loss of Office

The Company shall enter into a contract in writing with each of the directors or supervisors wherein his emoluments are stipulated, subject to prior approval at a general meeting. The aforesaid emoluments include:

(i) Emoluments in respect of his service as a director, supervisor or an officer of the Company;

(ii) Emoluments in respect of his service as a director, supervisor or an officer of any subsidiary of the Company;

(iii) Emoluments in respect of the provision of other services in connection with the management of the affairs of the Company or any of its subsidiaries; and

(iv) Payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

No proceedings may be brought by a director or supervisor against the Company for anything due to him in respect of matters mentioned above except pursuant to the aforesaid contract.

The contracts concerning the emoluments between the Company and its directors or supervisors should provide that in the event that the Company is acquired, the directors and supervisors shall, subject to the prior approval of the general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement.

For the purpose of the previous paragraph, "an acquisition of the Company" means either:

(i) An offer made by any person to all the shareholders;

(ii) An offer made by any person with a view to the offeror becoming a controlling shareholder.

If the relevant director or supervisor does not comply with above paragraph, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant director or supervisor and not paid out of that sum.

"Controlling shareholder": means a person who satisfies any one of the following conditions:

(i) a person who, acting alone or in concert with others, has the power to elect a majority of the directors;

(ii) a person who, acting alone or in concert with others, has the power to exercise or to control the exercise of 30% (inclusive) or more of the voting rights in the Company;

(iii) a person who, acting alone or in concert with others, holds 30% (inclusive) or more of the issued and outstanding shares of the Company;

(iv) a person who, acting alone or in concert with others, has de facto control over the Company in any other way.

Loans to Directors, Supervisors and Senior Management

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a director, supervisor, chief executive officer or other officer of the Company or of the Company's parent company or any of their respective associates.

The following circumstances are not subject to above prohibition:

(i) The provision by the Company of a loan or a guarantee of a loan to a company which is a subsidiary of the Company;

(ii) The provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds available to any of its directors, supervisors, chief executive officer and other officers to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with a service contract approved by the shareholders in general meeting;

(iii) The Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant directors, supervisors, chief executive officer and other officers and their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

A loan made by the Company in breach of the above paragraph shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

Any guarantee for a loan provided by the Company in breach of the above paragraph shall be unenforceable against the Company, unless:

(i) At the time the loan was made to an associate of any of the directors, supervisors, chief executive officer and other officers of the Company or of the Company's parent company, the lender was not aware the relevant circumstances;

(ii) The security provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

Financial Assistance to Acquire Shares of the Company or any of its Subsidiaries

The Company or its subsidiaries shall not at any time provide any financial assistance to purchasers or potential purchasers of the Company's shares in any way. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of the purchase of the Company's shares.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations.

The following acts are not deemed as prohibited under Articles 48 of the Articles of Association of the Company:

(i) The Company provides the relevant financial assistance truthfully in the interest of the Company and the said financial assistance is not mainly intended to buy back the Company's shares or the said financial assistance is part of a general plan of the Company;

(ii) The Company distributes its properties as dividends in accordance with the law;

(iii) The Company distributes shares as dividends;

(iv) The Company decreases the registered capital, buys back shares and adjusts the equity structure in accordance with the Articles of Association;

(v) The Company, within its business scope, provides loan for its normal business operations (but such financial assistance shall not give rise to a decrease of the net assets of the Company, or despite a decrease, such financial assistance is deducted from the distributable profit of the Company);

(vi) The Company provides loan for the employee stock ownership plan (but such financial assistance shall not give rise to a decrease of the net assets of the Company, or despite a decrease, such financial assistance is deducted from the distributable profit of the Company).

Financial assistance referred to in the Articles of Association includes (but is not limited to) the following:

(i) Gift;

(ii) Guarantee (including the case where the guarantor undertakes liability or provides property to ensure fulfilment of obligations by the obligor), compensation (excluding compensation for the Company's own error), termination or waiver of rights;

(iii) Provision of loan or execution of contract under which the Company fulfils obligations prior to other parties, change of the said loan and the parties to the contract, and transfer of the said loan and rights under the contract;

(iv) Provision of any other form of financial assistance when the Company is insolvent, has no net assets or its net assets are likely to decrease significantly.

Obligations referred to in the above paragraph include the obligations undertaken by the obligor for entering into a contract or making an arrangement (regardless whether the said contract or arrangement is enforceable or whether it is undertaken by the obligor individually or jointly with others) or for changing his financial position in any form.

Disclosure of Interests in Contracts with the Company or any of its Subsidiaries

Where a director, supervisor, chief executive officer and other officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not such contract, transaction or arrangement therefor is otherwise subject to the approval of the Board.

Subject to the exceptions under the regulatory rules of the place where the shares of the Company are listed or as approved by the Hong Kong Stock Exchange, no director shall vote for any resolutions of the board of directors regarding any contracts, transactions or arrangements in which he or any of his/her close associates (as defined by the applicable Hong Kong Listing Rules effective from time to time) is approved by any board meeting to have significant interests or regarding any other relevant suggestions, and shall not be counted towards the quorum of the meeting. Unless the interested director, supervisor, chief executive officer and other officer discloses his interests in accordance with the requirements of the first paragraph of this article and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested director, supervisor, general manager and other officer is not counted in the quorum and retrains from voting, such contract, transaction or arrangement is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested director, supervisor, chief executive officer and other officer.

A director, supervisor, chief executive officer and other officer of the Company is deemed to be interested in a contract, transaction or arrangement in which an associate of him is interested.

Where a director, supervisor, chief executive officer and other officer of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed for the purposes of the above paragraph in the Articles of Association to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

REMUNERATION

The remuneration of Directors must be approved by shareholders at a general meeting. See "— Remunerations and Compensation for Loss of Office" above.

APPOINTMENT, REMOVAL AND RETIREMENT

The appointment of directors, supervisors, and senior management personnel of the Company shall be subject to the qualification approval by the insurance regulatory authorities. Directors are elected or replaced by the general meeting of shareholders. The term of office of a director shall be three years, which is renewable upon re-election.

Candidates for directors and supervisors shall be approved by the general meeting by way of proposals.

The procedures for the nomination and election of directors and supervisors are:

(i) The board of directors and the board of supervisors shall respectively propose a list of directors and supervisors to the general meeting of shareholders by way of a written proposal for the candidates for directors and supervisors, within the headcount limit as provided in these Articles of Association and according to the intended numbers.

(ii) Candidates for directors and supervisors shall meet the qualification requirements set by the regulatory authorities. It includes: candidates for independent directors shall generally be experts in relevant professional fields such as economics, law and finance; candidates for non-executive directors shall also understand the laws and risk characteristics of the insurance industry, and candidates who have long-term and in-depth understanding of the Company and are most conducive to the cultural inheritance of the Company shall be given priority, while the candidates for directors recommended by the shareholders shall generally be senior management members of the unit; the executive director shall be the person who has made material contributions to the business development and strategic innovation of the Company and played an important role in the Company, and the executive director shall generally be a senior management member of the Company; candidates for directors and supervisors shall all agree with the culture of the Company.

(iii) A single shareholder who holds more than 3% of the Company's shares or owns more than 300 million shares of the Company (excluding securities registration and clearing institutions) has a necessary qualification to propose a candidate for non-executive director to the Nomination and Remuneration Committee of the Board; the Nomination and Remuneration Committee of the Board shall provide opinions on its review and consideration and recommend candidates to the board of directors in accordance with the requirements of the nomination rules, after comprehensive consideration of the size and order of the number of shares held by the nominating shareholder and the qualifications and cultural identities of the nominated candidates. Qualified shareholders and their related parties and parties acting in concert shall only nominate one candidate for director or supervisor.

(iv) The Nomination and Remuneration Committee of the Board may solicit opinions from parties such as the ESG Committee and the labor union, when conducting a preliminary review of the qualifications and conditions of the candidates for directors and supervisors. Candidates for independent directors may solicit opinions from relevant independent directors, and candidates for executive director shall solicit opinions from the executive committee. The Nomination and Remuneration Committee of the Board shall form a resolution on the candidates for directors and supervisors and report to the board of directors and the board of supervisors to decide whether to submit the resolution to the general meeting of shareholders for voting. The board of directors and the board of supervisors shall provide shareholders with the biography and basic information of candidates for directors and supervisors.

(v) All directors and supervisors of the Company are generally elected on the single-candidate election principle at the shareholders' general meeting.

(vi) The qualifications of directors and supervisors shall be reported to insurance regulatory authorities for approval.

(vii) If the shares of the Company held by the shareholder who nominates the director do not meet the requirement of item (iii) of this article of more than 300 million shares for whatever reasons, the director nominated by the shareholder shall voluntarily resign, or the general meeting of shareholders shall dismiss the director. By-elections of the relevant vacancy shall be carried out in accordance with the provisions of this article.

(viii) The board of directors and the board of supervisors shall consult whether the nominee agrees to become a candidate for director or supervisor prior to the issuance of the notice of the general meeting, and obtain the signed confirmation from the nominated candidate expressing his willingness to accept the nomination of directors and supervisors.

A director's post may be assumed by chief executive officer, general manager or other senior management. But the total number of chief executive officer, general managers or other senior management who also assume directorship in the Company, plus the number of directors as staff representative, shall not exceed one half of the total number of directors.

Unless recommended by all members of the executive committee and passed by a special resolution at the general meeting of shareholders, the executive director shall serve as a director or senior management in the Company or its holding subsidiaries for more than five years and have a deep understanding of the culture and strategy of the Company.

Written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to the Company before the issuance of the notice of the shareholders' general meeting.

Prior to the expiry of the office term of a director, a general meeting shall not remove such director from office for no cause. Subject to the relevant laws, administrative regulations and regulatory requirements, shareholders have the right to remove a director whose term of office has not expired by ordinary resolution at a general meeting of shareholders, but such removal shall not affect the director's claim for damages under any contract.

The term of office of a director shall commence from the date of appointment up to the expiry of the current term of office of the Board.

In removing a Director, the Nomination and Remuneration Committee shall issue an independent and prudent opinion on the reasons for such removal and other matters, which shall be reviewed by the board of directors and submitted to the general meeting of shareholders. The removed director is entitled to make statement and averment to the Board and the shareholders' general meeting and shall remind other directors and shareholders of any potential risk for the Company.

If a director abstains from attending the board meeting in person for two times in succession and does not entrust any other directors to attend the board meeting, he shall be deemed to be incapable of performing his duties, and the board of directors and the board of supervisors shall propose a replacement of the director at a general meeting. If a director fails to attend the board meeting in person twice within a year, the Company shall issue a written reminder to such director.

A director may resign before expiry of his term of service. When a director resigns, he shall submit a written resignation notice to the Board.

If the member of directors of the Company falls below the minimum statutory requirement of the Company Law or two-thirds of the number prescribed in the Company's Articles of Association due to a director's resignation, the directors who propose to resign shall still perform their duties as directors before the appointment of the new directors. Save for the circumstances referred to in the preceding paragraph, the director's resignation takes effect upon delivery of his/her resignation report to the board of directors.

If the member of directors of the Company falls below the minimum statutory requirement of the Company Law or the minimum number required for voting by the board of directors due to a removal of a director by the general meeting of shareholders, the death of a director or the circumstance where a director is unable to perform his duties as a director, the duties of the board of directors shall be performed by the general meeting of shareholders until the number of board members meets the requirement.

The Company shall set up the system on the assessment and evaluation of due diligence of directors. The board of directors shall make such assessment and evaluation on due diligence of directors and submit due diligence reports to the shareholders' general meeting and the board of directors of supervisors each year, which shall be submitted to insurance regulatory authorities after the approval of the shareholders' general meeting.

A person may not serve as a director, supervisor, chief executive officer and other senior management of the Company if any of the following circumstances apply:

(i) a person without legal or with restricted legal capacity;

(ii) a person who has been found guilty of sentenced for corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order where less than a term of five years have elapsed since the sentence was served; or a person who has been deprived of his political rights, in each case where less than five years have elapsed since the sentence was served;

(iii) a person who is a former director, factory manager or manager of a company or enterprise which has been entered into insolvent liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;

(iv) a person who is a former legal representative of a company or enterprise whose business licence has been revoked or ordered to close due to a violation of the law and who incurred personal liability, where less than three years has elapsed since the date of the revocation of the business licence;

(v) a person who has a relatively large amount of debts due and outstanding;

(vi) a person who is under criminal investigation by judicial organization for the violation of the criminal law which is not yet concluded;

(vii) a person who is not eligible to act as a leader of an enterprise according to laws and administrative regulations;

(viii) a non-natural person;

(ix) a person convicted of the contravention of provisions of relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction;

(x) other circumstances as required under laws, administrative regulations, departmental rules, regulatory documents, regulations of relevant regulatory authorities.

Where the Company elects, appoints a director, a supervisor, the chief executive officer and other senior management to which any of the circumstances of this article applies, such election, appointment or employment shall be null and void.

The Company has appointed independent directors. Independent director refers to director who only acts as a director in the company, and there is no relationship hindering his/her independent, objective judgment between such director and the Company and its shareholders and the de facto controller. Independent Directors shall be highly professional, have a good reputation and meet the requirements of laws, regulations and insurance regulatory authorities.

A person may not be an independent director of the Company in cases of:

(i) persons who, during the most recent three years, have held a position with a Shareholder holding 5% or more of the Company's shares or with any Shareholder among the top ten Shareholders of the Company, and the close relatives and major social relations of such persons;

for the purposes of this item, the term "Shareholder" includes a Shareholder's controlling shareholders at all levels as traced back to each level, and their related parties and persons acting in concert with them, and the Shareholder's subsidiaries.

(ii) persons who have held a position with the Company or an enterprise under its actual control during the most recent three years, and the close relatives and major social relations of such persons;

(iii) persons who have provided legal, audit, actuary, management consulting or other such services to the Company, its controlling Shareholders and their respective subsidiaries during the past year;

(iv) persons who, during the past year, have served as partners, controlling shareholders or members of senior management of a bank, law firm, consultancy or auditing firm, etc. that does business with the Company, with any of its controlling shareholders or with any of their respective subsidiaries;

(v) persons who hold a position in another insurance institution with the same main line of business;

(vi) other persons who are identified by insurance regulatory authorities as persons whose independent judgment may be affected; or

(vii) persons who have the circumstances listed in the listing rules (as amended from time to time) of the place where the Company's shares are listed.

Subject to the relevant provisions of Article 104 of the Company's Articles of Association, the independent Directors shall be nominated in the following ways:

(i) nomination by Shareholders who individually or jointly hold not less than one percent of the shares in the Company, but each shareholder can only nominate one independent director, and shareholders who have nominated non independent director candidates or supervisor candidates shall not nominate independent director candidates;

(ii) nomination by the Nomination and Remuneration Committee of the Board;

(iii) nomination by the Board of Supervisors;

(iv) other ways approved by insurance regulatory authorities.

An independent director may resign prior to the expiration of his/her term of office. The independent director shall submit a resignation report in writing to the board of directors and the shareholders' general meeting together with an explanation in writing to the board of directors specifying any matters in connection with his resignation and any situation in need of reminding the Company's shareholders, the board of directors and insurance consumers.

If the resignation of an independent Director causes the number of independent Directors on the Company's Board or a special committee under the Board to fall below the required minimum, the independent Director shall stay in office until the new independent Director takes office, and the Company shall, within three months from the date of acceptance of the resignation hold a shareholders' general meeting to elect another independent Director unless the independent Director resigned due to loss of independence or was removed from office.

CREDIT AUTHORITIES

The board of directors formulates the bond issuance plan of the Company, and the general meeting of shareholders issues corporate bonds or any types of stocks, warrants and other similar securities by passing special resolutions. The chairman of the board signs the Company's stocks, corporate bonds and other marketable securities.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Under any one of the following circumstances, the Company shall amend its Articles of Association:

(i) after amendment has been made to the Company Law, Insurance Law or relevant laws, regulatory rules in the place where the Company's shares are listed, administrative regulations, regulatory requirements, the contents of the Articles of Association shall conflict with the amended laws, administrative regulations or administrative regulations;

(ii) there is a change in the fundamental issues or contents related to rights, obligation, duties and functions, and procedural rules set forth in the Articles of Association;

(iii) the general meeting decides that the Article of Association should be amended;

(iv) other matters causing a necessary change in Articles of Association.

Amendments to the Articles of Association passed by resolutions at the general meeting shall be required to be examined and approved by the competent authorities, and shall be submitted to the competent authorities for approval; where the amendments involve the registered particulars of the Company, procedures for change of registration shall be handled in accordance with the law.

CHANGE OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Rights conferred on any class of shareholders in the capacity of shareholders may not be varied or abrogated unless approved by a special resolution of a general meeting and by holders of shares of that class at a separate meeting conducted in accordance with Article 118 to Article 122 in the Articles of Association, respectively.

The following circumstances shall be deemed to be variation or abrogation of the class rights of a class:

(i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of class having voting or equity rights or privileges equal or superior to those of the shares of such class;

(ii) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

(v) to add, remove or reduce conversion privileges, options, voting rights, transfer, pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;

(vi) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;

(vii) to create a new class having voting or equity right or privileges equal or superior to those of the shares of such class;

(viii) to restrict the transfer or ownership of the shares of such class or add to such restriction;

(ix) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(x) to increase the rights or privileges of shares of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;

(xii) to vary or abrogate provisions in this section.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matter concerning Article 117(2) to (8), (11) to (12) of the Articles of Association, but interested shareholder shall not be entitled to vote at class meetings.

The meaning of the foregoing "interested shareholder" is:

(i) in the case of a repurchase of shares by offers to all shareholders pro rata according to Article 36 of the Articles of Association or public dealing on a stock exchange, a controlling shareholder within the meaning of Article 305 of the Articles of Association;

(ii) in the case of a repurchase of shares by an off-market contract according to Article 36 of the Articles of Association, a holder of the shares to which the proposed contract relates;

(iii) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions of a class meeting shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings in accordance with Article 118.

Written notice period of a class shareholders' general meeting convened by the Company shall be the same as the written notice period of a non-class shareholders' general meeting proposed to be convened on the same date of the class shareholders'general meeting. Written notice shall specify the matters to be considered at, the place and the date of the meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Any class meetings shall be conducted in a manner as similar as possible to that of general meetings. The provisions of the Articles of Association relating to the manner of conducting any general meeting shall apply to any class meeting.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

(i) where the Company issues domestic shares and overseas-listed foreign invested shares, upon the approval by a special resolution of its general meeting, either separately or concurrently once every 12 months, not exceeding 20% of each of its existing issued;

(ii) where the Company's plan to issue domestic shares and overseas-listed foreign invested shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority.

RESOLUTIONS-MAJORITY REQUIRED

Resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution of a general meeting shall be passed by more than one half of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution of a general meeting shall be passed by two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

VOTING RIGHTS

When a shareholder (including the proxies of such shareholders) exercises his/her voting rights based on the number of voting shares which he/she represents, each share shall entitle him/her to one vote. No voting rights shall attach to the Company shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a general meeting. Where any shareholder is, under applicable laws and regulations and the listing rules of the stock exchange where the Company's shares are listed, required to abstain from voting on any particular matter being considered or restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

At the time of voting, any shareholder who has two or more votes (including the proxies of such shareholders) needs not to use all votes for or against any resolution.

If the matter demanded to be voted upon by ballot is the election of the chairman or the adjournment of the meeting, a ballot shall be taken immediately. If a ballot is demanded for any other matter, such ballot shall be taken at the time decided upon by the chairman and the meeting may proceed with the discussion of other matters; the result of the ballot shall still be regarded as a resolution passed at that meeting.

REQUIREMENT FOR ANNUAL GENERAL MEETINGS

General meetings shall be divided into annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within six months from the end of the preceding accounting year.

ACCOUNTS AND AUDIT

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirement of relevant regulatory departments of the PRC.

The financial year of the Company shall coincide with the calendar year, from 1 January to 31 December of the Gregorian calendar. The Company must publish two financial reports in each accounting year, namely an interim financial report prepared and published within 60 days after the end of the first six months of each accounting year and an annual financial report prepared and published within 120 days after the end of the accounting year.

The Company shall prepare financial reports at the end of each financial year, and such reports shall be examined and verified according to laws.

The Board shall place before the shareholders at each annual general meeting such financial reports as relevant laws, administrative regulations and normative documents promulgated by the local governments and the authorities-in-charge require the Company to prepare.

The financial reports of the Company shall be made available for inspection by shareholders 20 days prior to an annual general meeting. Each shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this section.

The Company shall deliver or send to each holder of overseas listed foreign shares by prepaid mail at the address registered in the register of shareholders the said reports or the report of Directors together with the balance sheet (including every document to be attached to the balance sheet as required by the applicable laws), the statement of profit or loss or the statement of income and expense, or summary financial report not later than 21 days before the convening of annual general meetings. Subject to the laws, administrative regulations and regulatory rules in the place where the Company is listed, such documents may also be delivered to shareholders by way of announcements (including posting on the Company's website).

Notice of Meeting and Matters to be Addressed

The shareholders' general meeting is the highest authority of the Company, which exercises its powers as follows in accordance with the laws:

(i) to decide on the operation strategies and investment plans of the Company;

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

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

(iv) to consider and approve the reports of the Board of Directors;

(v) to consider and approve the reports of the board of Supervisors;

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

(vii) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(viii) to resolve on the increase or decrease of the registered capital of the Company;

(ix) to resolve on the issue of bonds or other marketable securities by the Company and its listing;

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

(xi) to consider and approve matters such as external investments, acquisition, disposal and write-off of assets and asset pledges, under which an individual asset accounts for more than 20% of the Company's latest audited total assets;

(xii) to consider guarantees pursuant to Article 72;

(xiii) to discuss and vote on significant matters which are beyond the authority of the Board;

(xiv) to resolve on matters such as a merger, division, dissolution and liquidation of the Company or a change in its corporate form;

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

(xvi) to resolve on the acquisition of the Company's shares;

(xvii) to resolve on the Company's appointment and dismissal of accounting firms, which regularly perform statutory audits on the Company's financial reports, and its remuneration;

(xviii) to consider the resolution proposed by Shareholders who, individually or in aggregate, hold 3% or more of the voting shares of the Company;

(xix) to consider and approve the share incentive scheme;

(xx) to consider the related party/connected transactions which shall be considered and approved at a shareholders' general meeting as stipulated in the laws, administrative regulations, rules and the securities regulatory rules of the place where the Company's shares are listed;

(xxi) to consider other matters which shall be decided at a general meeting as stipulated in the laws, regulations, regulatory provisions and the Articles of Association.

Shareholders' general meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and held within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following events:

(i) the number of Directors falls below the statutory minimum as provided in the Company Law or two-thirds of the number as required under the Articles;

(ii) the unrecovered losses of the Company amount to one-third of the Company's total paid-up share capital;

(iii) the Board of Directors deems it as necessary;

(iv) the board of Supervisors proposes to convene such a meeting;

(v) the Shareholders who, individually or in aggregate, hold 10% or more of the voting shares of the Company so request in writing;

(vi) more than a half and no less than two independent Directors propose to convene such a meeting;

(vii) other circumstances as provided in the Articles of Association.

The convener shall notify all Shareholders 21 days before the convening of an annual general meeting of the Company, and 15 days before the convening of an extraordinary general meeting or a class meeting.

The notice of a shareholders' meeting shall meet the following requirements:

(i) it shall be made in writing;

(ii) it shall specify the date, venue and time, duration, mode and voting methods of the meeting;

(iii) it shall describe the matters to be discussed at the meeting;

(iv) it shall provide such information and explanations as are necessary for Shareholders to make a wise decision on the matters to be discussed. This principle shall include (but without limitation to) the case where the Company proposes a merger, repurchase of shares, restructuring of share capital or other reorganization, the Company shall provide specific conditions and contracts (if any) of the proposed transaction, and shall earnestly explain the causes and consequences of such transaction;

(v) it shall disclose the nature and extent of the material interests, if any, of any Director, Supervisor or senior management in any matter to be discussed; and explain the differences between the way in which the matter to be discussed would affect such Director, Supervisor or senior management in his capacity as a shareholder and the way in which such matter would affect other Shareholders of the same class;

(vi) it shall contain the full text of any special resolution proposed to be passed at the meeting;

(vii) it shall prominently state that Shareholders who are entitled to attend and vote at the meeting shall have the right to appoint one or more proxies to attend and vote on their behalf, and that such proxy needs not be a Shareholder;

(viii) it shall state the time and place for serving the proxy form for use at the meeting;

(ix) it shall state the names and phone numbers of the standing contact persons for the meeting;

(x) it shall specify the record date for determining the entitlement of Shareholders to attend and vote at the general meeting.

Proposals which are not specified in the notice of a general meeting or which do not meet the requirements under Articles 86 and 87 of the Articles of Association shall not be voted and resolved at the general meeting.

Unless otherwise provided in the laws, regulations and the Articles of Association, the notice of a general meeting shall be served upon Shareholders (regardless of whether they are entitled to vote at the general meeting) by hand or prepaid mail at the address registered in the register of shareholders.

The notice of general meeting to holders of Domestic Shares (including the notice of class meeting in respect of Domestic Shares) may also be published by way of announcement. The announcement referred to in this clause shall be published on one or more newspapers designated by the securities regulatory authority. Once the announcement is made, all holders of Domestic Shares shall be deemed to have received the notice of such general meeting.

Subject to the laws, regulations and the relevant requirements by the securities regulatory authority of the place where the Company's shares are listed, the notice of general meeting to holders of H Shares (including the notice of H Share class meeting) may be posted on the Company's website, the website of Hong Kong Stock Exchange and other websites as required by the Hong Kong Listing Rules from time to time in lieu of serving upon the holders of the Company's H Shares by hand or prepaid mails.

An accidental omission to give notice of a meeting to, or a failure to receive such notice by, any person entitled to such notice shall not invalidate the general meeting and the resolutions made thereat.

The following matters shall be passed by ordinary resolution at a general meeting:

(i) operation strategies and investment plans of the Company;

(ii) work reports of the Board of Directors and the board of Supervisors;

(iii) profit distribution plans and loss recovery plans formulated by the Board of Directors;

(iv) annual financial budgets and final accounting plans of the Company;

(v) annual reports of the Company;

(vi) election and replacement of members of the Board of Directors and the board of Supervisors who are not employee representatives;

(vii) removal of Directors of the Company whose term of office has not yet expired, except as otherwise provided by laws, administrative regulations or regulatory requirements;

(viii) decisions on the remuneration and methods of payment of Directors and Supervisors;

(ix) appointment and dismissal of accounting firms, which regularly perform statutory audits on the Company's financial reports, and decision on its remuneration;

(x) external guarantees as provided in Article 72 of the Articles of Association;

(xi) other matters except those required by the laws, administrative regulations, regulatory provisions or the Articles of Association to be passed by special resolution.

The following matters shall be passed by special resolution at a general meeting:

(i) increase or decrease of the registered capital of the Company;

(ii) issue of bonds or any types of shares, warrants and other similar securities of the Company;

(iii) matters such as a division, merger, dissolution and liquidation of the Company or a change in its corporate form;

(iv) amendments to the Articles of Association;

(v) repurchase of the Company's shares;

(vi) removal of Directors of the Company whose term of office has not yet expired in accordance with laws, administrative regulations and regulatory requirements;

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

(viii) to consider and approve matters such as external investments, acquisition, disposal and write-off of assets and asset pledges, under which an individual asset accounts for more than 20% of the Company's latest audited total assets;

(ix) the share incentive scheme;

(x) other matters as stipulated in the laws and regulations, regulatory provisions, listing rules of the stock exchange where the Company's shares are listed or the Articles of Association and that, if resolved by an ordinary resolution at the general meeting, will be deemed to have a material impact on the Company and is therefore needed to be passed by a special resolution.

The chairman of a general meeting shall decide whether a resolution has been approved at the meeting based on the voting results, and such decision will be final. Voting results shall be announced at the meeting and recorded in the minutes. Where a motion is not passed, or such general meeting has made changes to the resolutions of preceding general meetings, special remarks shall be made in the resolution of the general meeting. The voting results of such resolution shall be recorded in the minutes.

In the event that the chairman of the meeting has any doubt as to the result of a resolution put forward for a vote, he may have the votes counted. In the event that the chairman of the meeting does not count the votes, any shareholder present or a proxy who objects to the result announced by the chairman of the meeting has the right to request a count of votes immediately after the announcement of the voting results, and the chairman of the meeting shall do so immediately.

If the votes are counted at the general meeting, the poll results shall be recorded in the minutes of the meeting. The minutes together with the attendance record of Shareholders and the powers of attorney of proxies shall be kept at the domicile of the Company.

Transfer of Shares

The shares of the Company may be transferred in accordance with the laws without any lien attached, but are subject to the laws, administrative regulations, the relevant requirements by the competent regulatory bodies such as the securities regulatory authorities, stock exchanges and insurance regulatory authorities in the place where the Company's shares are listed as well as the provisions under the Articles of Association. The changes of the Company's shareholders and shares shall comply with the requirements in respect of their registration, custody, reporting and disclosure of information under the securities regulatory rules in the place where the Company's shares are listed.

The Shareholders of the Company shall transfer their shares with prior notification to the Company, such that the Company may advise its investors on laws, regulations and regulatory documents including the Insurance Law (《保險法》), the Administrative Regulations for Insurance Companies (《保險公司管理規定》) and the Management of Equity Interests of Insurance Companies (《保險公司股權管理辦法》) as well as the relevant requirements under, among others, the Articles of Association. The Company may provide preliminary opinions on whether an investor is eligible for such transfer. The transferor and transferee shall fully assess the transaction risks that shares may not be transferred or that the transaction costs may be increased due to, among others, the eligibility of the transferee. Subsequent to the signing of a share transfer agreement between the Company's Shareholders and the investors, the Company shall be officially informed in writing within 15 working days from the date of agreement, and the related procedures shall be gone through in accordance with the laws, regulations and regulatory documents including the Insurance Law, the Administrative Regulations for Insurance Companies and the Management of Equity Interests of Insurance Companies as well as the relevant requirements under the Articles of Association.

The Company's Shareholders and investors shall truthfully report to the Company, among others, their financial information, shareholding structures, sources of capital contribution, controlling shareholder(s), the de facto controller(s), related parties, persons acting in concert, ultimate beneficiaries, investment objectives and investments in other financial institutions according to the laws, regulations and regulatory requirements. In the event of any change in the controlling shareholder(s), the de facto controller(s), related parties, persons acting in concert or the ultimate beneficiaries of a Shareholder of the Company, such Shareholder shall inform the Company in writing within five days of such changes.

The Company is in charge of equity-related matters such as applying administrative permits in respect of changes in shares, reporting or submission of information. The Company's office of the Board serves as an administrative body for handling the share-related matters of the Company. Upon receipt of shareholders' written reports, the Company shall perform internal audits and make decisions accordingly as to the completeness of information submitted by the parties involving in the share transfer, qualifications for capital contributions, corporate integrity, investment objectives, source of funds, risk awareness, related party transaction, impact of governance and other matters pursuant to the laws and regulations of the State, regulatory provisions and review requirements of the insurance regulatory authority and competent regulatory authorities as well as the Articles of Association.

Those shareholders who become Class I financial shareholders of the Company (whose shareholding is less than 5% of the total share capital) by purchasing the Company's tradable shares (including H Shares) and has fulfilled the registration, custody and information disclosure requirements under the regulatory rules in the place where the Company's shares are listed are not subject to Article 40(ii), (iii) and (iv), Article 67(xi), (xii), (xiii) and (xiv) of the Articles of Association.

When conducting the acquisition of shares as defined in the next clause, the Company's shareholders and investors shall perform their obligations of approval and information disclosure as required under the Articles of Association and relevant regulatory rules, and shall provide a written undertaking to the Company that they will be eligible in their capacities as shareholders and comply with the regulatory rules and the Articles of Association. The aforesaid undertaking shall again be provided if their shareholdings in the Company continue to increase upon the completion of such acquisition. The Company's office of the Board will, as appropriate, review the aforesaid written confirmations and undertakings as to their truthfulness and accuracy. In the event that the investors provide false materials or make an untrue representation, they cannot further increase their shareholdings in the Company.

The "acquisition" mentioned in the preceding clause refers to the act which the Company's shareholders or investors hold 5% or more of the Company's shares by ways of, among others, transfer under agreements, participation in judicial auctions, offers to acquire and purchases of the Company's tradable shares, or individually or jointly with their related parties become the single largest holder of shareholding interests of the Company, or attempt to gain control over the Company through other arrangements. It shall be deemed as an acquisition if an investor individually acquires not more than 5% of the shares but does so in concert with others, or does not explicitly agree to act in concert with others but acquires such shares jointly after negotiations, and the percentage of shareholdings shall be aggregated.

The Board of the Company is obliged to provide adequate argumentation on the impacts of the abovementioned acquisition or increase in shareholdings on its corporate governance based on the opinions sought from the ESG Committee and the labour union, and to take pertinent steps according to the laws for any breach in the regulatory rules and the Articles of Association.

In the event of any of the followings, an investor or a shareholder shall be prohibited from exercising their rights of attendance, voting, nomination and other shareholders' rights in connection with their shares, and shall unconditionally accept the regulatory measures adopted by the insurance regulatory authority such as restrictions on their shareholders' rights and orders of share transfer:

(i) change of shareholder has not been approved by or filed with the insurance regulatory authority;

(ii) change of de facto controller of the shareholder has not gone through the regulatory procedures of the insurance regulatory authority;

(iii) he entrusts others or agrees to be entrusted by others to hold the shares of the Company;

(iv) he actually controls the equity interests by accepting entrustment of voting rights, transferring rights to yields or other manners;

(v) direct or indirect self-capital injection or false capital increase by using insurance funds;

(vi) he acquires shares by acts in violation of the laws and regulations, regulatory requirements, review standards and provisions under the Articles such as concealment of acting in concert, connected relationships and change of de facto controller, shareholding in excess of statutory percentages, provision of false filing or application materials for approval;

(vii) other shareholders' acts such as capital contributions, equity transactions, shareholding or exercise of rights which do not comply with the then effective laws and regulations, regulatory provisions, review requirements or the Articles of Association.

In accordance with regulatory requirements and the Articles of Association, transfer of shares from shareholders to other investors or among shareholders shall be approved by or filed with the insurance regulatory authority after consideration and approval by the Board of the Company. The shares transferring to the transferee are not attached with shareholders' rights such as voting rights until such transfer is approved by or filed with the insurance regulatory authority.

Shares of the Company held by promoters shall be prohibited from transfer within one year from the Company's inception. The Company's shareholders shall transfer their shares in compliance with the laws, regulations and the requirements regarding the restricted periods of share transfer under the regulatory rules.

Exceptions shall include special circumstances where a risk disposal has been approved by the insurance regulatory authority, or a transfer of shares according to the laws is ordered by the insurance regulatory authority, or the shares are transferred among different entities under the same controller. If the laws, regulations and other regulatory rules otherwise provide, such provisions shall prevail.

Pledge of Shares

The Company shall not accept its own shares as the subject of pledge.

A shareholder who pledges his shares of the Company or has his shares released from pledge shall report to the Company in writing five days in advance, and shall inform the Company in writing with details within 15 working days upon such pledge or release of pledge. The Company shall notify other shareholders of such case in a timely manner.

A shareholder who transfers or pledges the Company's equities he holds or enters into related party transaction with the Company shall observe the laws, regulations and regulatory requirements, and must not harm the interests of other shareholders and the Company. He shall not agree to entrust his voting rights to the pledgee or his related parties. The shareholder who is in breach of such provisions and thus to the detriment of the Company shall be liable to compensation.

Power of the Company to Purchase its Own Shares

The Company may, in accordance with the requirements under the laws, administrative regulations, departmental rules and the Articles of Associations and with the approval of the relevant competent authorities of the State, repurchase its own shares in the following circumstances:

(i) when it cancels shares to reduce the Company's capital;

(ii) when it merges with another company that holds shares of the Company;

(iii) when the shares are used for the Employee Share Ownership Plan or as grants of awards;

(iv) when it is requested by its shareholders who disagree with the resolutions passed at a general meeting in connection with the Company's merger or division to repurchase its shares;

(v) when the shares are used for the conversion of convertible bonds issued by the Company;

(vi) when it is necessary to maintain the Company's value and protect shareholders' rights;

(vii) other circumstances as permitted by the laws and administrative regulations and approved by the competent authorities of insurance and securities of the State Council.

For Domestic Shares, if the Company repurchases its own shares in accordance with the preceding clauses under the circumstance in item (i), the shares so repurchased shall be cancelled within ten days from the repurchase. In the case of items (ii) or (iv), the shares so repurchased shall be transferred or cancelled within six months. In the case of items (iii), (v) or (vi), the total number of the Company's shares held by it shall not exceed 10% of the total issued shares of the Company, and the shares so repurchased shall be transferred or cancelled within three years. Where the Company repurchases its own shares under the circumstances set forth in items (iii), (v) or (vi) of the preceding clauses, such repurchase shall be resolved at a Board meeting with more than two-thirds of Directors present.

If the relevant laws, administrative regulations, departmental rules, other regulatory documents and the requirements of the securities regulatory authority in the place where the Company's shares are listed otherwise provide in respect of matters related to the aforesaid share repurchase, such provisions shall prevail.

The Company may, upon approval by the competent authorities of the State, repurchase its own shares in any of the following ways:

(i) making a repurchase offer to all of its shareholders in proportion to their respective shareholdings;

(ii) repurchasing shares through public trading on a stock exchange;

(iii) repurchasing by an off-market agreement;

(iv) other manners as permitted under the laws and administrative regulations, and approved by the competent authorities of insurance and securities of the State Council as well as the securities regulatory authority in the place where the Company's shares are listed.

Where the Company repurchase its shares by an off-market agreement, it shall obtain the prior approval at a general meeting as stipulated in the Articles of Association. Upon the prior approval at the general meeting in such manner, the Company may rescind or vary such contract entered into in the aforesaid manner or waive any of its rights thereunder. Where the Company repurchases its own shares under the circumstances set forth in Article 35(iii), (v) or (vi) of the Articles of Association, such repurchase shall be resolved at a Board meeting with more than two-thirds of Directors present.

A contract to repurchase shares mentioned in the preceding clause includes but is not limited to an agreement under which the Company agrees to assume the obligations, and acquire the rights, to repurchase its shares.

The Company shall not assign a contract to repurchase its shares or any of its rights thereunder.

Where the Company has the right to repurchase redeemable shares, purchases not made through the market or by tender shall be limited to a maximum price; and if purchases are by tender, tenders shall be made available to all shareholders alike.

Where the Company needs to cancel its shares repurchased in accordance with the laws, it shall do so within the period as prescribed under the laws or administrative regulations, and apply to the Company's original registration authority for the registration of changes of its registered capital. If the laws and regulations otherwise provide, such provisions shall prevail.

The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital.

Unless the Company is in the course of liquidation, or the laws, regulations or regulatory rules otherwise provide, it shall comply with the following requirements in relation to its repurchase of outstanding shares:

(i) where the Company repurchases its shares at par value, payment shall be made out of the book balance of its distributable profits and the proceeds from any issue of new shares for the purpose of the repurchase;

(ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value shall be made out of the book balance of the Company's distributable profits and the proceeds from any issue of new shares for the purpose of the repurchase. Payment of the amount in excess of par value shall be made as follows:

1. if the shares being repurchased have been issued at par value, payment shall be made out of the book balance of the Company's distributable profits;

2. if the shares being repurchased have been issued at a premium to the par value, payment shall be made out of the book balance of the Company's distributable profits and the proceeds from any issue of new shares for the purpose of the repurchase, provided that the amount deducted from such proceeds shall neither exceed the aggregate of the premiums received from the issue of the shares repurchased nor the amount in the share premium account (or the capital reserve account) of the Company (including the premiums on the issue of new shares) at the time of repurchase;

(iii) payment by the Company for the following purposes shall be made out of its distributable profits:

1. acquisition of rights to repurchase its shares;

2. variation of any contract to repurchase its shares;

3. release of its obligations under a contract to repurchase.

(iv) after the aggregate par value of the cancelled shares has been deducted from the Company's registered capital in accordance with the relevant requirements, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be charged to the Company's share premium account (or its capital reserve account).

If the laws, regulations, regulatory documents and the relevant requirements of the securities regulatory authority in the place where the Company's shares are listed otherwise provide in respect of the financial treatment of the share repurchase, such provisions shall prevail.

Dividends and Other Methods of Profit Distribution

After a general meeting of the Company has resolved on the profit distribution plan, the Board of of the Company shall complete the distribution of dividends (or shares) within two months after the conclusion of the general meeting.

The Company may distribute dividends by way of cash or shares.

The Company shall appoint one or more receiving agents in Hong Kong for holders of overseas listed foreign shares. A receiving agent shall, on behalf of the relevant shareholders, receive dividends and other payables distributed by the Company in respect of the overseas listed foreign shares, and such payments shall be kept by the receiving agent on such shareholders' behalf for any payment to them.

The receiving agents appointed by the Company shall comply with the regulatory rules or requirements of the stock exchange where the Company is listed.

The receiving agents appointed by the Company for the holders of overseas listed foreign shares listed on the Hong Kong Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

Subject to the laws of the PRC, the Company may exercise its power to confiscate the dividends which have not been claimed only after the expiry of the applicable period.

The Company has the right to cease delivering dividend warrants by post to a holder of overseas listed foreign shares only if such warrants have left uncashed twice in a row. However, the Company may exercise such power if the dividend warrant is returned undelivered on the first occasion.

The Company shall have the right to sell the overseas listed foreign shares of a shareholder who is untraceable in a manner deemed as appropriate by the Board, provided that:

(i) the Company has distributed dividends on such shares at least three times in a period of 12 years, and the dividends have not been claimed during that period;

(ii) upon expiry of the 12-year period, the Company publishes an announcement on newspapers in the place where the Company is listed, stating its intention to sell the shares, and notifies the Hong Kong Stock Exchange of such intention.

Proxies

Any shareholder entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons as his proxy(ies) to attend and vote on his behalf. A proxy may exercise the following rights in accordance with the appointment of such shareholder:

(i) the shareholder's right to speak at a shareholders' general meeting;

(ii) to severally, or jointly with others, request to vote by poll;

(iii) to exercise the voting rights by a show of hand or by poll, but only by poll when there are more than one proxies so appointed.

A shareholder shall appoint his proxy in writing by issuing a power of attorney containing the specific matters to be considered at the shareholders' general meeting. The power of attorney shall be signed by the appointer or the agent authorized by the shareholder in writing; or if the appointer is a legal person, such written appointment shall be affixed with the legal person's seal or signed by its director or officially authorized agent, and attendance by proxy at a general meeting shall be deemed as attendance by such shareholder in person. Any legal representative attending the meeting shall present his identification document, valid proof of his capacity as a legal representative and shareholding certificates. Any proxy attending the meeting shall present his identification document, the written power of attorney issued by the shareholder in accordance with the laws and the shareholding certificates.

Any power of attorney issued by the Board of the Company to the shareholders for appointing proxies to attend the shareholders' general meeting shall state the followings:

(i) the name, employer, job title, contacts and other identification information of the proxy;

(ii) whether the proxy has the right to vote;

(iii) the instructions to vote for, against or abstain from voting on each matter to be considered on the agenda of the shareholders' general meeting;

(iv) if there is no specific instruction from the shareholder, it shall be stated on the power of attorney as to whether the proxy may vote at his own discretion without specific instruction from the shareholder;

(v) the issue date and effective period of the power of attorney;

(vi) the signature (or seal) of the legal representative(s). If the appointer is a corporate shareholder, the seal of the legal entity shall also be affixed.

A power of attorney shall be deposited at the domicile of the Company or such other places as designated in the notice of meeting not less than 24 hours before the time for convening the meeting at which the proxy is appointed to vote or the time appointed for the voting. If the power of attorney is signed by another person authorized by the appointer, the power of attorney or other authorization instruments shall be notarially certified. The power of attorney or other authorization instruments notarially certified shall be deposited together with the power of attorney at the domicile of the Company or such other places as designated in the notice of meeting.

If the appointer has withdrawn the appointment of proxy, withdrawn the authorization of the signed proxy form, passed away, lost his ability to act or transferred his shares prior to the vote, the vote casted by the proxy in accordance with the power of attorney shall remain valid as long as the Company has not received any written notice regarding such matters before the relevant meeting commences.

If the appointer is a legal person, its legal representative or such person as authorized by its board of directors or other decision-making bodies to act as its representative may attend the general meeting of the Company.

If a shareholder is a recognized clearing house (or its agent) as defined under the laws of Hong Kong, such shareholder may authorize one or more persons as it deems appropriate as its proxies to attend on its behalf any general meeting or any class meeting of the Company, provided that, if more than one persons are so authorized, the power of attorney shall specify the numbers and classes of shares that each of such persons so authorized represents. Such persons authorized pursuant to this provision may exercise the right on behalf of the recognized clearing house (or its agent) as if he is an individual shareholder of the Company.

Call on Shares and Forfeiture of Shares

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to receive a dividend subsequently declared.

Shareholders' Rights (Including Inspection of Register of Shareholders)

Subject to the laws, regulations, regulatory requirements and relevant provisions under the Articles of Association, holders of the Company's ordinary shares are entitled to and may exercise the following rights:

(i) to receive dividends and other forms of profit distributions in proportion to their shareholdings;

(ii) to request, convene, preside over or attend or appoint a proxy to attend a shareholders' meeting, exercise his voting rights and speak at a general meeting;

(iii) to supervise the operations of the Company, and give suggestions or raise queries;

(iv) to transfer, grant or pledge the shares held in accordance with the requirements under the laws, regulations, regulatory provisions and the Articles of Association;

(v) to obtain relevant information in accordance with the provisions of the Articles of Association, including:

1. the right to a copy of the Articles of Association after payment of costs;

2. the right to inspect and copy the following documents, subject to payment of a reasonable fee:

(1) the register of all classes of shareholders;

(2) personal particulars of the Company's Directors, Supervisors, general manager and other senior management, including:

(a) present and former name(s) and alias;

(b) principal address (domicile);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification document and its number;

(3) the report of the Company's issued share capital;

(4) report(s) showing the aggregate par value, number, maximum and minimum prices paid with respect to each class of shares repurchased by the Company since the previous accounting year, and the total expenses incurred by the Company for this purpose (disaggregated by domestic shares and foreign shares);

(5) bond stubs of the Company;

(6) minutes of general meetings;

(7) the latest audited financial statements, the reports of Directors, audit reports and the reports of Supervisors;

(8) a copy of the latest annual declaration statement that has been filed with the registration authority for industry and commerce or other competent authorities;

The Company shall make available the documents mentioned in items (1) to (8) above (except for item (2)) above and other applicable documents at its Hong Kong address for free inspection by the public and holders of overseas listed shares in accordance with requirements of the Hong Kong Listing Rules;

3. the right to inspect the resolutions of Board meetings and the meetings of the board of Supervisors;

(vi) the right to receive distributions of the Company's remaining property in proportion to their shareholdings when the Company dissolves or liquidates;

(vii) the shareholders who disagree with the resolutions passed at a general meeting in connection with the Company's merger or division shall have the right to request the Company to repurchase its shares;

(viii) the right to request the recording and change of the register of shareholders;

(ix) other rights conferred by the laws, regulations, regulatory requirements and the Articles of Association.

The Company may refuse any inspecting or copying request which involves commercial secrets and insider information of the Company and privacy of relevant personnel.

Unless otherwise provided in the laws and regulations and the Articles of Association, the Company shall not exercise any of its rights to freeze or otherwise impair any of the rights attaching to any shares of the Company by reason only that person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

In the event that a shareholder wants to access the relevant information as described in the preceding Articles, he shall provide a written document to the Company proving the class and number of shares of the Company he holds, and other documents as required by the relevant provisions of the Company. Such information shall be provided to the shareholder at his request after the Company verifies the identity of the shareholder.

Rights of Minority Shareholders

In addition to the obligations imposed by laws and the listing rules of the stock exchange on which the Company's shares are listed, the controlling shareholder of the Company may not, in exercising its powers as shareholders, make decisions prejudicial to the interests of all or some of the shareholders due to the exercise of its voting rights on the issues set forth below:

(i) relieving a Director or Supervisor of the responsibility to act honestly in the best interest of the Company;

(ii) approving that a Director or Supervisor (for his or her own or another person's benefit) deprive the Company of its property in any way, including but not limited to any opportunities that are advantageous to the Company;

(iii) approving that a Director or Supervisor (for his or her own or another person's benefit) deprive other shareholders of their individual rights or interests, including but not limited to the rights to distributions and voting rights, but excluding a restructuring of the Company submitted to the general meeting for adoption in accordance with these Articles of Association.

Procedures for Liquidation

The Company shall be dissolved upon the occurrence of any of the following events:

(i) the term of its operations set out in the Articles of Association has expired or reasons for dissolution as specified in these Articles of Association has occurred;

(ii) a resolution for dissolution is passed by shareholders at a general meeting;

(iii) dissolution is necessary due to merger or division;

(iv) the Company is legally declared bankruptcy due to its failure to repay debts due;

(v) the Company's business license is revoked or the Company is ordered to close down or de-registered due to its breach of laws and administrative regulations;

(vi) it is dissolved by the people's court in accordance with the provisions of Company Law.

Where the Company is dissolved in accordance with paragraphs (i) and (ii) of the preceding Article, then a liquidation group shall be formed within fifteen days thereafter. The members of the liquidation group shall be elected by ordinary resolution at the general meeting of shareholders.

Where the Company is dissolved in accordance with paragraph (iv) of the preceding Article, then the people's court shall organize shareholders, relevant institutions and professionals to set up a liquidation group for liquidation work.

Where the Company is dissolved in accordance with paragraph (v) of the preceding Article, the insurance regulators shall organize shareholders, relevant institutions and professionals to set up a liquidation group for liquidation work.

The Board of Directors, if deciding to conduct liquidation (except the liquidation when the Company is declared bankrupt), should state in the notice regarding the convening of the general meeting, that the Board has conducted a comprehensive survey of the Company's financial status, and that the Company can fully repay its debts within twelve (12) months from the date of the start of liquidation, in its opinion.

After the resolution of liquidation is adopted at the general meeting of shareholders, the functions and powers of the Board of Directors of the Company shall immediately terminate.

The liquidation group shall follow the instructions of the general meeting of shareholders that it shall report its income and expense, the Company's business and the progress of the liquidation to the general meeting of shareholders at least once a year, and shall make a final report at the end of liquidation. The functions and powers of the chief executive officer shall terminate immediately after the establishment of a liquidation committee. During the liquidation, the Company shall be forbidden to carry out any new operating activities.

The liquidation committee shall notify creditors within ten days from the date of its establishment and make three public announcements on newspapers within 60 days of its establishment. The liquidation group shall register financial claims.

Creditors shall state matters related to claims and provide supporting documents in declaring their claims. The liquidation group shall register financial claims.

After computing the assets of the Company, and preparing a balance sheet and a property list, the liquidation group shall formulate a liquidation program, which shall be reported to the general meeting or the competent authority for confirmation.

Where the liquidation group deems the Company's assets insufficient to repay the debts after computing the assets and preparing a balance sheet and a property list, then the group should apply to the people's court for a declaration of bankruptcy. After the Company is declared bankrupt by the people's court, the liquidation group shall hand over liquidation matters to the people's court.

At the end of liquidation, the liquidation group shall prepare a liquidation report, as well as income and expenditure statements and financial books during the period of liquidation, which shall be submitted to the general meeting of shareholders or the competent authority for confirmation, after verified by a Chinese certified public accountant.

Within 30 days from the date of the confirmation by the general meeting or the competent authority on the liquidation report, the liquidation group shall submit the aforementioned documents to the corporate registration authority for applying for cancellation of the registration, and for announcing the closure of the Company.

OTHER PROVISIONS MATERIAL TO THE COMPANY OR OUR SHAREHOLDERS

General provisions

The Company is a joint stock limited company in perpetual existence.

The Articles of Association have been considered and passed at the general meeting upon approval of insurance regulators and shall take effect from the date of the listing of overseas listed foreign shares (H Shares) on the Hong Kong Stock Exchange. The original Articles of Association of the Company shall become null and void automatically on the date when the Articles of Association of the Company come into effect.

From the date when it comes into effect, the Articles of Association shall be a legally binding document that regulates the Company's organization and actions, governs the rights and obligations between the Company and its shareholders and amongst the shareholder themselves, and shall constitute a legally binding document governing on the Company, its shareholders, Directors, Supervisors, senior management. The aforesaid personnel shall be entitled to claim their rights on matters relating to the Company in accordance with the Articles of Association.

Pursuant to the Articles of Association of the Company, a shareholder may take legal actions against the Company; the Company may take legal actions against a shareholder; a shareholder may take legal actions against another shareholder; a shareholder may take legal actions against the Company's Directors, Supervisors and other senior management. The legal actions referred to in the preceding clause shall include initiating a legal proceeding in a court or applying to an arbitration body for arbitration.

Where an agreement signed by a shareholder contains specific provisions on the rights and obligations of the shareholder, such shareholder shall notify the Company within ten days after the agreement comes into effect. In the event that a shareholder has signed an agreement containing specific provisions on the rights and obligations of the shareholder before this clause comes into effect, such shareholder shall notify the Company in accordance with the aforementioned requirement within ten days after this clause comes into effect.

Where there is any discrepancy between a promoters' agreement, shareholders' capital contribution agreement or other shareholders' agreement and the Articles, the Articles shall prevail.

The Company is a legal person in the PRC and is therefore subject to, and protected by, the laws of the PRC.

Upon approval by resolution of the general meeting, the Company may, based on its operation and development needs and in accordance with laws and regulations and Articles of Association of the Company, increase its capital by way of:

(i) introduction of strategic investors;

(ii) issuing shares to general public;

(iii) placement of new shares to existing shareholders;

(iv) distributing new shares to existing shareholders;

(v) converting the capital reserve funds into capital;

(vi) issuance of convertible bonds;

(vii) other methods provided by laws and administrative regulations and approved by insurance and securities regulatory authorities of the State Council.

The increase of capital of the Company by issuing new shares shall be subject to approval as specified in the Articles of Association of the Company and follow the procedures specified by relevant laws and administrative regulations of the PRC.

The increase or reduction of registered capital of the Company shall be made in accordance with the Company Law and other relevant provisions of insurance regulators and other regulatory authorities, and follow the procedures stipulated in the Articles of Association.

If there is any change to its registered share capital, the Company shall report such change to the insurance regulators for approval and apply for amendment registration to the registration authority according to the law.

When the Company is in the need of reducing its registered capital, it must prepare a balance sheet and an inventory of assets. The Company shall notify the creditors within ten days of the resolution for reducing its registered capital, and make three announcements in this regard within 30 days of the resolution. A creditor has the right within 30 days of receiving such notice from the Company or, for creditors who do not receive the notice, within 45 days from the date of the first announcement, to demand the Company to settle its debts or provide a guarantee for such debt.

The reduced registered capital of the Company shall not be lower than the statutory minimum limit.

Board of Directors

The Board of Directors shall consist of 15 directors, including five executive Directors, five non-executive Directors and five independent Directors. The Board of Directors may include one to two employee Directors. The employee directors of the board of directors are elected by the employees of the Company through the meeting of the employee representatives, meeting of the employees or other forms of democratic election.

In order to maintain stability in the operation and management of the Company, during the session of the board of directors, for each type of director, the number of directors replaced or supplemented each year shall be no more than one-fifth; during the term of office of each session of board and the change of the current session of the board, for each type of director, the total number of directors replaced or supplemented shall be no more than two-fifths of the total number of directors, except for situations such as the position of director nominated by the shareholder being vacant and the shareholder who nominated the director continues to nominate another person for the position, and the additional or replacement of independent director due to loss of independence or the inability to serve another term due to the statutory maximum term of office in the new session.

The board of directors shall have one chairman of the board and one vice chairman of the board. The first chairman of the board shall be recognized by all promoter shareholders and shall be approved by the insurance regulators. The succeeding chairman of the board shall be nominated by nomination and remuneration committee of the board upon seeking the opinions of the shareholders and insurance regulators and shall be elected at shareholders' general meeting. The chairman of the board and the vice chairman of the board are executive directors of the Company.

The chairman of the board and the vice chairman of the board shall be elected by more than half of directors of the board of directors.

The Board of Directors shall exercise the following functions and powers:

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

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

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

(iv) to determine the debt and financial policies;

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

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

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

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

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

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

(xi) to consider and approve guarantees authorized by the general meeting;

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

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

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

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

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

(xvii) to formulate rules of procedure for shareholders' general meeting and board of directors; to consider and approve the detailed working rules for professional board committees;

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

(xix) to consider and review the working report and the work of the chief executive officer of the Company;

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

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

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

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

The board of directors convenes four regular meetings every year at approximately quarterly intervals. Notices of meeting shall be given to all directors and supervisors in writing or via email 14 days before convening the meeting.

The Company shall convene an interim board meeting upon occurrence of any of the following circumstances:

(i) when deemed necessary by the chairman of the board of directors;

(ii) when proposed by more than one third of the directors;

(iii) when proposed by the board of supervisors;

(iv) when proposed by the chief executive officer;

(v) when proposed by more than two independent directors;

(vi) when proposed by shareholders individually or collectively holding 10% or more of the voting shares.

Except for regular meetings and interim board meetings proposed by the chairman of the board of directors, the chairman of the board of directors shall convene interim board meetings within ten days of receiving such proposal, and preside over the meeting.

For interim board meeting convened by the board of directors, notices of meeting shall be given to all directors and supervisors in writing or via email five days before convening the meeting. The aforesaid time limit shall not apply in case an interim board meeting is convened due to the Company encountering a crisis and other special or emergency circumstances and with the consent of all the directors.

For donation matters requiring board resolution, donations can be made immediately after the chairman of the board of directors communicates with other directors of the Company by telephone and with a consent of a majority of the directors in case of natural disaster, social crisis and other emergencies.

The board meeting shall not be held until more than half of the directors are present. Each director shall have one vote of voting right. Any resolution made by the board of directors shall only be adopted with the consent of more than half of all directors. In the event that there is a tie of votes casted for a resolution, no director has right to cast one more vote. Resolutions relating to amendments to the articles of association, formulating proposals for the increase or reduction of the company's registered capital, issue of bonds or other securities, listing, profit distribution, remuneration, major investment and major asset disposals, capital replenishment, proposed merger, division or dissolution of the company and change of corporate form, change in directors, removal of the chairman of the board of directors, appointment or dismiss (excluding voluntary resignation) of senior management and other matters put forward by the board of directors shall be approved by more than two thirds of all directors.

Resolution that needs to be considered and approved by way of a board resolution can also be made by correspondence. For vote by correspondence, the board of directors may accept a written resolution in lieu of a board meeting provided that a draft of such resolution shall be delivered to each director in person, by mail, by facsimile or by email. If the board of directors has delivered such resolution to all the directors and the directors who signed and approved such resolution and delivered the same to the company before the deadline for delivery have reached the quorum required to make decisions, such resolution shall take effect as a board resolution, without having to hold a board meeting. For board meeting convened by means of voting by correspondence, the "one vote for one matter" principle shall be adopted on the premise of ensuring that the directors fully express their opinions. The directors shall not be required to make only one vote upon multiple matters. The secretary to the board shall notify the directors of the voting result within five working days after the prescribed time limit for voting has expired.

A regular board meeting, a meeting at which a substantial shareholder or a director has a conflict of interest in a matter to be considered which the board of directors has determined to be material and a meeting involving resolutions relating to proposals for profit distribution, remuneration, major investment and major asset disposals, appointment and dismiss (excluding voluntary resignation) of senior management, capital replenishment and other material matters or other circumstances stipulated by laws, regulations, regulatory rules of the place where the shares of the company are listed or the articles of association shall not be held by means of correspondence.

Board of Supervisors

The Company shall have a Board of Supervisors in which it shall comprise three Supervisors, including one employee Supervisor, one external Supervisor and one shareholder Supervisor. The Board of Supervisors shall have a convenor (i.e., the chairman). The appointment of the convenor (i.e., the chairman) of the Board of Supervisors shall be determined by the affirmative votes of more than two-thirds of the members of the Board of Supervisors. The convenor (i.e., the chairman) of the Board of Supervisors shall convene and preside over a meeting of the Board of Supervisors. If the convenor (i.e., the chairman) of the Board of Supervisors is unable or fails to perform his/her duties, a Supervisor selected by more than one half of all Supervisors shall convene and preside over the meeting of the Board of Supervisors.

The positions of Supervisor shall be assumed by employee representatives and non-employee representatives. The number of Supervisors who represent the employees of the Company shall be not less than one-third of the Supervisors. Non-employee representative Supervisors shall be elected and removed at the general meeting, while employee representatives shall be elected by the employees of the Company through the meeting of employee representatives, meeting of employees or other forms of democratic election.

The Board of Supervisors shall exercise the following functions and powers:

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

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

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

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

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

(vi) to submit proposals to the general meeting;

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

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

Supervisors may attend meetings of the Board as non-voting delegates and raise queries and make suggestions in respect of matters that are the subjects of resolutions of the Board.

Meetings of the Board of Supervisors shall be convened at least once every six months and at least four meetings shall be convened each year by the convenor (i.e., the chairman) of the Board of Supervisors. The written notice of any meeting shall be given to all Supervisors ten days before the meeting. A provisional meeting of the Board of Supervisors shall be convened upon the holding of the convenor (i.e., the chairman) of the Board of Supervisors or upon the proposal of more than one-third of the Supervisors. The provisional meeting shall be convened by the convenor (i.e., the chairman) of the Board of Supervisors, and the notice of meeting shall be delivered in writing to all Supervisors five days prior to the date of such meeting.

The Board of Supervisors shall convene a provisional meeting in case of significant matters or other emergency situations and will not be limited by the abovementioned time limit.

Resolutions of the Board of Supervisors shall be passed by two-thirds or more of all Supervisors.

General Manager of the Company

The Company shall have one general manager (i.e, a chief operation officer).

Senior management refer to the chief executive officer, chief operation officer, general manager (i.e., a president), deputy general manager (i.e, a vice president), assistant to general manager (i.e, assistant to president), secretary to the Board, compliance officer, chief actuary, financial officer and chief auditing officer.

The engagement of a senior management of the Company shall be in compliance with the requirements of the insurance regulators on the qualifications of a senior management of an insurance company.

The general manager is accountable to the chief executive officer and shall exercise the following functions and powers:

(i) to assist with the work of the chief executive officer, and be responsible for implementing the daily operations and management of the Company;

(ii) to be responsible for convening the daily performance analysis meetings of the Company;

(iii) to be responsible for coordinating the daily operations and management of the subsidiaries;

(iv) to be responsible for coordinating the Company's internal and external relations;

(v) to draft the annual development plans, operation policy and annual business plan of the Company;

(vi) to draft the basic management systems of the Company;

(vii) to draft specific rules and regulations of the Company;

(viii) to coordinate the operation of each department of the Company;

(ix) to review and approve all budgeted expenses and expenditures of the Company;

(x) to formulate the salaries, welfare, rewards and punishments of the Company's workers and determine the engagement and dismissal of such workers; and consider the opinions of the union or the workers representative committees before making decisions on issues concerning the vital interests of the workers;

(xi) to be responsible for developing the business and staff training;

(xii) other duties as authorized by the chief executive officer.

The Directors, Supervisors and the secretary to the Board of Directors shall attend the general meeting. Senior management members shall also be present at the meeting.

The chief executive officer shall attend the Board meetings and, if not a Director, shall not have voting right thereat.

Chairman of the board

The chairman of the board shall exercise the following functions and powers:

(i) to preside over the general meetings, and to convene and preside over Board meetings;

(ii) to supervise and inspect the execution of the resolutions of the Board;

(iii) to execute the Company's stocks, bonds and other securities issued by the Company;

(iv) to execute important documents as authorized by the Board;

(v) to exercise the powers of legal representative;

(vi) to propose the appointment and removal of chief executive officer;

(vii) other powers conferred by the Board.

The vice chairman shall assist in the work of the chairman. Where the Chairman is incapable of performing or is not performing his duties, the duties shall be performed by the vice chairman; where the vice chairman is incapable of performing or is not performing his duties, the duties shall be performed by a Director elected by more than half of the Directors.

Secretary to the Board

The Board of Directors shall appoint a secretary to the Board and shall have a Board office. The secretary to the Board is a senior manager of the Company and shall be accountable to the Board of Directors. The Board office shall be accountable for the secretary of the Board and shall assist the shareholders, Directors, Supervisors and the secretary to the Board with their work.

The secretary to the Board shall possess the requisite professional knowledge and experience.

The major duties of the secretary to the Board are:

(i) to prepare the general meetings and meetings of the Board of Directors in accordance with due procedures and requirement of the chairman of the board of Directors;

(ii) to ensure that the Company has complete organization documents and records and to prepare and keep the archives of the general meetings and meetings of the Board of Directors and materials and documents of other meetings, and to keep the registers and materials relating to the Company's shareholders, Directors, Supervisors and senior managers;

(iii) to ensure that the Company prepares and submits reports and documents as required by competent authorities in accordance with law;

(iv) to assist shareholders, Directors and Supervisors in exercising rights and performing duties;

(v) to administer the Company's affairs including information disclosure and investor relations;

(vi) to assist the Company's chairman of the board of Directors in drafting the Company's corporate governance report;

(vii) to report flaws and problems in the Company's governance structure pursuant to requirements of the regulatory authorities;

(viii) to organize training programs for Directors and other relevant personnel pursuant to requirements of the regulatory authorities; and

(ix) to ensure that the register of shareholders of the Company is properly established and to ensure that persons entitled to receive such records and documents shall be provided with the relevant records and documents in time.

Directors or senior management (excluding the chairman of the board, chief executive officer and general manager) may hold the office of Board secretary concurrently.

Supervisors shall not hold the office of Board secretary concurrently. Accountant of the accounting firm appointed by the Company shall not act as the Board secretary concurrently.

Engagement of Accounting Firms

The Company shall engage an independent accounting firm which is in compliance with the regulations of the State to audit the Company's annual financial report and other financial reports.

The term of the accounting firm engaged by the Company shall commence when the current annual general meeting finishes and end when next annual general meeting concludes.

The accounting firm engaged by the Company shall enjoy the following rights:

(i) to have the access to the books, records or vouchers of the Company at any time, and have the right to require the Directors, general manager or other senior management of the Company to provide relevant materials and statements;

(ii) to require the Company to take every reasonable measure to obtain the materials and statements of the subsidiaries necessary for the accounting firm to perform its duties;

(iii) to attend the general meeting, obtain the meeting notices any shareholder is entitled to and other information related to the meeting, and to be heard at any general meetings on any matter which relates to it as the accounting firm of the Company.

If the position of accounting firm becomes vacant, the Board may appoint an accounting firm to fill such vacancy before a general meeting is held. However, if there are other accounting firms holding the position of accounting firm of the Company while such vacancy persists, such accounting firms may continue to act.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders at a general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The remuneration of the accounting firm or the way in which the firm is to be remunerated shall be determined by the general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

The engagement, dismissal or non-renewal of engagement of an accounting firm shall be decided upon by the general meeting and be reported to the regulatory authorities for the record pursuant to the regulatory requirements.

The general meeting shall observe the following rules when engaging a candidate accounting firm not in position now to fill any vacancy of the position of the accounting firm, or re-engage an accounting firm who was appointed by the Board to fill a casual vacancy, or dismiss an accounting firm whose term has not yet expired:

(i) the proposal of engagement or dismissal shall be sent, before issuance of the notice of the general meeting, to the accounting firm proposed to be appointed or the accounting firm proposing to leave its post or the accounting firm that has left its post in the relevant accounting year.

The term "leaving" includes being removed, resignation and retirement.

(ii) if the accounting firm leaving its post makes representations in writing and requests the Company to notify its shareholders of such representations, the Company shall (unless the representations are received too late):

1. in any notice of the resolution given to shareholders, state the fact of the representations having been made by the accounting firm that is leaving its post; and

2. serve a copy of the representations as an attachment to the notice on the shareholders who are entitled to receive the notice of general meeting by the method specified in these Articles of Association.

(iii) if the accounting firm's representations are not sent under paragraph (ii) of this Article, the relevant accounting firm may require that the representations be read out at the general meeting and make further appeal.

(iv) an accounting firm that is leaving its post shall be entitled to attend:

1. any general meeting at which its term of office would otherwise have expired;

2. any general meeting at which it is proposed to fill the vacancy caused by its removal; and

3. any general meeting convened on its resignation.

The accounting firm that is leaving its post is entitled to receive all notices of, and other information relating to, any such meeting, and to be heard at any such meeting on matters which concern it as former accounting firm of the Company.

Prior notice shall be given to the accounting firm if the Company decides to remove or not to renew the appointment. The accounting firm shall be entitled to make statement at a general meeting. If an accounting firm resigns from its position, it shall make representations to the general meeting whether there has been any impropriety on the part of the Company.

(i) The accounting firm may resign from the position by submitting a written notice of resignation to the registered address of the Company. The notice shall take effect on the date on which it is submitted to the legal address of the Company or such later date as may be specified in the notice. Such notice shall include the following statements:

1. the statement that its resignation does not involve any situation that shall be stated to the shareholders or creditors of the Company; or

2. statement on any situation that shall be stated.

(ii) The Company shall deliver a copy of the notice to the relevant competent authorities within 14 days after receipt of such notice as specified in (i). If the notice contains the statement mentioned in (ii) under second paragraph of Article 263, the Company shall keep a duplicate of such statement in the Company and make it available to the shareholders. The Company shall also send a duplicate of such statement to each shareholder who has the right to receive the financial report of the Company through mail with prepaid postage to the addresses registered in the list of shareholders.

(iii) If the notice of resignation of the accounting firm contains the statement referred in paragraph (i)(2) of this Article, the accounting firm may require the Board to hold an extraordinary general meeting to hear the explanation about relevant situations concerning its resignation.

Dispute Resolutions

Unless otherwise provided in the Articles of Association, the Company shall abide by the following principles for dispute resolution:

(i) Whenever any disputes or claims of rights arise between the Company and its Directors, Supervisors or senior management; holders of the overseas listed foreign shares and the Company's Directors, Supervisors, managing Directors or other senior management; or holders of the overseas listed foreign shares and holders of domestic shares, in respect of any rights or obligations as provided in the Articles of Association, the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is the Company, the shareholders, Directors, Supervisors, managing Directors or other senior management of the Company, comply with the arbitration.

Disputes in respect of the definition of shareholders and disputes in relation to the register of members need not be resolved by arbitration.

(ii) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects for arbitration to be carried out at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(iii) If any disputes or claims of rights are settled by way of arbitration in accordance with paragraph (i), the laws of the PRC shall apply, save as otherwise provided in the laws, administrative regulations.

(iv) The award of an arbitral body shall be final and conclusive and binding on all parties.

(v) The arbitration agreement shall be reached by Directors or senior management and the Company which represents both itself and each of the shareholders.

(vi) Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct a public hearing and announce its verdict.

1. FURTHER INFORMATION ABOUT THE COMPANY

A. Incorporation

As approved by the CIRC, our Company was established as a joint-stock limited company on June 27, 2007 under the name of "Sunshine Insurance Holdings Co., Ltd. (陽光保險控股股份有限公司)." On December 28, 2007, the CIRC approved the change of name of our Company from Sunshine Insurance Holdings Co., Ltd. to "Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司)." The registered address of our Company is 17/F, Building A, First World Plaza, No. 7002, Hongli West Road, Futian District, Shenzhen, PRC.

We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 20, 2021 and our principal place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong. Ms. Ching Shuk Wah Shirley is the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As the Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices V and VI to this prospectus.

B. Changes in the Share Capital of the Company

At the time of establishment, the registered share capital of our Company was RMB1,350,000,000, divided into 1,350,000,000 Domestic Shares with a nominal value of RMB1.00 each. The following sets out the changes of our share capital since the date of our establishment:

(a) On December 6, 2007, our registered capital was increased to RMB2,400,000,000;

(b) On February 3, 2008, our registered capital was increased to RMB2,750,000,000;

(c) On March 2, 2009, our registered capital was increased to RMB3,010,000,000;

(d) On November 6, 2009, our registered capital was increased to RMB3,700,000,000;

(e) On September 9, 2010, our registered capital was increased to RMB4,560,000,000;

(f) On April 26, 2011, our registered capital was increased to RMB5,007,150,000;

(g) On July 6, 2011, our registered capital was increased to RMB6,560,000,000;

(h) On January 16, 2013, our registered capital was increased to RMB6,650,590,000 and further to RMB6,710,590,000;

(i) On October 9, 2015, our registered capital was increased to RMB9,910,590,000;

(j) On April 7, 2016, our registered capital was increased to RMB10,351,370,000.

For details of changes in our share capital, please see "History, Development and Corporate Structure" of this prospectus.

Immediately following the Global Offering (assuming the Over-allotment Option is not exercised), our total issued share capital will be 11,501,522,500 Shares, consisting of 10,351,370,000 Domestic Shares and 1,150,152,500 H Shares, which represent approximately 90.00% and 10.00% of our total issued share capital, respectively.

C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering

At the annual general meeting of the Shareholders held on June 25, 2021, the following resolutions, among others, were duly passed:

(a) the issue of H Shares with a nominal value of RMB1.00 each by the Company and the listing of the H Shares on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued not exceeding 25% of the enlarged total issued share capital of our Company in the Global Offering and the Over-allotment Option granted to the underwriters not exceeding 15% of the number of H Shares issued under the Global Offering;

(c) authorization to the Board and its authorized persons to handle all related matters regarding the Global Offering and the listing, among others; and

(d) conditional adoption of the amended Articles of Association after the completion of the Global Offering which would become effective from the Listing Date.

D. Further Information about Our Subsidiaries

A list of our principal subsidiaries is set out under the financial statements in the Accountants' Report as included in Appendix I of this prospectus. Save as disclosed below, there has been no other alteration in the share capital of the Company's subsidiaries within the two years immediately preceding the date of this prospectus.

(a) The registered capital of Hainan Sunshine Xinhai Development Co., Ltd. increased from RMB1,000,000,000 to RMB1,700,000,000 on October 20, 2020 and further increased from RMB1,700,000,000 to RMB2,340,000,000 on December 29, 2021.

(b) The registered capital of Hainan Sunshine Yihe Health Industry Development Co., Ltd. increased from RMB900,000,000 to RMB1,300,000,000 on November 16, 2020 and further increased from RMB1,300,000,000 to RMB1,800,000,000 on December 29, 2021.

(c) The registered capital of Guangzhou Hefeng Industry Investment Co., Ltd. increased from RMB211,815,100 to RMB518,675,200 on December 21, 2020.

(d) The registered capital of Beijing Sunshine Union Real Estate Co., Ltd. increased from RMB1,980,000,000 to RMB4,000,000,000 on April 23, 2021 and further increased from RMB4,000,000,000 to RMB4,489,670,000 on April 7, 2022.

(e) The registered capital of Sunshine Yurong (Chengdu) Real Estate Co., Ltd. increased from RMB700,000,000 to RMB1,641,790,000 on June 7, 2021.

(f) The registered capital of Sunflower Bermuda Capital Ltd. increased from US$175,000,000 to US$210,000,000 on June 11, 2021.

(g) The registered capital of Sunflower American Capital Ltd. increased from US$155,471,800 to US$190,471,800 on June 11, 2021.

(h) The registered capital of Chengdu Shuangliu Sunshine Union Internet Hospital Co., Ltd. increased from RMB10,000,000 to RMB100,000,000 on August 3, 2022.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contract

We have entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that is or may be material:

(a) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which were material to the Group's business.

Trademarks – registered

(i) Trademarks registered in the PRC

As of the Latest Practicable Date, we have registered the following trademarks in the PRC which we considered to be material to our business:

No.	Registered Owner	Trademark Name	Registration Place	Registration No.	Class	Application Date	Expiration Date
1.	Our Company	阳光	PRC	4363271	36	November 15, 2004	October 6, 2032
2.	Our Company	阳光	PRC	6505620	36	January 11, 2008	May 13, 2023
3.	Our Company	阳光	PRC	30942607	36	May 16, 2018	March 20, 2029
4.	Our Company	阳光保险 Sunshine Insurance	PRC	6505621	36	January 11, 2008	June 27, 2024
5.	Our Company	阳光保险 Sunshine Insurance	PRC	30942636	36	May 16, 2018	March 13, 2029
6.	Our Company	阳光保险集团 Sunshine Insurance Group	PRC	17118817	35	June 4, 2015	June 20, 2027
7.	Our Company	阳光保险集团 Sunshine Insurance Group	PRC	17118818	36	June 4, 2015	May 6, 2027
8.	Our Company	阳光保险集团 资产管理 Sunshine Insurance Group Asset Management	PRC	30853839	36	May 11, 2018	April 13, 2029
9.	Our Company	阳光保险集团 阳光信保 Sunshine Insurance Group Sunshine Surety	PRC	30866467	36	May 11, 2018	February 27, 2029
10.	Our Company	阳光保险集团 财产保险 Sunshine Insurance Group P&C Insurance	PRC	30866458	36	May 11, 2018	April 13, 2029

No.	Registered Owner	Trademark Name	Registration Place	Registration No.	Class	Application Date	Expiration Date
11.	Our Company	阳光保险集团 人寿保险 Sunshine Insurance Group Life Insurance	PRC	30859460	36	May 11, 2018	March 6, 2029
12.	Our Company	sun	PRC	4492833	36	February 1, 2005	April 6, 2029
13.	Our Company	SUN	PRC	17559564	36	July 31, 2015	September 20, 2026
14.	Our Company	sun	PRC	30942500	36	May 16, 2018	February 27, 2029
15.	Our Company	Sunshine	PRC	6505622	36	May 11, 2018	September 13, 2024
16.	Our Company	YANGYANG	PRC	6548719	36	February 5, 2008	September 27, 2030
17.	Our Company	YANGGUANG	PRC	30956202	36	May 16, 2018	March 20, 2029
18.	Our Company	SIG	PRC	7409942	35	May 20, 2009	January 13, 2031
19.	Our Company	SINOSIG	PRC	7409945	35	May 20, 2009	January 13, 2031
20.	Our Company	SSIG	PRC	7409949	35	May 20, 2009	January 13, 2031
21.	Our Company	SSIG	PRC	7409948	36	May 20, 2009	October 27, 2030
22.	Our Company	SSIG	PRC	30959934	36	May 16, 2018	March 6, 2029
23.	Our Company	YANGGUANG	PRC	7723280	36	September 24, 2009	January 27, 2031
24.	Our Company	SINOSIG	PRC	6513395	36	January 16, 2008	March 27, 2030
25.	Our Company	SINOSIG	PRC	30945942	36	May 16, 2018	February 27, 2029
26.	Our Company	Sunshine	PRC	30949661	36	May 16, 2018	March 6, 2029
27.	Our Company		PRC	6748949	35	May 27, 2008	July 20, 2030
28.	Our Company		PRC	6748945	36	May 27, 2008	October 20, 2030
29.	Our Company		PRC	4552425	36	March 22, 2005	May 13, 2029
30.	Our Company		PRC	4552424	36	March 22, 2005	May 13, 2029

No.	Registered Owner	Trademark Name	Registration Place	Registration No.	Class	Application Date	Expiration Date
31.	Our Company		PRC	5252589	36	March 31, 2006	September 20, 2029
32.	Our Company		PRC	30959753	36	May 16, 2018	February 27, 2029
33.	Our Company		PRC	30957411	36	May 16, 2018	February 27, 2029
34.	Our Company		PRC	30935680	36	May 16, 2018	February 27, 2029
35.	Our Company		PRC	30962835	36	May 16, 2018	February 27, 2029
36.	Our Company	95510	PRC	30945985	36	May 16, 2018	February 27, 2029
37.	Our Company	95510	PRC	6816182	36	July 1, 2008	June 13, 2023
38.	Our Company	健康随e保	PRC	15792440	36	November 26, 2014	September 6, 2026
39.	Sunshine Union Hospital	阳光融和	PRC	11736443	5	May 16, 2017	April 20, 2024
40.	Sunshine Union Hospital	阳光融和医院	PRC	24145906	5	May 16, 2017	September 6, 2028
41.	Sunshine Union Hospital	阳光融和	PRC	11736441	10	November 13, 2012	April 20, 2024
42.	Sunshine Union Hospital	阳光融和医院	PRC	24145907	10	May 16, 2017	September 6, 2028
43.	Sunshine Union Hospital	阳光融和	PRC	11736437	43	November 13, 2012	April 20, 2024
44.	Sunshine Union Hospital	融和	PRC	11736436	43	November 13, 2012	April 13, 2025
45.	Sunshine Union Hospital	阳光融和医院	PRC	24145905	43	May 16, 2017	September 6, 2028
46.	Sunshine Union Hospital	阳光融和	PRC	11736435	44	November 13, 2012	April 20, 2024
47.	Sunshine Union Hospital	阳光融和	PRC	22429911	44	December 28, 2016	February 6, 2028
48.	Sunshine Union Hospital	阳光融和	PRC	41428040	44	September 30, 2019	October 6, 2030

(ii) Trademarks registered in Hong Kong

As of the Latest Practicable Date, we have registered the following trademarks in Hong Kong which we considered to be material to our business:

No.	Registered Owner	Trademark Name	Registration Place	Registration No.	Class	Registration Date	Expiration Date
1.	Our Company	阳光保险集团 Sunshine Insurance Group	Hong Kong	305427883	36	October 26, 2020	October 25, 2030
2.	Our Company	阳光保险 Sunshine Insurance 阳光保险 Sunshine Insurance	Hong Kong	305626873	36	May 17, 2021	May 16, 2031
3.	Our Company		Hong Kong	305480848	36	December 16, 2020	December 15, 2030
4.	Our Company	陽光保險集團股份有限公司 Sunshine Insurance Group Company Limited 陽光保險集團股份有限公司 Sunshine Insurance Group Company Limited	Hong Kong	305911885	36	March 21, 2022	March 20, 2032

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we considered to be material to our business:

No.	Registered Owner	Domain Name	Period of Validity (yyyy.mm.dd-yyyy.mm.dd)
1.	Our Company	sinosig.com	2007.11.07-2023.11.07
2.	Our Company	陽光保險集團.com	2012.06.04-2023.06.13
3.	Sunshine P&C	sunshineinsure.com.cn	2014.09.26-2023.09.26
4.	Sunshine P&C	eygtx.com	2011.09.09-2023.09.09
5.	Sunshine P&C	eyangguang.com	2010.08.15-2023.08.16
6.	Sunshine P&C	ygbx.com	2004.11.16-2023.11.16
7.	Sunshine P&C	4000-000-000.com	2010.11.01-2023.11.02
8.	Sunshine P&C	e95510.com	2007.10.30-2023.10.30

Software Copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we considered to be material to our business:

Serial No.	Software Name	Registration No.	Date of First Publication	Copyright Owner
1.	Application Traffic Audit System (應用流量審計系統)	2021SR0347043	Unpublished	Our Company
2.	Intelligent Customer Service Based Trainer System (基於智能客服的訓機師系統)	2021SR1297836	Unpublished	Our Company
3.	Sunshine Insurance Customer Service Center Risk Identification and Early Warning System (陽光保險客服中心風險識別預警系統)	2021SR1329450	Unpublished	Our Company
4.	Sunshine Insurance Call Recording Content Retrieval and Analysis System (陽光保險通話錄音內容檢索分析系統)	2021SR1329451	Unpublished	Our Company
5.	Sunshine Text Semantic Similarity Calculation Tool Software (陽光文本語義相似度計算工具軟件)	2021SR1369576	Unpublished	Our Company
6.	Sunshine Semantic Similarity Evaluation System (陽光語義相似度評價系統)	2021SR1369557	Unpublished	Our Company
7.	Sunshine Academy Software (Android version) (陽光學堂軟件(Android版))	2021SR1364588	Unpublished	Our Company
8.	Sunshine Plus Software (陽光Plus軟件)	2021SR1551690	Unpublished	Our Company

Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent Name	Patentee	Registration Place	Type of Patent	Patent No.	Application Date	Expiration Date
1.	Credit fraud detection method and model training method, device and server (信貸欺詐檢測方法及其模型的訓練方法、裝置和服務器)	Sunshine P&C	PRC	Invention	2018116169681	2018/12/27	2038/12/27
2.	Incoming call notification method, device, electronic equipment and computer readable medium (來電提示方法、裝置、電子設備和計算機可讀介質)	Our Company	PRC	Invention	2020106895097	2020/07/16	2040/07/16
3.	Table format picture layout analysis method and computer storage medium (表格式圖片版面分析方法和計算機存儲介質)	Our Company	PRC	Invention	2019104356291	2019/05/23	2039/05/23
4.	Italics text detection model training method and ticket image text detection method (傾斜文本檢測模型訓練方法和票證圖像文本檢測方法)	Our Company	PRC	Invention	2019104356304	2019/05/23	2039/05/23
5.	Telephone service processing method, telephone service processing device and server (電話業務處理方法、電話業務處理裝置及服務器)	Our Company	PRC	Invention	2018107155675	2018/07/03	2038/07/03
6.	A sensitive data security protection system (一種敏感數據安全保護系統)	Our Company	PRC	Invention	2018100312482	2018/01/12	2038/01/12
7.	Method for synthesizing training samples for ticket recognition and computer storage medium (票證識別訓練樣本合成方法和計算機存儲介質)	Our Company	PRC	Invention	2019104356287	2019/05/23	2039/05/23
8.	Method and system for insurance checks (核保方法及核保系統)	Our Company	PRC	Invention	2018106150922	2018/06/14	2038/06/14
9.	Forecast method and device based on information sharing (基於信息共享的預測方法及裝置)	Sunshine P&C	PRC	Invention	2018100250734	2018/01/10	2038/01/10

No.	Patent Name	Patentee	Registration Place	Type of Patent	Patent No.	Application Date	Expiration Date
10.	Real-time detection method and device for fraud in internet credit (互聯網信貸場景下的實時欺詐檢測方法及裝置)	Sunshine P&C	PRC	Invention	2018100336152	2018/01/12	2038/01/12
11.	Method and system for unified user identification based on priority rules (基於優先級規則的用戶標識統一方法及系統)	Our Company	PRC	Invention	202011321712.5	2020/11/23	2040/11/22
12.	Monitoring device for claims settlement of automotive insurance (車險理賠換件的監控裝置)	Sunshine P&C	PRC	Utility Model	201921685036.2	2019/10/9	2029/10/09
13.	Remote prompt device for claims settlement (理賠調解遠程提示裝置)	Sunshine P&C	PRC	Utility Model	201921676706.4	2019/10/8	2029/10/08
14.	Image user layout used in phone (quick quotation) (手機用圖形用戶界面(快速報價))	Sunshine P&C	PRC	Appearance design	201830324859.7	2018/06/22	2028/06/22
15.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	2018303339030	2018/06/26	2028/06/26
16.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	2018302561052	2018/05/28	2028/05/28
17.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	2018302556410	2018/05/28	2028/05/28
18.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	201830255629X	2018/05/28	2028/05/28
19.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	2018302561014	2018/05/28	2028/05/28
20.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	2018302555579	2018/05/28	2028/05/28
21.	Image user layout used in Computer (用於計算機的圖形用戶界面)	Our Company	PRC	Appearance design	2018302555564	2018/05/28	2028/05/28

Save as disclosed herein, there are no other trademarks, software copyrights, domain names, patents or other intellectual or industrial property rights which are or may be material to our business.

C. Our Insurance Business

The Company is not an authorized insurer or a licensed insurance intermediary within the meaning of the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), is not subject to the supervision of the Hong Kong Insurance Authority, nor is it authorized to carry on insurance business in Hong Kong.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

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

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

For the years 2019, 2020 and 2021, and the six months ended June 30, 2022, the total remuneration paid to the Directors amounted to approximately RMB31.3 million, RMB31.9 million, RMB37.6 million and RMB8.5 million, respectively.

For the years 2019, 2020 and 2021, and the six months ended June 30, 2022, the total remuneration paid to the Supervisors amounted to approximately RMB2.0 million, RMB1.3 million, RMB2.0 million and RMB0.5 million, respectively.

Under the arrangement currently in force, our Company estimates the total remuneration (excluding year-end bonuses) payable to the Directors and Supervisors for the year ending December 31, 2022 will be approximately RMB23.3 million and RMB1.0 million, respectively.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the interest and short position of each of our Directors, Supervisors and Chief Executive Officer in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

(i) Interest in our Company

Name	Position	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of interest in the relevant class of Shares immediately following the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in the total share capital of the Company immediately following the Global Offering (assuming the Over-allotment Option is not exercised)
ZHANG Weigong	Founder, chairman of the Board, executive Director and the chief executive officer of the Company	Domestic Shares	1,315,000,000	Interest in controlled corporation; interest held jointly with other persons	12.70%	11.43%

(ii) Interest in our Associated Corporations

Save as disclosed in the section "History, Development and Corporate Structure," to the best of the Directors' knowledge, none of the Directors, Supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of associated corporations of the Company (within the meaning of Part XV of the SFO) which requires to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisor).

B. Disclosure of Interests of Substantial Shareholders

(i) Interests of substantial shareholders in our Company

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "Substantial Shareholders."

(ii) Interests of substantial shareholders in members of the Group (excluding the Company)

To the best knowledge of the Company, the following persons (other than our Directors, Supervisors and chief executive officer) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any other members of the Company:

Member of the Group	**Person with 10% or more interest**	**Approximate percentage of the interest in the member of the Group**
Sunshine Union Hospital	Weifang People's Hospital (Weifang Public Health Clinical Center)	20%
Beijing Sunshine Union Health Management Co., Ltd.	Weifang Nursing Vocational College	20%
Tibet Boyuntongya Culture Communication Co., Ltd.	Chen Pingrong	20%
Sunshine Yikang	Beijing Meilian Yikang Investment Management Center (Limited Partnership)	26.47%
Sunshine Yikang	Zhongjian Yinling Medical Pension Investment Management Co., Ltd.	11.76%
Sunshine Jishan	Beijing Jishan Home Pension Service Co., Ltd.	49%
Dezhou Sunshine Yiyang Pension Service Co., Ltd.	Dezhou Xiangyang Pharmaceutical Chain Co., Ltd.	30%
Dezhou Sunshine Yiyang Pension Service Co., Ltd.	Dezhou Jinqu Health Management Consulting Co., Ltd.	10%

Member of the Group	Person with 10% or more interest	Approximate percentage of the interest in the member of the Group
Chengdu Shuangliu Sunshine Union Internet Hospital Co., Ltd.	Sichuan Rongxin Borui Enterprise Management Consultancy Partnership (Limited Partnership)	15%
Chengdu Shuangliu Sunshine Union Internet Hospital Co., Ltd.	Beijing Zhongyi Online Medical Technology Co., Ltd.	20%

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interest in the five largest customers of the Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to fall on the Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of the Group was engaged in any outstanding material litigation or arbitration which may have a material and adverse effect on the Global Offering and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

C. Joint Sponsors

Jiangsu Tiancheng is regarded as a member of the sponsor group of Huatai Financial Holdings (Hong Kong) Limited as defined under the Listing Rules. Jiangsu Tiancheng held an approximately 5.80% equity interest in the Company as of the Latest Practicable Date. Accordingly, Huatai Financial Holdings (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. See "History, Development and Corporate Structure — Our Shareholding and Corporate Structure" for further details.

Save for Huatai Financial Holdings (Hong Kong) Limited, each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued as set out in this prospectus and any H Shares which may be issued pursuant to the exercise of Over-allotment Option, on the Main Board of the Hong Kong Stock Exchange.

Pursuant to the engagement letters entered into between the Company and the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of RMB2,000,000 (or its equivalent in USD) to act as the sponsors of the Company in connection with the proposed listing on the Hong Kong Stock Exchange.

D. Compliance Advisor

The Company has appointed Huatai Financial Holdings (Hong Kong) Limited as the compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

The Company did not incur any material preliminary expenses.

F. Promoters

Our promoters comprise of eight entity shareholders including Sinopec Group, CSAir Group, Sinotrans Group, Chinalco, Guangdong Electric, Xing'an Jintai, Shenzhen Modern City Investment Holdings Co., Ltd., and Beijing Zhongji Hengfu Credit Guarantee Co., Ltd.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters in connection with the Global Offering or the transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 5 (Advising on futures contracts) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 6 (Advising on corporate finance) and Type 7 (Providing automated trading services) of the regulated activities as defined under the SFO

Name	Qualification
CCB International Capital Limited	Licensed to conduct Type 1 (Dealing in securities), Type 4 (Advising on securities) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Commerce & Finance Law Offices	PRC legal advisors
Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch	Actuarial Consultants

H. Consents of Experts

Each of the experts named in paragraph G above of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

I. No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or trading position of the Group since December 31, 2021.

J. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as they are applicable.

K. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Group is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of the Group; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company;

(b) there are no founder, management or deferred shares or any debentures of the Group;

(c) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) the Company currently does not intend to apply for the status of a sino-foreign investment joint-stock limited liability company and does not expect to be subject to the Foreign Investment Law of the PRC; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

L. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **GREEN** Application Forms;

(b) copies of material contract referred to in "2. Further Information About Our Business — A. Summary of Our Material Contract" in Appendix VII; and

(c) the written consents referred to in "5. Other Information — H. Consents of Experts" in Appendix VII.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be set out on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**https://www.sinosig.com**) during a period of 14 days from the date of this prospectus:

(a) the Articles of Association of the Company;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I;

(c) the report from Ernst & Young relating to the unaudited pro forma financial information, the text of which is set out in Appendix II;

(d) the actuarial report prepared by Willis Towers Watson on the embedded value as referred to in Appendix III;

(e) the audited consolidated financial statements of our Group for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;

(f) the material contract referred to in "2. Further Information about Our Business — A. Summary of Our Material Contract" in Appendix VII;

(g) the written consents referred to in "5. Other Information — H. Consents of Experts" in Appendix VII;

(h) the contracts referred to in "3. Further Information about Our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Contracts" in Appendix VII;

(i) the legal opinions issued by Commerce & Finance Law Offices, our legal advisor as to PRC law, in respect of our general matters and property interests of the Group; and

(j) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.

陽光保險集團股份有限公司
Sunshine Insurance Group Company Limited