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China Reinsurance (Group) Corporation

中國再保險（集團）股份有限公司

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

(Stock Code: 1508)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors of China Reinsurance (Group) Corporation is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures for the corresponding period in 2019, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

<i>(in RMB thousands)</i>	<i>Note</i>	2020	2019
Gross written premiums	4	161,573,844	144,972,748
Less: Premiums ceded to reinsurers and retrocessionaires	4	(12,103,874)	(10,149,709)
Net written premiums	4	149,469,970	134,823,039
Changes in unearned premium reserves	5	(3,387,576)	(7,080,011)
Net premiums earned		146,082,394	127,743,028
Reinsurance commission income		2,664,943	1,566,556
Investment income	6	15,688,533	11,316,405
Exchange gains/(losses), net		98,062	(2,150)
Other income		3,661,183	2,010,352
Total income		<u>168,195,115</u>	<u>142,634,191</u>

<i>(in RMB thousands)</i>	<i>Note</i>	2020	2019
Total income		<u>168,195,115</u>	<u>142,634,191</u>
Claims and policyholders' benefits	7	(116,661,419)	(95,380,235)
– Claims incurred		(66,347,190)	(55,735,168)
– Life and health reinsurance death and other benefits paid		(25,836,951)	(32,639,256)
– Changes in long-term life and health reinsurance contract liabilities		(24,477,278)	(7,005,811)
Handling charges and commissions		(24,911,677)	(20,815,698)
Finance costs		(1,748,652)	(1,539,536)
Other operating and administrative expenses		<u>(19,672,679)</u>	<u>(18,971,166)</u>
Total benefits, claims and expenses		<u>(162,994,427)</u>	<u>(136,706,635)</u>
Share of profits of associates		<u>2,097,055</u>	<u>2,140,117</u>
Profit before tax	8	<u>7,297,743</u>	<u>8,067,673</u>
Income tax	9	<u>(1,373,909)</u>	<u>(1,422,359)</u>
Profit for the year		<u>5,923,834</u>	<u>6,645,314</u>
Attributable to:			
Equity shareholders of the parent		5,710,531	6,049,345
Non-controlling interests		<u>213,303</u>	<u>595,969</u>
Profit for the year		<u>5,923,834</u>	<u>6,645,314</u>
Earnings per share (in RMB)	11		
– Basic		<u>0.13</u>	<u>0.14</u>
– Diluted		<u>0.13</u>	<u>0.14</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

<i>(in RMB thousands)</i>	<i>Note</i>	2020	2019
Profit for the year		<u>5,923,834</u>	<u>6,645,314</u>
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation		(13,865)	42,119
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, after tax		(59,178)	156,047
Available-for-sale financial assets, after tax		2,775,586	4,476,116
Exchange differences on translation of financial statements of foreign operations		<u>(404,286)</u>	<u>34,354</u>
Other comprehensive income for the year after tax		<u>2,298,257</u>	<u>4,708,636</u>
Total comprehensive income for the year		<u>8,222,091</u>	<u>11,353,950</u>
Attributable to:			
Equity shareholders of the parent		7,887,213	10,358,694
Non-controlling interests		<u>334,878</u>	<u>995,256</u>
Total comprehensive income for the year		<u>8,222,091</u>	<u>11,353,950</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

<i>(in RMB thousands)</i>	<i>Note</i>	31 December 2020	31 December 2019
Assets			
Cash and short-term time deposits		13,872,362	20,262,473
Financial assets at fair value through profit or loss		11,177,435	11,856,246
Derivative financial assets		246,287	411,129
Financial assets held under resale agreements		4,615,600	2,981,215
Premiums receivable	12	16,638,399	14,755,963
Reinsurance debtors	13	48,706,040	55,939,565
Investment contracts receivable		7,112,873	3,433,251
Reinsurers' share of insurance contract liabilities		19,724,423	18,173,603
Reinsurers' share of policy loans		563,501	503,744
Time deposits		19,904,638	3,907,342
Available-for-sale financial assets		163,649,766	117,402,385
Held-to-maturity investments		32,199,780	34,593,283
Investments classified as loans and receivables		41,236,325	43,726,769
Statutory deposits		18,044,502	15,723,184
Investment properties		6,477,825	7,891,771
Property and equipment		4,254,004	3,007,394
Right-of-use assets		1,333,175	1,176,562
Intangible assets		2,242,293	2,267,111
Investments in associates	14	25,758,482	24,061,529
Goodwill		1,606,768	1,635,695
Deferred tax assets		1,582,929	1,314,116
Other assets		12,629,665	11,614,058
Total assets		<u>453,577,072</u>	<u>396,638,388</u>

<i>(in RMB thousands)</i>	<i>Note</i>	31 December 2020	31 December 2019
Liabilities and equity			
Liabilities			
Short-term borrowings		208,101	732,349
Financial liabilities at fair value through profit or loss		214,579	–
Derivative financial liabilities		172,014	–
Securities sold under agreements to repurchase		29,403,318	21,487,751
Reinsurance payables		16,284,145	17,947,144
Income tax payable		1,696,458	1,353,982
Policyholders' deposits		4,719,779	2,839,974
Investment contract liabilities		23,990,655	22,066,813
Insurance contract liabilities		229,496,289	191,637,068
Notes and bonds payable		22,748,255	19,390,012
Long-term borrowings		3,577,375	3,821,130
Lease liabilities		1,253,917	1,117,491
Deferred tax liabilities		1,291,583	1,860,121
Other liabilities		15,619,750	15,406,564
Total liabilities		<u>350,676,218</u>	<u>299,660,399</u>
Equity			
Share capital	15	42,479,808	42,479,808
Reserves		26,072,298	22,957,818
Retained profits		24,476,359	21,698,666
Total equity attributable to equity shareholders of the parent		93,028,465	87,136,292
Non-controlling interests		9,872,389	9,841,697
Total equity		<u>102,900,854</u>	<u>96,977,989</u>
Total liabilities and equity		<u>453,577,072</u>	<u>396,638,388</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(in RMB thousands)

(in RMB thousands)		Attributable to equity shareholders of the parent											
		Reserves								Retained profits	Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve				
Note													
As at 31 December 2019	42,479,808	10,725,376	2,288,028	5,380,024	9,968	14,274	4,532,496	7,652	21,698,666	87,136,292	9,841,697	96,977,989	
Profit for the year	-	-	-	-	-	-	-	-	5,710,531	5,710,531	213,303	5,923,834	
Other comprehensive income	-	-	-	-	-	(13,865)	2,590,486	(399,939)	-	2,176,682	121,575	2,298,257	
Total comprehensive income	-	-	-	-	-	(13,865)	2,590,486	(399,939)	5,710,531	7,887,213	334,878	8,222,091	
Appropriations to surplus reserve	-	-	260,409	-	-	-	-	-	(260,409)	-	-	-	
Appropriations to general risk reserve	-	-	-	738,766	-	-	-	-	(738,766)	-	-	-	
Appropriations to catastrophic risk reserve	-	-	-	-	64,551	-	-	-	(64,551)	-	-	-	
Distributions to shareholders of the parent	10	-	-	-	-	-	-	-	(1,869,112)	(1,869,112)	-	(1,869,112)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(303,823)	(303,823)	
Others	-	(125,928)	-	-	-	-	-	-	-	(125,928)	(363)	(126,291)	
As at 31 December 2020	42,479,808	10,599,448	2,548,437	6,118,790	74,519	409	7,122,982	(392,287)	24,476,359	93,028,465	9,872,389	102,900,854	

For the year ended 31 December 2020

(in RMB thousands)

Note	Attributable to equity shareholders of the parent											
	Reserves								Retained profits	Subtotal	Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve				
As at 31 December 2018	42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	154,428	(26,702)	18,254,471	78,281,201	8,972,616	87,253,817
Impact of change in accounting policy in associates	-	-	-	-	-	-	145,192	-	(332,575)	(187,383)	(34,918)	(222,301)
Restated total equity as at 1 January 2019	42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	299,620	(26,702)	17,921,896	78,093,818	8,937,698	87,031,516
Profit for the year	-	-	-	-	-	-	-	-	6,049,345	6,049,345	595,969	6,645,314
Other comprehensive income	-	-	-	-	-	42,119	4,232,876	34,354	-	4,309,349	399,287	4,708,636
Total comprehensive income	-	-	-	-	-	42,119	4,232,876	34,354	6,049,345	10,358,694	995,256	11,353,950
Appropriations to surplus reserve	-	-	266,505	-	-	-	-	-	(266,505)	-	-	-
Appropriations to general risk reserve	10	-	-	689,196	-	-	-	-	(689,196)	-	-	-
Distributions to shareholders of the parent	-	-	-	-	-	-	-	-	(1,316,874)	(1,316,874)	-	(1,316,874)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(91,620)	(91,620)
Others	-	654	-	-	-	-	-	-	-	654	363	1,017
As at 31 December 2019	<u>42,479,808</u>	<u>10,725,376</u>	<u>2,288,028</u>	<u>5,380,024</u>	<u>9,968</u>	<u>14,274</u>	<u>4,532,496</u>	<u>7,652</u>	<u>21,698,666</u>	<u>87,136,292</u>	<u>9,841,697</u>	<u>96,977,989</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(in RMB thousands)

	2020	2019
Operating activities		
Cash generated from operations	35,519,561	17,851,342
Income tax paid	<u>(2,278,364)</u>	<u>(966,987)</u>
Net cash flows generated from operating activities	<u>33,241,197</u>	<u>16,884,355</u>
Investing activities		
Interests received	8,022,761	8,016,011
Dividends received	2,276,542	2,384,497
Purchases of property and equipment, investment properties and intangible assets	(897,409)	(2,178,729)
Proceeds from disposals of property and equipment, investment properties and intangible assets	25,737	(4,596)
Acquisition of subsidiary, net of cash and cash equivalent acquired	–	(274,809)
Purchases of investments	(209,292,244)	(135,185,920)
Proceeds from disposals of investments	152,166,500	112,640,032
Disposals of associates	1,527,867	134,215
Investments in associates	<u>(1,171,010)</u>	<u>(102,625)</u>
Net cash flows used in investing activities	<u>(47,341,256)</u>	<u>(14,571,924)</u>

(in RMB thousands)

	2020	2019
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	40,001	2,470
Proceeds from notes and bonds payable	4,000,000	—
Proceeds from bank borrowings	369,875	419,566
Repayment of borrowings	(767,333)	(110,527)
Interests paid	(1,573,080)	(1,647,502)
Cash paid for lease liabilities	(469,216)	(361,748)
Dividends paid to equity shareholders of the parent	(1,861,398)	(1,315,560)
Dividends paid by subsidiaries to non-controlling interests	(303,823)	(91,620)
Net proceeds from securities sold under agreements to repurchase	<u>8,521,734</u>	<u>7,077,497</u>
Net cash flows generated from financing activities	<u>7,956,760</u>	<u>3,972,576</u>
Net (decrease)/increase in cash and cash equivalents	<u>(6,143,299)</u>	<u>6,285,007</u>
Cash and cash equivalents at the beginning of the year	21,267,582	14,701,860
Effect of foreign exchange rate changes	<u>(287,234)</u>	<u>280,715</u>
Cash and cash equivalents at the end of the year	<u><u>14,837,049</u></u>	<u><u>21,267,582</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

The predecessor of China Reinsurance (Group) Corporation (the “**Company**”), PICC Reinsurance Company Limited, was originated from The People’s Insurance Company of China, which was established in October 1949. On 23 March 1999, pursuant to the approval of the State Council of the PRC and the former China Insurance Regulatory Commission (the “**former CIRC**”), PICC Reinsurance Company Limited was renamed to China Reinsurance Company. On 20 June 2003, with the approval of the former CIRC, China Reinsurance Company was renamed to China Reinsurance (Group) Company. On 9 October 2007, pursuant to the approval from relevant authorities, China Reinsurance (Group) Company was converted into a joint stock limited company and changed the company name to China Reinsurance (Group) Corporation.

The Company completed its initial public offering of overseas-listed foreign shares (“**H shares**”) and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015.

The Company’s registered office is located at No. 11 Jinrong Avenue, Xicheng District, Beijing 100033, the PRC.

The Company and its subsidiaries (the “**Group**”) are mainly engaged in property and casualty reinsurance, life and health reinsurance, primary property and casualty insurance, asset management and other businesses.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (“**IASB**”). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

For the purpose of preparing the consolidated financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the current year’s financial statements, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2020 and accounting standards and amendments that are effective but temporary exemption is applied by the Group are set out in Note 2(4).

(2) Basis of measurement

The financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, which is the functional currency of the Company, except when otherwise indicated.

It has been prepared on the historical cost basis except for the following assets and liabilities as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale, financial assets/liabilities at fair value through profit or loss and derivative instruments that have been measured at fair value.
- reinsurers’ share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods.

(3) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2020

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform
Revised Conceptual Framework for Financial Reporting	

Adoption of the above standards and amendments does not have a significant impact on the consolidated financial statements of the Group.

(4) Accounting standards and amendments that are effective but temporary exemption is applied by the Group

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the complete standard of IFRS 9.

Classification and measurement of financial assets and financial liabilities

IFRS 9 retains but simplifies the mixed measurement model by allowing three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income, with the basis of classification dependent on the entity's business model and contractual cash flow characteristics of the financial assets. IFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity's own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss ("**own credit risk requirements**").

Impairment

The new impairment methodology in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

The IASB has issued amendments to IFRS 4 Insurance Contracts 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'. The amendments provide two optional approaches to deal with the mismatched effective dates of IFRS 9 and the new insurance contracts standard to replace IFRS 4:

- (a) The overlay approach: all companies that issue insurance contracts have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- (b) The deferral approach: companies whose activities are predominantly connected with insurance have an optional temporary exemption from applying IFRS 9 until 2023. Entities that defer the application of IFRS 9 will continue to apply IAS 39 Financial Instruments: Recognition and Measurement.

IAS 28 Investments in Associates and Joint Ventures require an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before 1 January 2021, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

- (a) the entity applies IFRS 9 but the associate or joint venture applies the temporary exemption from IFRS 9; or
- (b) the entity applies the temporary exemption from IFRS 9 but the associate or joint venture applies IFRS 9.

The Group concludes that the Group's operation activities are predominantly connected with insurance. The Group decides to apply the temporary exemption for IFRS 9. The Group's major associates, China Everbright Bank Company Limited ("CEB"), applied IFRS 9 from 1 January 2018. The Group decides not to adopt uniform accounting policies for associates in group level.

(5) New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2020

IFRS 17, Insurance Contracts

IFRS 17 was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It will replace IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cashflows, an explicit risk adjustment and a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

IFRS 17 (including amendments) is currently mandatorily effective for annual reporting periods beginning on or after 1 January 2023 and early adoption is permitted. The impact is expected to be significant and the Group is in the process of assessing the adoption impact of IFRS 17.

Except for IFRS 17, there are no standards and amendments that are not yet effective that would be expected to have a significant impact on the consolidated financial statements of the Group.

3 SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on their products and services and has the following operating and reportable segments:

- The property and casualty reinsurance segment, operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("**China Re P&C**"), etc. offers a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., and also includes the business operated by China Re UK Limited ("**China Re UK**"), and Chaucer Holdings Limited ("**Chaucer**"). Chaucer mainly includes China Re International Holdings Limited ("**CRIH**"), Chaucer Insurance Company Designated Activity Company ("**CIC**") and China Re Australia HoldCo Pty Ltd ("**CRAH**").
- The life and health reinsurance segment, operated by the Company and its subsidiary Company China Life Reinsurance Company Ltd. ("**China Re Life**"), offers a wide range of reinsurance products, such as life, health and accident insurance, etc.
- The primary property and casualty insurance segment, operated by the subsidiary of the Company China Continent Property and Casualty Insurance Company Ltd. ("**China Continent Insurance**"), offers a wide variety of insurance products and other businesses including motor, property and liability insurance, etc.
- The asset management segment, operated by the subsidiary of the Company, China Re Asset Management Company Ltd., ("**China Re AMC**"), offers asset management services and manages assets and liabilities related to notes issued in overseas.
- Other segments and activities primarily consist of the headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

Management monitors the results of the Group's operating segments separately to make decisions about resources allocation and performance assessment. Segment performance is evaluated based on segment profit/(loss).

More than 80% of the Group's revenue is derived from its operations in Mainland China.

Inter-segment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

(in RMB thousands)

2020

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	48,572,818	66,957,330	48,166,559	–	–	(2,122,863)	161,573,844
Less: Premiums ceded to reinsurers and retrocessionaires	(4,267,978)	(5,282,454)	(4,699,701)	–	–	2,146,259	(12,103,874)
Net written premiums	44,304,840	61,674,876	43,466,858	–	–	23,396	149,469,970
Changes in unearned premium reserves	(1,422,516)	(1,000,964)	(968,663)	–	–	4,567	(3,387,576)
Net premiums earned	42,882,324	60,673,912	42,498,195	–	–	27,963	146,082,394
Reinsurance commission income	541,301	1,280,275	1,617,052	–	–	(773,685)	2,664,943
Investment income (Note)	3,620,699	7,337,566	3,181,218	1,171,862	2,243,811	(1,866,623)	15,688,533
Exchange gains/(losses), net	66,921	231,889	(134,504)	41,770	(83,143)	(24,871)	98,062
Other income	126,393	2,830,972	208,770	585,398	497,601	(587,951)	3,661,183
Total income	47,237,638	72,354,614	47,370,731	1,799,030	2,658,269	(3,225,167)	168,195,115
– External income	45,440,299	72,218,370	48,520,123	1,308,959	707,364	–	168,195,115
– Inter-segment income	1,797,339	136,244	(1,149,392)	490,071	1,950,905	(3,225,167)	–
Claims and policyholders' benefits	(27,897,238)	(62,413,290)	(26,349,588)	–	–	(1,303)	(116,661,419)
– Claims incurred	(27,897,238)	(12,099,061)	(26,349,588)	–	–	(1,303)	(66,347,190)
– Life and health reinsurance death and other benefits paid	–	(25,836,951)	–	–	–	–	(25,836,951)
– Changes in long-term life and health reinsurance contract liabilities	–	(24,477,278)	–	–	–	–	(24,477,278)
Handling charges and commissions	(14,735,086)	(4,875,821)	(6,071,452)	–	–	770,682	(24,911,677)
Finance costs	(604,195)	(532,608)	(197,735)	(378,415)	(35,699)	–	(1,748,652)
Other operating and administrative expenses	(2,100,936)	(2,259,540)	(14,145,568)	(528,805)	(1,246,175)	608,345	(19,672,679)
Total benefits, claims and expenses	(45,337,455)	(70,081,259)	(46,764,343)	(907,220)	(1,281,874)	1,377,724	(162,994,427)
Share of profits of associates	167,559	1,113,446	129,404	11,191	897,379	(221,924)	2,097,055
Profit before tax	2,067,742	3,386,801	735,792	903,001	2,273,774	(2,069,367)	7,297,743
Income tax	(262,266)	(773,829)	(142,668)	(119,215)	(75,931)	–	(1,373,909)
Profit for the year	1,805,476	2,612,972	593,124	783,786	2,197,843	(2,069,367)	5,923,834

Note: Investment income of the others segment in 2020 includes dividends from subsidiaries of RMB1,835 million.

(in RMB thousands)

2019

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	42,679,010	55,526,191	48,730,011	–	–	(1,962,464)	144,972,748
Less: Premiums ceded to reinsurers and retrocessionaires	(4,134,363)	(3,961,136)	(4,017,533)	–	–	1,963,323	(10,149,709)
Net written premiums	38,544,647	51,565,055	44,712,478	–	–	859	134,823,039
Changes in unearned premium reserves	(1,581,670)	(926,165)	(4,569,548)	–	–	(2,628)	(7,080,011)
Net premiums earned	36,962,977	50,638,890	40,142,930	–	–	(1,769)	127,743,028
Reinsurance commission income	359,449	568,047	1,431,367	–	–	(792,307)	1,566,556
Investment income (Note)	2,644,890	4,616,969	2,159,999	1,192,527	2,196,154	(1,494,134)	11,316,405
Exchange (losses)/gains, net	(76,615)	(54,000)	27,871	54,696	22,230	23,668	(2,150)
Other income	171,394	417,444	953,482	566,066	479,492	(577,526)	2,010,352
Total income	40,062,095	56,187,350	44,715,649	1,813,289	2,697,876	(2,842,068)	142,634,191
– External income	38,326,834	56,144,314	45,712,512	1,343,323	1,107,208	–	142,634,191
– Inter-segment income	1,735,261	43,036	(996,863)	469,966	1,590,668	(2,842,068)	–
Claims and policyholders' benefits	(22,878,892)	(49,801,284)	(22,702,866)	–	–	2,807	(95,380,235)
– Claims incurred	(22,878,892)	(10,156,217)	(22,702,866)	–	–	2,807	(55,735,168)
– Life and health reinsurance death and other benefits paid	–	(32,639,256)	–	–	–	–	(32,639,256)
– Changes in long-term life and health reinsurance contract liabilities	–	(7,005,811)	–	–	–	–	(7,005,811)
Handling charges and commissions	(13,446,665)	(2,329,432)	(5,834,191)	–	–	794,590	(20,815,698)
Finance costs	(569,098)	(375,692)	(189,488)	(377,411)	(27,847)	–	(1,539,536)
Other operating and administrative expenses	(1,963,526)	(1,732,909)	(14,078,637)	(474,405)	(1,299,032)	577,343	(18,971,166)
Total benefits, claims and expenses	(38,858,181)	(54,239,317)	(42,805,182)	(851,816)	(1,326,879)	1,374,740	(136,706,635)
Share of profits of associates	242,171	1,129,191	163,046	4,696	865,205	(264,192)	2,140,117
Profit before tax	1,446,085	3,077,224	2,073,513	966,169	2,236,202	(1,731,520)	8,067,673
Income tax	(129,013)	(652,057)	(392,032)	(77,326)	(171,931)	–	(1,422,359)
Profit for the year	1,317,072	2,425,167	1,681,481	888,843	2,064,271	(1,731,520)	6,645,314

Note: Investment income of the others segment in 2019 includes dividends from subsidiaries of RMB1,477 million.

(in RMB thousands)

	2020						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	120,713,757	211,301,494	84,660,943	15,360,928	61,600,295	(40,060,345)	453,577,072
Segment liabilities	(94,514,804)	(185,648,425)	(57,361,882)	(11,081,346)	(9,251,868)	7,182,107	(350,676,218)
Other segment information							
Capital expenditures	(25,689)	(30,699)	(579,733)	(4,400)	(32,955)	–	(673,476)
Depreciation and amortisation	(161,016)	(122,927)	(813,047)	(18,548)	(100,978)	–	(1,216,516)
Interest income	2,318,433	4,763,463	1,724,364	150,569	601,571	(14,634)	9,543,766
Financial assets impairment loss charges	(261,456)	(784,758)	(146,036)	–	(98,119)	–	(1,290,369)
Impairment loss charges in associates	–	–	–	–	(269,387)	–	(269,387)
Other impairment loss charges	(52,560)	–	(264,518)	(31,184)	(680)	–	(348,942)
	2019						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	108,933,054	170,871,692	79,894,268	14,207,029	60,259,916	(37,527,571)	396,638,388
Segment liabilities	(85,516,224)	(147,085,869)	(52,678,481)	(11,043,884)	(8,280,547)	4,944,606	(299,660,399)
Other segment information							
Capital expenditures	(91,313)	(110,614)	(3,641,811)	(10,603)	(50,000)	–	(3,904,341)
Depreciation and amortisation	(265,020)	(113,008)	(674,337)	(20,059)	(92,630)	–	(1,165,054)
Interest income	2,343,276	3,811,423	1,766,186	124,642	662,166	(14,588)	8,693,105
Financial assets impairment loss charges	(98,045)	(386,273)	(33,413)	–	(72,829)	–	(590,560)
Other impairment loss charges	(3,516)	–	(135,037)	–	(1,523)	–	(140,076)

4 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	2020	2019
Long-term life and health reinsurance	45,965,104	38,306,202
Short-term life and health reinsurance	20,864,594	17,183,861
Property and casualty reinsurance	41,898,087	36,454,640
Primary property and casualty insurance	52,846,059	53,028,045
Total	<u>161,573,844</u>	<u>144,972,748</u>

(b) Premiums ceded to reinsurers and retrocessionaires

	2020	2019
Long-term life and health reinsurance	552,631	—
Short-term life and health reinsurance	4,729,823	3,961,136
Property and casualty reinsurance	2,623,981	2,779,192
Primary property and casualty insurance	4,197,439	3,409,381
Total	<u>12,103,874</u>	<u>10,149,709</u>

(c) Net written premiums

	2020	2019
Net written premiums	<u>149,469,970</u>	<u>134,823,039</u>

5 CHANGES IN UNEARNED PREMIUM RESERVES

	2020	2019
Short-term life and health reinsurance	989,745	926,165
Property and casualty reinsurance	1,220,036	1,841,622
Primary property and casualty insurance	1,177,795	4,312,224
Total	<u>3,387,576</u>	<u>7,080,011</u>

6 INVESTMENT INCOME

	2020	2019
Interest, dividend and rental income (a)	11,403,166	10,175,904
Realised gains (b)	5,287,410	441,121
Unrealised gains (c)	207,111	868,919
Negative goodwill arising from investments in associates	350,602	421,021
Impairment losses on financial assets (d)	(1,290,369)	(590,560)
Impairment losses on investments in associates	(269,387)	–
Total	<u>15,688,533</u>	<u>11,316,405</u>

(a) Interest, dividend and rental income

	2020	2019
Interest income		
Current and time deposits	1,490,869	1,245,518
Fixed maturity investment		
– Held-to-maturity investment	1,732,220	1,830,443
– Available-for-sale financial assets	3,834,102	2,883,186
– Financial assets at fair value through profit or loss	82,814	84,286
– Investments classified as loans and receivables	2,323,908	2,578,619
Financial assets held under resale agreements	72,564	63,516
Reinsurers' share of policy loans	7,289	7,537
Subtotal	<u>9,543,766</u>	<u>8,693,105</u>
Dividend income		
Equity securities		
– Available-for-sale financial assets	1,523,448	1,133,965
– Financial assets at fair value through profit or loss	112,789	208,127
Subtotal	<u>1,636,237</u>	<u>1,342,092</u>
Rental income from investment properties	<u>223,163</u>	<u>140,707</u>
Total	<u>11,403,166</u>	<u>10,175,904</u>

An analysis of the dividend income from listed and unlisted securities is as follows:

	2020	2019
Dividend income		
Listed securities	563,457	427,579
Unlisted securities	1,072,780	914,513
Total	<u>1,636,237</u>	<u>1,342,092</u>

(b) Realised gains

	2020	2019
Fixed maturity investment		
– Available-for-sale financial assets	144,633	96,264
– Financial assets at fair value through profit or loss	32,558	15,820
Equity securities		
– Available-for-sale financial assets	4,437,809	165,370
– Financial assets at fair value through profit or loss	606,290	163,667
– Investments in associates	(74,910)	–
Derivative financial instruments	141,030	–
Total	<u>5,287,410</u>	<u>441,121</u>

(c) Unrealised gains

	2020	2019
Financial assets at fair value through profit or loss	315,861	731,610
Financial liabilities at fair value through profit or loss	(214,579)	–
Derivative financial assets	107,523	137,309
Derivative financial liabilities	(1,694)	–
Total	<u>207,111</u>	<u>868,919</u>

(d) Impairment losses on financial assets

	2020	2019
Fixed maturity investment		
– Investments classified as loans and receivables	(990,638)	(126,393)
Equity securities		
– Available-for-sale financial assets	(299,731)	(464,167)
Total	<u>(1,290,369)</u>	<u>(590,560)</u>

7 CLAIMS AND POLICYHOLDERS' BENEFITS

	Gross	2020 Ceded	Net
Claims incurred	74,437,032	(8,089,842)	66,347,190
– Short-term life and health reinsurance	15,552,845	(3,514,942)	12,037,903
– Property and casualty reinsurance	26,864,149	(987,139)	25,877,010
– Primary property and casualty insurance	32,020,038	(3,587,761)	28,432,277
Life and health reinsurance death and other benefits paid	26,691,160	(854,209)	25,836,951
Changes in long-term life and health reinsurance contract liabilities	24,270,947	206,331	24,477,278
Total	<u>125,399,139</u>	<u>(8,737,720)</u>	<u>116,661,419</u>
	Gross	2019 Ceded	Net
Claims incurred	63,903,884	(8,168,716)	55,735,168
– Short-term life and health reinsurance	13,673,939	(3,544,244)	10,129,695
– Property and casualty reinsurance	23,250,000	(2,571,160)	20,678,840
– Primary property and casualty insurance	26,979,945	(2,053,312)	24,926,633
Life and health reinsurance death and other benefits paid	33,108,391	(469,135)	32,639,256
Changes in long-term life and health reinsurance contract liabilities	6,651,623	354,188	7,005,811
Total	<u>103,663,898</u>	<u>(8,283,663)</u>	<u>95,380,235</u>

8 PROFIT BEFORE TAX

Profit before tax is recognised at after charging/(crediting) the following items:

	2020	2019
Employee costs (including directors' and supervisors' emoluments) (a) (note)	6,538,741	6,772,308
Depreciation of property and equipment (note)	316,000	312,248
Depreciation of investment properties (note)	255,398	164,200
Amortisation of intangible assets (note)	193,721	289,256
Depreciation of right-of-use assets (note)	451,397	399,350
Rental expenses (note)	153,311	197,585
Auditors' remuneration	10,545	10,738
Impairment losses on available-for-sale financial assets	299,731	464,167
Impairment losses on investments classified as loans and receivables	990,638	126,393
Impairment losses on premiums receivable	203,666	135,277
Impairment losses of reinsurance debtors	43,371	3,516
Impairment losses charges in associates	269,387	—
Impairment losses on other assets	101,905	1,283

Note: Certain employee costs, depreciation, amortization and rental expenses are recorded as loss adjustment expenses and are not included in other operating and administrative expenses.

(a) Employee costs (including directors' and supervisors' emoluments)

	2020	2019
Salaries, allowances and performance related bonuses	6,346,830	6,274,124
Defined contribution plan	183,403	488,803
Defined benefit retirement plan	8,508	9,381
Total	<u>6,538,741</u>	<u>6,772,308</u>

9 INCOME TAX

	2020	2019
Current income tax		
Charge for the year	2,819,360	1,917,047
Adjustments in respect of prior years (i)	11,350	(68,036)
Deferred income tax	(1,456,801)	(426,652)
Total	<u>1,373,909</u>	<u>1,422,359</u>

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2020	2019
Profit before tax	7,297,743	8,067,673
Tax at the applicable tax rate of 25%	1,824,436	2,016,918
The effect of different tax rates of other countries and regions (ii)	(6,687)	(59,771)
Tax effect of non-deductible expenses	81,924	85,465
Tax effect of non-taxable income	(597,696)	(564,886)
Unused tax losses for which no deferred tax asset has been recognised	15,776	25,121
Previously unrecognised tax losses used to reduce deferred tax expense	(1,621)	(45,879)
Adjustments for prior years (i)	11,350	(68,036)
Withheld income tax on dividends received from associates	46,427	33,427
Income tax	<u>1,373,909</u>	<u>1,422,359</u>

Note: (i) According to the Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers (No. 72, 2019) (the “**Circular**”) issued by the Ministry of Finance and the State Administration of Taxation on 29 May 2019, the maximum proportion of pre-tax deduction of fee and commission expense for insurers has been raised to 18% (inclusive) of the balance of premium income less surrenders for the current year, and the excess may be carried forward to the following year. Insurers shall compute and pay their income tax for 2018 in accordance with the Circular. The impact of the Circular on income tax of the Group for 2018 is RMB63.99 million, which has been factored into the income tax for 2019.

(ii) The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the year ended 31 December 2020 (the year ended 31 December 2019: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10 DIVIDENDS

	2020	2019
In respect of previous year:		
2019 final dividend (declared in 2020): RMB0.044 per ordinary share	1,869,112	
2018 final dividend (declared in 2019): RMB0.031 per ordinary share		1,316,874

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue.

	2020	2019
Net profit attributable to the equity shareholders of the parent	5,710,531	6,049,345
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.13	0.14

There were no potential diluted ordinary shares in issue during the year ended 31 December 2020 (31 December 2019: Nil), so the diluted earnings per share were the same as the basic earnings per share.

12 PREMIUMS RECEIVABLE

	31 December 2020	31 December 2019
Premiums receivable	17,188,332	15,102,334
Less: impairment provision	<u>(549,933)</u>	<u>(346,371)</u>
Premiums receivable, net	<u>16,638,399</u>	<u>14,755,963</u>

(a) Aging analysis

	31 December 2020	31 December 2019
Within 3 months (inclusive)	16,016,401	14,267,296
3 months to 1 year (inclusive)	689,158	574,926
1 to 2 years (inclusive)	227,353	154,953
Over 2 years	<u>255,420</u>	<u>105,159</u>
Total	17,188,332	15,102,334
Less: impairment provision	<u>(549,933)</u>	<u>(346,371)</u>
Net	<u>16,638,399</u>	<u>14,755,963</u>

(b) Impairment provision of premiums receivable

	2020	2019
At the beginning of the year	346,371	211,094
Net charge for the period	203,666	135,277
Exchange difference	<u>(104)</u>	<u>—</u>
At the end of the year	<u>549,933</u>	<u>346,371</u>

13 REINSURANCE DEBTORS

	31 December 2020	31 December 2019
Reinsurance debtors	48,876,562	56,071,043
Less: impairment provision	(170,522)	(131,478)
Reinsurance debtors, net	<u>48,706,040</u>	<u>55,939,565</u>

(a) Aging analysis

	31 December 2020	31 December 2019
Within 3 months (inclusive)	42,095,252	49,535,046
3 months to 1 year (inclusive)	5,075,816	4,499,732
1 to 2 years (inclusive)	861,480	1,404,705
Over 2 years	<u>844,014</u>	<u>631,560</u>
Total	48,876,562	56,071,043
Less: impairment provision	(170,522)	(131,478)
Net	<u>48,706,040</u>	<u>55,939,565</u>

(b) Impairment provision of reinsurance debtors

	2020	2019
At the beginning of the year	131,478	126,718
Charge for the year	43,371	6,072
Reversal for the year	—	(2,556)
Exchange difference	<u>(4,327)</u>	<u>1,244</u>
At the end of the year	<u>170,522</u>	<u>131,478</u>

14 INVESTMENTS IN ASSOCIATES

	31 December 2020	31 December 2019
Carrying amount		
– Listed shares	18,533,201	18,944,197
– Unlisted shares	7,225,281	5,117,332
Total	<u>25,758,482</u>	<u>24,061,529</u>

(a) Particulars of the Group's major associate is as follows:

Name of associate	Place of incorporation and business	Registered capital (in RMB millions)	Principal activities
China Everbright Bank Company Limited ("CEB")	China	54,032	Commercial banking
Proportion of ownership interest			
	Group's effective interest	Held by the Company	Held by a subsidiary
31 December 2020	4.29%	1.46%	2.83%
31 December 2019	4.42%	1.50%	2.92%

The Group has significant influence over CEB through a group representative being a director of CEB, with the power to participate in the financial and operating policy decisions of CEB. As such, the interest in this associate is accounted for using the equity method. Whereby the investment is initially recognised at cost and adjusted change in the Group's share of CEB's net assets. An impairment test is required if there is any indication of impairment.

As at 31 December 2020, the market value of the Group's investment in CEB was RMB6,382 million (31 December 2019: RMB8,005 million).

15 SHARE CAPITAL

	31 December 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1 each		
Domestic shares	35,800,391	35,800,391
H shares	6,679,417	6,679,417
Total	<u>42,479,808</u>	<u>42,479,808</u>

The Company completed its initial public offering of overseas-listed foreign shares and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015. In this offering, the Company issued 6,072 million H shares in total (including over-allotment of 302 million H shares) with a nominal value of RMB1.00 per share each and an issuance price of HKD2.70 per share. This public offering had raised a total amount of RMB13,443 million. As at 31 December 2020, a total of RMB7,002 million was recorded in share premiums after deducting the share capital of RMB6,072 million and the stock issuance fee.

Pursuant to the relevant PRC regulations “The interim regulation of the State Council on Transfers of State-owned Shares” (Guo Fa (2001) No.22) and the related regulatory approvals, 607,219,700 domestic shares held by the state-owned shareholders were converted into H shares during the initial public offering of the Company.

On 27 April 2018, the Ministry of Finance, a shareholder of the Company, transferred 10% of its equity interest in the Company (i.e. 540,253,904 domestic shares) to the National Council for Social Security Fund (“NSSF”) on a one-off basis (the “**Transfer**”), and completed the registration of the equity change. After the Transfer, the Ministry of Finance holds 4,862,285,131 domestic shares of the Company, representing 11.45% of the total share capital of the Company; NSSF holds 540,253,904 domestic shares of the Company, representing 1.27% of the total share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management and other business. We operate our domestic and overseas P&C reinsurance business primarily through China Re P&C, Singapore Branch and Chaucer; our domestic and overseas life and health reinsurance business primarily through China Re Life, China Re HK and Singapore Branch; our domestic primary P&C insurance business primarily through China Continent Insurance and our overseas primary P&C insurance business primarily through Chaucer. We utilise and manage our insurance funds in a centralised and professional manner primarily through China Re AMC. In addition, the Group Company manages domestic and overseas legacy P&C reinsurance business and CNIP business through China Re P&C and Chaucer, and manages legacy life and health reinsurance business through China Re Life.

Key Operating Data

The following table sets forth the key operating data of China Re Group for the reporting periods indicated:

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2020	2019	Change (%)
Gross written premiums	161,574	144,973	11.5
Gross written premiums by business segment:			
P&C reinsurance ¹	48,573	42,679	13.8
Life and health reinsurance ¹	66,957	55,526	20.6
Primary P&C insurance ¹	48,167	48,730	(1.2)
Total investment income ²	17,122	12,999	31.7
Total investment yield (%) ²	6.01	5.30	Increase by 0.71 percentage points
Net investment income ³	13,500	12,316	9.6
Net investment yield (%) ³	4.74	5.02	Decrease by 0.28 percentage points

Notes: 1. Gross written premiums for each business segment do not consider inter-segment eliminations, in which:

the businesses of P&C reinsurance segment mainly include domestic P&C reinsurance business, overseas P&C reinsurance and Chaucer business, CNIP business and legacy P&C reinsurance business;

the businesses of life and health reinsurance segment mainly include domestic life and health reinsurance business, overseas life and health reinsurance business and legacy life and health reinsurance business; and

the business of primary P&C insurance segment refers to the property and casualty insurance business operated by China Continent Insurance.

2. Total investment yield = total investment income ÷ average of total investment assets at the beginning and end of the period;

Total investment income = investment income + share of profits of associates – interest expenses on securities sold under agreements to repurchase;

Investment assets = cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreements + time deposits + available-for-sale financial assets + held-to-maturity investments + investments classified as loans and receivables + reinsurers' share of policy loans + investments in associates + statutory deposits + derivative financial instruments + investment properties – securities sold under agreements to repurchase – financial liabilities at fair value through profit or loss.

3. Net investment yield = net investment income ÷ average of total investment assets at the beginning and end of the period.

Net investment income = interest + dividend + rental income + share of profits of associates.

	As at 31 December 2020		As at 31 December 2019	
	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)
China Re Group	189	215	190	209
Group Company	599	599	561	561
China Re P&C	169	231	182	218
China Re Life	195	229	179	213
China Continent Insurance	338	338	371	371

In 2020, the outbreak and spread of the COVID-19 Pandemic impacted on the global economy and the insurance industry, putting pressure that surpasses the average level of domestic industries on the business management of China Re Group. Confronted with such challenges, China Re Group adhered to the general tone of “making progress while ensuring stability”, persisted on the operational strategy of “stabilising growth, adjusting structure, controlling risks and increasing profitability” and insisted on profitable development, market benchmark, holding out the bottom line of risk compliance and digital transformation. We achieved a steady growth in premium volume, continued to strengthen our position as a leading reinsurer, continuously enhanced our business innovation advantages, and accelerated the digital transformation, pushing the high-quality development of the Group to a new level.

Our business maintained relatively fast growth. The Group's gross written premiums recorded an increase of 11.5% from RMB144,973 million in 2019 to RMB161,574 million in 2020, of which the gross written premiums from P&C reinsurance business, life and health reinsurance business and primary P&C insurance business (before inter-segment eliminations) were RMB48,573 million, RMB66,957 million and RMB48,167 million, respectively. The main reason for our increased gross written premiums was the rapid growth in protection-type and savings-type life and health reinsurance business and domestic P&C reinsurance business.

Our core reinsurance business maintained its solid market position and we continued to maintain the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.5% in primary P&C insurance business. During the Reporting Period, we maintained our Financial Strength Rating of "A (Excellent)" by A.M. Best and were rated "A" by S&P Global Ratings, with our financial condition remaining stable.

In 2020, the Group's total investment income was RMB17,122 million, representing a year-on-year increase of 31.7%, and the net investment income was RMB13,500 million, representing a year-on-year increase of 9.6%. The increase in our investment income was mainly due to (1) the relatively rapid growth in the scale of our total investment assets, which was mainly derived from premium cash inflows and the accumulation of investment income; and (2) the Group actively seized the market opportunities to optimise our allocation structure and secure excess investment returns. At the same time, some of our equity investments have been listed and exited with enhanced returns. The total investment yield was 6.01%, representing a year-on-year increase of 0.71 percentage points, and the net investment yield was 4.74%, representing a year-on-year decrease of 0.28 percentage points.

Key Financial Indicators

The following table sets forth the key financial indicators of China Re Group for the reporting periods indicated:

Unit: in RMB millions, except for percentages and unless otherwise stated

	For the year ended 31 December		
	2020	2019	Change (%)
Gross written premiums	161,574	144,973	11.5
Profit before tax	7,298	8,068	(9.5)
Net profit	5,924	6,645	(10.9)
Net profit attributable to equity shareholders of the parent company	5,711	6,049	(5.6)
Earnings per share (RMB)	0.13	0.14	(5.6)
Weighted average return on equity (%) ¹	6.34	7.32	Decrease by 0.98 percentage points

Note: 1. Weighted average return on equity = net profit attributable to equity shareholders of the parent company ÷ balance of weighted average equity.

In 2020, net profit attributable to equity shareholders of the parent company of the Group amounted to RMB5,711 million, representing a year-on-year decrease of 5.6%, which was mainly due to the decrease in the underwriting profits of our overseas P&C reinsurance business as a result of the outbreak of the COVID-19 Pandemic and the decrease in the underwriting profits as a result of the comprehensive reform of motor insurance of our primary P&C insurance.

Unit: in RMB millions, unless otherwise stated

	31 December 2020	31 December 2019	Change (%)
Total assets	453,577	396,638	14.4
Total liabilities	350,676	299,660	17.0
Total equity	102,901	96,978	6.1
Net assets per share attributable to equity shareholders of the parent company (RMB)	2.19	2.05	6.8

P&C Reinsurance Business

The business of P&C reinsurance segment mainly includes domestic P&C reinsurance business, overseas P&C reinsurance and Chaucer business, CNIP business and legacy P&C reinsurance business.

In 2020, we endeavoured to strengthen our position as a leading domestic reinsurer. We continued to facilitate the establishment of platforms for domestic commercial insurance business and national policy-oriented business, strengthen the innovation-driven model and technological application, and accelerate the implementation of strategic initiatives. We continued to upgrade our customer service system, consistently strengthened the capability of our underwriting team, and enhanced our technical capabilities. We maintained stable development in emerging business sectors such as the first piece (set)/new material comprehensive insurance, construction inherent defects insurance (IDI), short-term health insurance, catastrophe insurance, construction surety bond insurance, Chinese interest abroad projects insurance and environmental pollution liability insurance and thus our business structure continued to optimise.

For overseas business, we took high-quality business development as the long-term development goal of our international business in optimising management mechanism and strengthening risk management and control. We deepened expansion in global market, strengthened team building, reinforced core channels, and improved service capabilities. We continued to promote the synergy between domestic and overseas businesses, which formed concerted forces to enhance the underwriting capacity, facilitate business development, optimise the risk portfolio and promote the Belt and Road related business development.

In 2020, gross written premiums from our P&C reinsurance segment amounted to RMB48,573 million, representing a year-on-year increase of 13.8% and accounting for 29.7% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB1,805 million, and weighted average return on equity reached 7.28%. The combined ratio was 102.11%, representing a year-on-year increase of 0.81 percentage points, of which the loss ratio was 65.06%, representing a year-on-year increase of 3.16 percentage points; the expense ratio was 37.05%, representing a year-on-year decrease of 2.35 percentage points. The increase in the combined ratio was mainly due to the impact of COVID-19 Pandemic on overseas business, which resulted in a decrease in underwriting profits.

Business Analysis

Domestic P&C Reinsurance Business¹

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In 2020, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB33,351 million, representing a year-on-year increase of 16.1%. The combined ratio was 99.78%, representing a year-on-year decrease of 1.66 percentage points, of which the loss ratio was 63.22%, representing a year-on-year increase of 1.96 percentage points; the expense ratio was 36.56%, representing a year-on-year decrease of 3.62 percentage points².

Notes: 1. Data in business analysis of this section was changed from the criteria of the financial statement of China Re P&C to the management criteria that reversed the internal related-party transactions of the segment to better reflect the practical operation.

2. The combined ratio of original criteria (financial statement of China Re P&C) was 99.98%, representing a year-on-year decrease of 1.78 percentage points, of which the loss ratio was 64.33%, representing a year-on-year increase of 3.03 percentage points; the expense ratio was 35.65%, representing a year-on-year decrease of 4.81 percentage points.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance, which was generally in line with the business mix of the domestic P&C reinsurance market. Meanwhile, as a result of our active development, the reinsurance premium income from our facultative reinsurance business amounted to RMB2,442 million, representing a year-on-year increase of 38.5%.

In terms of business channels, by virtue of our good cooperation relationship with domestic clients, the majority of our domestic P&C reinsurance business was on primary basis.

The following table sets forth the reinsurance premium income from our domestic P&C reinsurance business by type of reinsurance arrangement for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	30,909	92.7	26,960	93.9
Facultative reinsurance	2,442	7.3	1,763	6.1
Total	33,351	100.0	28,723	100.0

The following table sets forth the reinsurance premium income from our domestic P&C reinsurance business by form of cession for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Form of cession	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	32,798	98.3	28,341	98.7
Non-proportional reinsurance	553	1.7	382	1.3
Total	33,351	100.0	28,723	100.0

The following table sets forth the reinsurance premium income from our domestic P&C reinsurance business by business channel for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Business channel	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Primary	31,163	93.4	26,967	93.9
Via broker	2,188	6.6	1,756	6.1
Total	33,351	100.0	28,723	100.0

Lines of business

As the largest specialised domestic P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the business characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, mainly including motor, agriculture, commercial property, liability and engineering insurance. We actively captured the opportunities brought by the transformation and development of the market, vigorously developed non-motor reinsurance business. The gross written premiums of non-motor reinsurance business in our domestic P&C reinsurance business for 2020 amounted to RMB23,537 million, representing a year-on-year increase of 15.5% and accounting for 70.6%. In particular, we achieved a rapid growth in emerging business sectors such as the first piece (set)/new material comprehensive insurance, construction inherent defects insurance (IDI), short-term health insurance, catastrophe insurance, construction surety bond insurance, Chinese interest abroad projects insurance and environmental pollution liability insurance, with reinsurance premium income recorded at RMB1,617 million, representing a year-on-year increase of 29.0%, which further consolidated our development advantages in emerging business sectors.

The following table sets forth the reinsurance premium income from our domestic P&C reinsurance business by line of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December				
			YoY		
	2020		Change (%)	2019	
	Amount	Percentage (%)		Amount	Percentage (%)
Motor	9,814	29.4	17.5	8,349	29.1
Agriculture	7,825	23.5	30.2	6,012	20.9
Commercial property	5,418	16.2	2.6	5,283	18.4
Liability	3,803	11.4	12.9	3,367	11.7
Engineering	2,116	6.3	0.0	2,115	7.4
Others ¹	4,375	13.2	21.6	3,597	12.5
Total	33,351	100.0	16.1	28,723	100.0

Note: 1. Others include, among others, health, cargo, guarantee, marine hull, and specialty insurance.

Motor reinsurance. In 2020, reinsurance premium income from motor insurance amounted to RMB9,814 million, representing a year-on-year increase of 17.5%, mainly due to the success in capturing business opportunities, resulting in a relatively fast growth in the scale of motor insurance business during the year.

Agriculture reinsurance. In 2020, the reinsurance premium income from agriculture insurance amounted to RMB7,825 million, representing a year-on-year increase of 30.2%, mainly due to an overall higher growth of agriculture insurance premium cession in the market.

Commercial Property reinsurance. In 2020, the reinsurance premium income from commercial property insurance amounted to RMB5,418 million, representing a year-on-year increase of 2.6%, which was mainly due to the fact that we actively expanded our property insurance business, while continued to develop the governmental pilot business of catastrophe insurance, which achieved steady increase in terms of business scale.

Liability reinsurance. In 2020, the reinsurance premium income from liability insurance amounted to RMB3,803 million, representing a year-on-year increase of 12.9%, mainly due to the fact that we actively captured opportunities in the liability insurance market and stepped up investment in research and development and efforts in promotion of new types of liability insurance products such as the first piece (set)/new material comprehensive insurance and the construction inherent defects insurance (IDI).

Engineering reinsurance. In 2020, the reinsurance premium income from engineering insurance amounted to RMB2,116 million, which was unchanged as compared to that of the previous year.

Clients and client services

In 2020, we continued to maintain good client relationships. We have maintained stable cooperation relationships with major domestic P&C insurance companies and strengthened our relationships through business cooperation, exchange of technical know-how and client services. We continued to thoroughly adhere to our business philosophy of “customer-oriented & innovation-driven reinsurance” by focusing on customers’ needs, improved the customer manager mechanism by gearing toward customers’ needs, continued to promote beforehand service and improve service standard. As at the end of the Reporting Period, we maintained business relationships with 84 domestic P&C insurance companies, covering 96.6% of P&C insurance companies; we were the lead reinsurer for 34% of our reinsurance contracts. We ranked first in the domestic market both in terms of client coverage and the number of contracts entered into as the lead reinsurer.

Overseas P&C Reinsurance and Chaucer Business¹

Overseas P&C reinsurance business in this section includes overseas P&C reinsurance business operated by China Re P&C and Singapore Branch, as well as the legacy business of China Re Syndicate 2088. Chaucer business in this section refers to overseas P&C reinsurance and overseas primary P&C insurance business operated by the entities of Chaucer.

In 2020, gross written premiums from overseas P&C reinsurance and Chaucer business amounted to RMB15,017 million, representing a year-on-year increase of 6.9%. The combined ratio was 108.72%, representing a year-on-year increase of 7.52 percentage points. Of such combined ratio, the loss ratio and expense ratio were 69.79% and 38.93% respectively, representing a year-on-year increase of 5.95 percentage points and 1.57 percentage points respectively. The increase in combined ratio was mainly caused by COVID-19 Pandemic, and the combined ratio excluding COVID-19 Pandemic losses was 96.70%, representing a year-on-year decrease of 4.50 percentage points². As at the end of the Reporting Period, total net loss on COVID-19 Pandemic was approximately USD205 million, which has been reflected in the financial data for 2020.

Notes: 1. Data in business analysis of this section was changed from the criteria of financial statement of each platform of overseas P&C reinsurance and Chaucer to the management criteria that reversed the internal related-party transactions of the segment to better reflect the practical operation.

2. Gross written premiums of original criteria (before intra-segment eliminations) amounted to RMB16,606 million, representing a year-on-year increase of 14.8%. The combined ratio was 109.58%, representing a year-on-year increase of 8.26 percentage points (of such combined ratio, the loss ratio and expense ratio were 71.18% and 38.40% respectively, representing a year-on-year increase of 7.16 percentage points and 1.10 percentage points respectively). The combined ratio excluding COVID-19 Pandemic losses was 97.43%, representing a year-on-year decrease of 3.89 percentage points.

Overseas P&C Reinsurance Business

In 2020, gross written premiums from our overseas P&C reinsurance business amounted to RMB3,968 million, representing a year-on-year decrease of 10.5%. The decrease in written premiums was mainly due to the fact that China Re Syndicate 2088 went into run-off from 2020, and its underwriting capacity was consolidated into Chaucer. The combined ratio was 119.88%, representing a year-on-year increase of 15.49 percentage points, which was mainly caused by the COVID-19 Pandemic. Of such combined ratio, the loss ratio and expense ratio were 87.06% and 32.82% respectively, representing a year-on-year increase of 12.70 percentage points and 2.80 percentage points respectively¹.

Note: 1. Gross written premiums of original criteria (before intra-segment eliminations) amounted to RMB5,557 million, representing a year-on-year increase of 14.5%. The combined ratio was 117.20%, representing a year-on-year increase of 12.94 percentage points (of such combined ratio, the loss ratio and expense ratio were 84.22% and 32.98% respectively, representing a year-on-year increase of 11.31 percentage points and 1.63 percentage points respectively).

In terms of types of business, treaty reinsurance continued to dominate our overseas P&C reinsurance business.

The following table sets forth the gross written premiums from our overseas P&C reinsurance business by type of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Type of business	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	3,560	89.7	3,737	84.3
Facultative reinsurance	298	7.5	212	4.8
Primary insurance	110	2.8	483	10.9
Total	3,968	100.0	4,432	100.0

In terms of lines of business, our overseas P&C reinsurance business mainly provided coverage for non-marine, specialty and liability reinsurance. Business portfolio consisted mainly of short tail business.

The following table sets forth the gross written premiums from our overseas P&C reinsurance business by line of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December				
	2020		YoY Change (%)	2019	
	Amount	Percentage (%)		Amount	Percentage (%)
Non-marine	2,711	68.3	19.4	2,271	51.2
Specialty	544	13.7	(15.3)	642	14.5
Liability	325	8.2	(51.7)	673	15.2
Others ¹	388	9.8	(54.1)	846	19.1
Total	3,968	100.0	(10.5)	4,432	100.0

Note: 1. Others include, among others, whole account, motor, credit guarantee and agriculture reinsurance.

In terms of business channels, we adhered to the principle of long-term cooperation and mutual benefit to establish a balanced and stable network of business channels. We continued to use brokers as our main source of business, focused on consolidating and strengthening cooperation with reputable international brokers, while exploring business opportunities with distinctive regional brokers. At the same time, we continuously strengthened our direct cooperation with quality clients and built up closer business connections.

In terms of clients, we continuously developed quality clients based on our management philosophy of prioritising profitability while valuing service quality. We established long-term and stable business relationships with quality and core clients to target their profitable ceding business. We established comprehensive cooperation relationships with various internationally renowned major ceding companies and increased our efforts in developing quality regional clients by leveraging the geographical advantages of different international platforms which all contributed to significant results in expansion of quality client base.

In terms of service ability, our quotation ability continued to improve, and our service quality received more client recognition. Leveraging our talents and technology advantages as well as years of experience in international business operations, we were able to better serve domestic clients in the PRC by providing more products and cooperation solutions for international reinsurance practice, and exert our advantages of the synergy between domestic and overseas business especially in promoting the Belt and Road related business development and in safeguarding the overseas interests of Chinese clients.

Chaucer Business

In 2020, gross written premiums from Chaucer amounted to RMB11,049 million, representing a year-on-year increase of 14.9%. The combined ratio was 103.64%¹, representing a year-on-year increase of 4.44 percentage points, which was mainly caused by the COVID-19 Pandemic. Of such combined ratio, the loss ratio and expense ratio were 61.91% and 41.73% respectively, representing a year-on-year increase of 4.68 percentage points and decrease of 0.24 percentage points respectively². We took advantage of the opportunities provided by the increased rates in certain business areas over the world, and allocated more capacity to support a steady growth in premium income. We strengthened the professional capability of our underwriting team in the business line of reinsurance, property insurance, casualty insurance, policy terms and conditions improved and new opportunities arose in these classes. We constantly adjusted our business mix by reducing our participation in certain of the most challenging segments to maintain a satisfactory underwriting margin. Barring the impact of COVID-19 Pandemic, our overall business quality continued to improve. The premium of contracts led by Chaucer accounted for approximately 42% of its overall gross written premiums. Chaucer is one of the limited numbers of Lloyd's market entities with substantial contract leadership capabilities.

Notes: 1. Under the UK GAAP, the combined ratio of Chaucer was 104.37%. Such combined ratio was different from that under the International Accounting Standards mainly due to the different treatment for reserve discounting and risk margin.

2. The combined ratio of original criteria (before intra-segment eliminations) was 104.88%, representing a year-on-year increase of 5.63 percentage points. Of such combined ratio, the loss ratio and expense ratio were 63.14% and 41.74% respectively, representing a year-on-year increase of 5.36 percentage points and 0.27 percentage points respectively.

In terms of types of business and lines of business, Chaucer business primarily consists of treaty reinsurance, facultative reinsurance and primary insurance. Within each of these, the treaty reinsurance business primarily provided coverage for property, specialty and casualty reinsurance worldwide; and the facultative reinsurance and primary insurance businesses primarily provided coverage for marine, space and aviation, political risk/credit, political violence, energy, property and casualty insurance worldwide.

The following table sets forth the gross written premiums from Chaucer business by type of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Type of business	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	3,441	31.1	2,761	28.7
Facultative reinsurance	2,620	23.7	2,723	28.3
Primary insurance	4,988	45.2	4,130	43.0
Total	11,049	100.0	9,614	100.0

The following table sets forth the gross written premiums from Chaucer business by line of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December				
	2020		YoY	2019	
	Amount	Percentage (%)	Change (%)	Amount	Percentage (%)
Casualty and political risk/credit insurance	3,149	28.5	26.1	2,498	26.0
Marine, energy, space and aviation, nuclear insurance	2,446	22.1	5.2	2,325	24.2
Property and political violence insurance	1,901	17.2	27.5	1,491	15.5
Others ¹	3,553	32.2	7.7	3,300	34.3
Total	11,049	100.0	14.9	9,614	100.0

Note: 1. Others mainly refer to global treaty reinsurance business, including, among others, property treaty reinsurance, speciality treaty reinsurance and casualty treaty reinsurance.

In terms of business channels, the broker channel is our main source of business. We continued to consolidate our business relationships with major international brokers, develop further cooperation with regional brokers while actively expanding our underwriting agency channels. In addition, we further strengthened direct connection with our clients and sought to build closer business relationships.

In terms of professional capability, we have a management team with ample industry experience. The current senior management team is highly experienced, with an average term in office of approximately 17 years, and has an entrepreneurial approach to business. We deliver customised risk solutions to the market with more than 110 experienced underwriters and having distinctive capabilities across 45 specialty lines, including political, nuclear insurance etc. We also have an outstanding claims team with over 100 years of claims handling experience in London market capable of dealing with the most complex claims, which effectively handles approximately 10,000 claims each year. We operate an Enterprise Risk Management Framework to ensure the commercially effective management of risks in the business. The Framework comprises five components: strategy, governance, appetite, assessment and reporting. Together, these components set out the risk management internal processes, controls and responsibilities in place throughout the organisation to achieve an effective risk culture.

In terms of service platforms, with headquarters in London and international hubs for Europe, MENA, Latin and North America and Asia, Chaucer protects clients worldwide. We provide our clients with a range of flexible business platforms to choose from. On one hand, membership of Lloyd's allows Chaucer to take advantage of Lloyd's strong rating and excellent brand reputation to provide risk coverage to our clients in over 200 countries and territories worldwide. Our underwriting capacity at Lloyd's exceeded £1.1 billion, making us one of the leading platforms with substantial contract leadership capabilities in Lloyd's market. On the other hand, CIC (Chaucer Insurance Company DAC) can provide company market platforms. CIC is also eligible to write excess and surplus lines business in the United States and provides Chaucer with continued access to all EEA markets to offer customers more flexible options after Brexit. Furthermore, CIC established a branch in Bermuda in 2020 providing US clients with greater access to Chaucer's specialty underwriting expertise and capacity through a range of property, casualty and specialty reinsurance products.

In terms of product innovation, we increase investment in product innovation and endeavour to explore smarter and more efficient underwriting capabilities. Leveraging technologies such as machine learning and AI, we launched a parametric cyber multi-peril insurance product for small businesses and the "pay as you fly" drone insurance, and developed a next-generation digital underwriting platform for high volume specialty products.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In 2020, our reinsurance premium income from business via the CNIP platform amounted to RMB129 million.

Financial Analysis

The following table sets forth the selected key financial data of our P&C reinsurance segment for the reporting periods indicated:

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2020	2019	Change (%)
Gross written premiums	48,573	42,679	13.8
Less: Premiums ceded to reinsurers and retrocessionaires	(4,268)	(4,134)	3.2
Net written premiums	44,305	38,545	14.9
Changes in unearned premium reserves	(1,423)	(1,582)	(10.1)
Net premiums earned	42,882	36,963	16.0
Reinsurance commission income	541	359	50.7
Investment income	3,621	2,645	36.9
Exchanges gains/(losses), net	67	(76)	–
Other income	126	171	(26.3)
Total income	47,238	40,062	17.9
Claims and policyholders' benefits	(27,897)	(22,879)	21.9
Handling charges and commissions	(14,735)	(13,447)	9.6
Finance costs	(604)	(568)	6.3
Other operating and administrative expenses	(2,101)	(1,964)	7.0
Total benefits, claims and expenses	(45,337)	(38,858)	16.7
Share of profits of associates	168	242	(30.6)
Profit before tax	2,068	1,446	43.0
Income tax	(262)	(129)	103.1
Net profit	1,805	1,317	37.1

Note: 1. Due to rounding adjustments, figures shown may not be arithmetic aggregation of the figures preceding them.

Gross Written Premiums

Gross written premiums of our P&C reinsurance segment increased by 13.8% from RMB42,679 million in 2019 to RMB48,573 million in 2020, mainly due to the rapid growth of agriculture, motor and liability reinsurance business in China and overseas non-marine reinsurance business.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment increased by 3.2% from RMB4,134 million in 2019 to RMB4,268 million in 2020, mainly due to the corresponding increase in ceded premiums in line with the increase in our business scale.

Investment Income

Investment income from our P&C reinsurance segment increased by 36.9% from RMB2,645 million in 2019 to RMB3,621 million in 2020. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our P&C reinsurance segment increased by 21.9% from RMB22,879 million in 2019 to RMB27,897 million in 2020, mainly due to the corresponding increase of claims and policyholders' benefits of overseas business resulting from the impact of the COVID-19 Pandemic and other risk events.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 9.6% from RMB13,447 million in 2019 to RMB14,735 million in 2020, mainly due to the increase in our business scale.

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment decreased by 30.6% from RMB242 million in 2019 to RMB168 million in 2020, mainly due to the decrease in profits of our associates in 2020.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment increased by 37.1% from RMB1,317 million in 2019 to RMB1,805 million in 2020.

Life and Health Reinsurance Business

The life and health reinsurance segment comprises the life and health reinsurance business operated by China Re Life, China Re HK and Singapore Branch, as well as the legacy life and health reinsurance business operated by the Group Company through China Re Life.

In 2020, affected by the COVID-19 Pandemic and other factors, the economy experienced a significant downturn. A new dual circulation development pattern is forming, focusing on the domestic economy with mutual promotion between the international circulation and domestic circulation. As the domestic economy started recovering, the domestic life insurance industry stabilised in the second half of the year despite negative growth in new premiums for the entire year. Health insurance remained the key driver for the industry to refocus on protection function. We continued actively overcoming the adverse impact of the pandemic. We optimized our business structure, achieved significant growth in profitability, and effectively managed risks, thus successfully achieved the goals of the “13th Five-Year Plan”. We strategically developed the protection-type reinsurance business and continued to contribute to the supply-side structural reform of the industry based on “Product+” and “Data+” strategies, helping to fight against the pandemic by innovating products and providing risk solutions to cover insurance liabilities arising from COVID-19. We helped China Association of Actuaries with the revision of “China Life Insurance Critical Illness Morbidity Table (2020)”, joined hands with partners to participate in a number of local governments’ inclusive health insurance programs, explored innovative insurance model for specialty drugs, and promoted the integration of insurance products and health service. We attached great importance to savings-type reinsurance business, and strengthened cost control and asset-liability management. We strengthened financial reinsurance management by paying attention to the credit risk of counterparties and business compliance. Since the establishment of China Re HK, the Company has fully brought into play its advantages in both domestic and overseas markets to actively expand its foreign-currency savings-type business, providing reinsurance solutions with China Re’s characteristics for Hong Kong, Singapore and surrounding markets. We are in a solid competitive position in both the mainland and Hong Kong markets, with the proportion of reinsurance contracts being entered into as leading reinsurer in all reinsurance contracts maintaining the highest in the domestic market.

In 2020, reinsurance premium income from our life and health reinsurance segment amounted to RMB66,957 million, representing a year-on-year increase of 20.6% and accounting for 40.9% of the Group’s gross written premiums (before inter-segment eliminations). Net profit amounted to RMB2,613 million, and weighted average return on equity reached 10.57%, of which reinsurance premium income from China Re Life (consolidated with China Re HK) amounted to RMB66,518 million, representing a year-on-year increase of 20.0%; total written premiums (“TWPs”) amounted to RMB70,252 million (including TWPs of RMB3,734 million from savings-type non-insurance business), representing a year-on-year increase of 10.6%.

Considering the business significance and operational independence of China Re Life (consolidated with China Re HK), and given that the reinsurance premium income from China Re Life (consolidated with China Re HK) accounted for approximately 99.3% of the whole life and health reinsurance business segment, unless otherwise stated, references to our life and health reinsurance business in the business analysis of this section shall be the business of China Re Life (consolidated with China Re HK).

Business Analysis

In terms of business lines, the protection-type reinsurance business grew at a relatively fast speed, the savings-type reinsurance business grew significantly, and the financial reinsurance business recorded a decline.

The following table sets forth the reinsurance premium income from our life and health reinsurance business by business line for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Business line	For the year ended 31 December				
	2020		YoY Change (%)	2019	
	Amount	Percentage (%)		Amount	Percentage (%)
Domestic protection-type reinsurance	20,688	31.1	21.3	17,049	30.8
Domestic savings-type reinsurance	11,981	18.0	200.6	3,986	7.2
Domestic financial reinsurance	22,310	33.5	(25.1)	29,786	53.7
Domestic in total	54,979	82.6	8.2	50,821	91.7
Overseas savings-type reinsurance	11,163	16.8	161.7	4,265	7.7
Other overseas business	376	0.6	7.4	350	0.6
Overseas in total	11,539	17.4	150.0	4,615	8.3
Total	66,518	100.0	20.0	55,436	100.0

In addition, we also developed savings-type non-insurance business. The following table sets forth the TWPs of the savings-type non-insurance business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Non-insurance business	For the year ended 31 December				
	2020		YoY Change (%)	2019	
	Amount	Percentage (%)		Amount	Percentage (%)
Domestic savings-type non-insurance	3,694	98.9	(53.5)	7,942	98.5
Overseas savings-type non-insurance	40	1.1	(66.7)	120	1.5
Total	3,734	100.0	(53.7)	8,062	100.0

Domestic Life and Health Reinsurance Business

The domestic life and health reinsurance business described in this section refers to the domestic life and health reinsurance business operated by China Re Life.

In 2020, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB54,979 million, representing a year-on-year increase of 8.2%; and the TWPs amounted to RMB58,673 million (including TWPs of RMB3,694 million from savings-type non-insurance business), representing a year-on-year decrease of 0.2%.

In respect of the protection-type reinsurance business, reinsurance premium income amounted to RMB20,688 million in 2020, representing a year-on-year increase of 21.3%, and accounted for the biggest market share. Of which, reinsurance premium income from the yearly renewable term reinsurance business¹ amounted to RMB10,497 million, representing a year-on-year increase of 5.2%, accounting for 50.7% of reinsurance premium income from the protection-type reinsurance business. On one hand, we relied on “Data+” and “Product+” development strategies and the integration of industry, to innovate and launch impactful products such as the inclusive medical care and the market first medical insurance with lifelong cancer prevention. We continuously cultivated the specialty drug insurance market, promoted cooperation with traditional customers, accelerated cooperation with the Internet companies and other platforms, and increased cooperation with local governments to further consolidate the Company’s advantageous position. On the other hand, through experience analysis, data co-creation, risk control model development and product iteration, the Company actively carried out risk mitigation and prevention work of the business, conducted in-depth research on the risk control and price adjustment mechanism of long-term medical insurance, and further deepened the work of “Data + Risk Prevention and Control”. The combined ratio (excluding operating and administrative expenses) after retrocession of the short-term protection-type business was 97.06%, representing a year-on-year decrease of 0.41 percentage points, and the underwriting profits were RMB414 million.

Note: 1. Yearly Renewable Term reinsurance business, i.e. YRT reinsurance business, which is a kind of reinsurance arrangement entered into by ceding companies based on a certain proportion of net amount at risk at an annual rate.

In respect of the savings-type reinsurance business, reinsurance premium income amounted to RMB11,981 million in 2020, representing a year-on-year increase of 200.6%; and the TWPs amounted to RMB15,675 million (including TWPs of RMB3,694 million from savings-type non-insurance business), representing a year-on-year increase of 31.4%. We proactively responded to adverse circumstances such as the downward pressure on interest rates and cost rigidity, actively adjusted the asset-liability management strategy, seized opportunities for development, and deeply exploit customer needs. As a result, we achieved a significant growth in TWPs under the condition of controllable costs.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB22,310 million in 2020, representing a year-on-year decrease of 25.1%. We paid close attention to changes in the regulatory policies, strengthened the analysis of counterparty risk during the pandemic, strengthened compliance management, improved capital optimisation and management of existing business, and enhanced the efficiency of capital usage.

Overseas Life and Health Reinsurance Business

The overseas life and health reinsurance business described in this section represents the overseas life and health reinsurance business operated by China Re Life (consolidated with China Re HK).

In 2020, reinsurance premium income from overseas life and health reinsurance business amounted to RMB11,539 million, representing a year-on-year increase of 150.0%; and the TWPs amounted to RMB11,579 million (including TWPs of RMB40 million from savings-type non-insurance business), representing a year-on-year increase of 148.7%, of which the reinsurance premium income from China Re HK (after intra-group eliminations within China Re Life) amounted to RMB5,929 million.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB11,163 million in 2020, representing a year-on-year increase of 161.7%; and the TWPs amounted to RMB11,203 million (including TWPs of RMB40 million from savings-type non-insurance business), representing a year-on-year increase of 155.5%. We overcame the adverse effects of the global low interest rate environment and the recurrence of pandemic outbreak in Hong Kong. We actively developed our relationship with clients, expanded our business coverage, gave full play to our complementary advantages at home and abroad, strengthened market research, and introduced innovative business plans to achieve a relatively fast development of the overseas savings-type reinsurance business.

In respect of other overseas business, reinsurance premium income amounted to RMB376 million in 2020, representing a year-on-year increase of 7.4%.

In terms of types of reinsurance arrangements and forms of cession, our life and health reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance, respectively.

The following table sets forth the reinsurance premium income from our life and health reinsurance business by type of reinsurance arrangement for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	66,413	99.8	55,126	99.4
Facultative reinsurance	105	0.2	310	0.6
Total	66,518	100.0	55,436	100.0

The following table sets forth the reinsurance premium income from our life and health reinsurance business by form of cession for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Form of cession	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	66,468	99.9	55,384	99.9
Non-proportional reinsurance	50	0.1	52	0.1
Total	66,518	100.0	55,436	100.0

In terms of lines of business, our life and health reinsurance business primarily consisted of life insurance, and the business structure remained generally stable.

The following table sets forth the reinsurance premium income from our life and health reinsurance business by line of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December				
	2020		YoY	2019	
	Amount	Percentage (%)	Change (%)	Amount	Percentage (%)
Life	46,504	69.9	19.2	38,999	70.4
Health	17,558	26.4	26.0	13,930	25.1
Accident	2,456	3.7	(2.0)	2,507	4.5
Total	66,518	100.0	20.0	55,436	100.0

Financial Analysis

The following table sets forth the selected key financial data of our life and health reinsurance segment for the reporting periods indicated:

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2020	2019	Change (%)
Gross written premiums	66,957	55,526	20.6
Less: premiums ceded to retrocessionaires	(5,282)	(3,961)	33.4
Net written premiums	61,675	51,565	19.6
Changes in unearned premium reserves	(1,001)	(926)	8.1
Net premiums earned	60,674	50,639	19.8
Reinsurance commission income	1,280	568	125.4
Investment income	7,338	4,617	58.9
Exchange gains/(loss), net	232	(54)	—
Other income	2,831	417	578.9
Total income	72,355	56,187	28.8
Claims and policyholders' benefits	(62,413)	(49,801)	25.3
Handling charges and commissions	(4,876)	(2,329)	109.4
Finance costs	(533)	(376)	41.8
Other operating and administrative expenses	(2,260)	(1,733)	30.4
Total benefits, claims and expenses	(70,081)	(54,239)	29.2
Share of profits of associates	1,113	1,129	(1.4)
Profit before tax	3,387	3,077	10.1
Income tax	(774)	(652)	18.7
Net profit	2,613	2,425	7.8

Note: 1. Due to rounding adjustments, figures shown may not be arithmetic aggregation of the figures preceding them.

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment increased by 20.6% from RMB55,526 million in 2019 to RMB66,957 million in 2020, mainly due to the growth in the savings-type reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 33.4% from RMB3,961 million in 2019 to RMB5,282 million in 2020, mainly due to the increase in premiums ceded to retrocessionaires from the protection-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment increased by 58.9% from RMB4,617 million in 2019 to RMB7,338 million in 2020. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment increased by 25.3% from RMB49,801 million in 2019 to RMB62,413 million in 2020, mainly due to the growth in business scale.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment increased by 109.4% from RMB2,329 million in 2019 to RMB4,876 million in 2020, mainly due to the growth in the savings-type reinsurance business.

Share of Profits and Losses of Associates

Share of profits and losses of associates for our life and health reinsurance segment decreased by 1.4% from RMB1,129 million in 2019 to RMB1,113 million in 2020, basically remaining stable for the two years.

Net Profit

As a result of the foregoing reasons, net profit for the life and health reinsurance segment increased by 7.8% from RMB2,425 million in 2019 to RMB2,613 million in 2020.

Primary P&C Insurance Business

The business of primary P&C insurance segment refers to the property and casualty insurance business operated by China Continent Insurance.

In 2020, we deepened the reform and innovation, fully promoted the implementation of the achievements of our project of turning towards online, digitisation and intelligence, and established a customer-driven comprehensive operation system. We consistently optimised the business structure and strived to develop non-motor insurance businesses such as personal health insurance business, further increasing the proportion of non-motor insurance businesses. We adhered to facilitating development through innovation, adopting innovative technologies such as robotic process automation and smart claims that have helped save 58,000 working hours and reduced annual losses of nearly RMB500 million. The customer online application platform “China Continent Super APP (中國大地超級APP)” was successfully launched, with over 2,000,000 registered users and nearly 1,000,000 online active users, contributing premium of over RMB900 million, providing strong support for business. In the face of the COVID-19 Pandemic, we adhered to our management policy of “fighting the pandemic and managing the business simultaneously and promoting both”, launched more than 20 pandemic prevention insurance products, which covered approximately 160,000 labourers, 200,000 residents, more than 900 micro, small and medium-sized enterprises and more than 1,300 enterprises and public institutions, with an accumulated coverage amount exceeding RMB200 billion, which has effectively facilitated the resumption of work and production and helped enterprises affected by the COVID-19 Pandemic to overcome their difficulties.

In 2020, gross written premiums from our primary P&C insurance segment amounted to RMB48,167 million, representing a year-on-year decrease of 1.2% and accounting for 29.4% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB47,751 million, representing a year-on-year decrease of 1.4%. Net profit amounted to RMB593 million, and weighted average return on equity reached 2.18%. The combined ratio was 104.44%, representing a year-on-year increase of 4.55 percentage points. Of such combined ratio, the loss ratio and expense ratio were 61.84% and 42.60% respectively, representing a year-on-year increase of 5.08 percentage points and a year-on-year decrease of 0.53 percentage points, respectively. As a result of the policies for comprehensive reform of motor insurance, loss ratio for motor insurance significantly increased, while expense ratio for motor insurance continuously decreased.

Based on primary premium income of P&C insurance companies in the domestic market in 2020 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.5%, representing a year-on-year decrease of 0.2 percentage points.

Business Analysis

Analysis by Line of Business

The following table sets forth primary premium income of our primary P&C insurance business by line of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December				
			YoY		
			Change		
	2020		(%)	2019	
	Percentage			Percentage	
	Amount	(%)		Amount	(%)
Motor	26,958	56.5	(3.7)	27,990	57.8
Accident and short-term health	7,134	14.9	10.2	6,474	13.4
Surety	6,538	13.7	(8.4)	7,139	14.8
Liability	2,422	5.1	15.9	2,089	4.3
Cargo	1,428	3.0	8.3	1,318	2.7
Commercial property	1,099	2.3	(5.8)	1,167	2.4
Others ¹	2,172	4.5	(3.1)	2,241	4.6
Total	47,751	100.0	(1.4)	48,418	100.0

Note: 1. Others include, among others, credit, agriculture, engineering, marine hull, household property and specialty insurance.

Motor Insurance. In 2020, primary premium income from our motor insurance amounted to RMB26,958 million as a result of the comprehensive reform of motor insurance, representing a year-on-year decrease of 3.7%. To cope with the impact of the comprehensive reform of motor insurance, we pushed forward the use of the C Index online nationwide to effectively identify and filter risks. The family car proportion increased to 73%, facilitating the high-quality development of our motor insurance business. We continued to strengthen cost management and control, optimise resource allocation, strive for quality monitoring and control the proportion of high-risk businesses such as those related to specialty vehicles and trucks, thereby continuously optimising the business structure of our motor insurance business.

Accident and Short-term Health Insurance. In 2020, primary premium income from accident and short-term health insurance amounted to RMB7,134 million, representing a year-on-year increase of 10.2%, of which primary premium income from accident insurance amounted to RMB3,095 million, representing a year-on-year decrease of 12.6%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB2,643 million, representing a year-on-year increase of 36.7%; primary premium income from critical illness insurance amounted to RMB1,396 million, representing a year-on-year increase of 39.6%. We further tapped into the secondary demand of motor insurance clients. The growth rate of our “Motor + Individual” business reached 43.7%. We closely monitored high-risk businesses such as group accident insurance for construction workers and businesses in other regions, and continued to optimise our business structure. We continued to advance the livelihood business segments, including critical illness insurance, long-term care insurance, supplementary insurance for residents or employees. Personal health insurance businesses such as Million Medical Care and cancer prevention insurance maintained in rapid growth. With firmer risk management and control, accident and short-term health insurance businesses have maintained steady growth, giving full play to the protective function of insurance.

Surety Insurance. In 2020, due to the impact of downturn in economic environment, the COVID-19 Pandemic and regulatory policies, primary premium income from surety insurance amounted to RMB6,538 million, representing a year-on-year decrease of 8.4%, with a bad debt ratio of 8.87%. We actively controlled the pace and scale of our business, adhered to the path of high-quality development, continued to streamline our sales team, cultivated and retained high-quality personnel, and at the same time strengthened the application of big data and technologies, improved risk response capabilities, continuously optimised the structure of our customer base, increasing the proportion of low-risk customers to more than 60%. In 2020, the Company’s personal loan surety insurance business withstood the COVID-19 Pandemic and the policy adjustments, with risk management at a good level, achieving underwriting profits.

Liability Insurance. In 2020, primary premium income from liability insurance amounted to RMB2,422 million, representing a year-on-year increase of 15.9%. We captured the insurance business opportunities presented by the changes in government management functions, actively undertook the business from shift of government functions, accelerated the business development in areas such as safe production, food and drug safety, campus safety and construction quality, enhanced product innovation and solution optimisation, contributing to more rapid development in the liability insurance business.

Cargo Insurance. In 2020, primary premium income from cargo insurance amounted to RMB1,428 million, representing a year-on-year increase of 8.3%. Innovative traffic businesses, such as the returned goods freight insurance of online shopping, maintained a relatively high growth rate. Meanwhile, traditional cargo insurance acquired some good quality clients which led to steady development.

Commercial Property Insurance. In 2020, primary premium income from commercial property insurance amounted to RMB1,099 million, representing a year-on-year decrease of 5.8%. We proactively adjusted our business structure, continued to push ahead with the strategy of undertaking major projects as the chief insurance underwriter, and made breakthroughs in the fields of rail transit, energy and power. In the face of the sudden outbreak of the COVID-19 Pandemic, we responded to the government's initiative to actively research and develop products to provide customers with exclusive protection against the pandemic. We further strengthened our business quality and the foundation of risk management and control by swiftly connecting to third-party platforms with our optimised system and establishing a risk inspection team.

Analysis by Business Channel

The following table sets forth primary premium income from our primary P&C insurance business by business channel for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Business channel	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	29,300	61.4	28,826	59.5
Of which: Individual insurance agents	18,457	38.7	17,098	35.3
Ancillary insurance agencies	3,018	6.3	3,454	7.1
Professional insurance agencies	7,825	16.4	8,274	17.1
Direct sales	14,533	30.4	15,710	32.5
Insurance brokers	3,918	8.2	3,882	8.0
Total	47,751	100.0	48,418	100.0

Analysis by Region

The following table sets forth primary premium income from our primary P&C insurance business by region for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Region	For the year ended 31 December			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	8,608	18.0	9,388	19.4
Zhejiang	4,170	8.7	3,763	7.8
Yunnan	3,471	7.3	3,310	6.8
Shandong	2,730	5.7	2,679	5.5
Inner Mongolia	2,013	4.2	1,963	4.1
Jiangxi	1,803	3.8	1,725	3.6
Guangdong	1,652	3.5	1,984	4.1
Henan	1,592	3.3	1,477	3.1
Sichuan	1,471	3.1	1,315	2.7
Anhui	1,419	3.0	1,386	2.9
Others	18,821	39.4	19,428	40.0
Total	47,751	100.0	48,418	100.0

Combined Ratio

The following table sets forth the loss ratio, expense ratio and combined ratio of our primary P&C insurance business for the reporting periods indicated:

	For the year ended 31 December	
	2020	2019
Loss ratio (%)	61.84	56.76
Expense ratio (%) ¹	42.60	43.13
Combined ratio (%)	104.44	99.89

Note: 1. The calculation of the expense ratio takes into account the effect of government grants.

Financial Analysis

The following table sets forth the selected key financial data of our primary P&C insurance segment for the reporting periods indicated:

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2020	2019	Change (%)
Gross written premiums	48,167	48,730	(1.2)
Less: premiums ceded to reinsurers	(4,700)	(4,018)	17.0
Net written premiums	43,467	44,712	(2.8)
Changes in unearned premium reserves	(969)	(4,569)	(78.8)
Net premiums earned	42,498	40,143	5.9
Reinsurance commission income	1,617	1,431	13.0
Investment income	3,181	2,160	47.3
Exchanges (losses)/gains, net	(135)	28	—
Other income	209	954	(78.1)
Total income	47,371	44,716	5.9
Claims and policyholders' benefits	(26,350)	(22,703)	16.1
Handling charges and commissions	(6,071)	(5,834)	4.1
Finance costs	(198)	(189)	4.8
Other operating and administrative expenses	(14,146)	(14,080)	0.5
Total benefits, claims and expenses	(46,764)	(42,806)	9.2
Share of profits of associates	129	163	(20.9)
Profit before tax	736	2,073	(64.5)
Income tax	(143)	(392)	(63.5)
Net profit	593	1,681	(64.7)

Note: 1. Due to rounding adjustments, figures shown may not be arithmetic aggregation of the figures preceding them.

Gross written premiums

Gross written premiums for our primary P&C insurance segment decreased by 1.2% from RMB48,730 million in 2019 to RMB48,167 million in 2020, mainly due to the comprehensive reform of motor insurance and the COVID-19 Pandemic, the motor insurance and surety insurance businesses recorded a significant year-on-year decline as compared with last year.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our primary P&C insurance segment increased by 17.0% from RMB4,018 million in 2019 to RMB4,700 million in 2020, mainly due to the growth in business scale of non-motor insurance, which led to an increase in premiums ceded to reinsurers.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment increased by 13.0% from RMB1,431 million in 2019 to RMB1,617 million in 2020, which was basically in line with the increase in premiums ceded to reinsurers.

Investment Income

Investment income for our primary P&C insurance segment increased by 47.3% from RMB2,160 million in 2019 to RMB3,181 million in 2020. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 16.1% from RMB22,703 million in 2019 to RMB26,350 million in 2020, mainly due to the comprehensive reform of motor insurance and the growth in business scale of non-motor insurance, which led to an increase in claims.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 4.1% from RMB5,834 million in 2019 to RMB6,071 million in 2020, mainly due to the advance of the Company's "Non-motor" strategy as well as the impact of comprehensive reform of motor insurance, which has led to a further climb in the share of non-motor insurance businesses as well as a corresponding increase in handling charges.

Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment decreased by 64.7% from RMB1,681 million in 2019 to RMB593 million in 2020.

Asset Management Business

In 2020, due to the impact of the COVID-19 Pandemic, the global economy experienced phased recession while financial markets became more volatile. In the face of a severe and complex situation, the PRC government maintained its strategic focus to coordinate pandemic prevention and control as well as economic and social development. Investment growth turned from negative to positive. The consumer market gradually recovered. The driving role of net exports in boosting the economy increased quarter by quarter, and economic operation was gradually restored to normal, making the country the only major economy in the world achieving positive economic growth. The domestic stock market performed strongly, with a slight decline in the Hang Seng Index. The yield of the domestic bond market fell first and then rose to achieve a “V”-shaped trend, and the RMB exchange rate appreciated significantly.

As at the end of the Reporting Period, the balance of assets under the management of the Group amounted to RMB329,951 million, of which the total investment assets balance of the Group was RMB307,957 million, representing a year-on-year increase of 17.6%; the balance of investment assets under the management of China Re AMC was RMB274,084 million.

Investment Portfolio

The following table sets forth the portfolio of China Re Group's total investment assets as at the dates indicated:

Unit: in RMB millions, except for percentages

Investment assets	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	13,872	4.5	20,262	7.7
Fixed-income investments	230,948	75.0	182,555	69.7
Time deposits	19,905	6.5	3,907	1.5
Bonds	143,091	46.5	113,658	43.4
Government bonds	11,482	3.7	8,972	3.5
Financial bonds	19,201	6.2	19,723	7.5
Enterprise (corporate) bonds	104,765	34.1	75,729	28.9
Subordinated bonds	7,643	2.5	9,234	3.5
Investments classified as loans and receivables	41,236	13.3	43,727	16.7
Other fixed-income investments ¹	26,716	8.7	21,263	8.1
Equity and investment funds	60,444	19.6	48,139	18.4
Investment funds ²	23,814	7.7	21,565	8.3
Stocks	28,024	9.1	18,589	7.1
Embedded derivatives	0	0.0	40	0.0
Unlisted equity shares ³	8,606	2.8	7,945	3.0
Other investments	32,096	10.4	32,365	12.4
Investment in associates	25,758	8.4	24,062	9.2
Others ⁴	6,338	2.0	8,303	3.2
Less: securities sold under agreements to repurchase	(29,403)	(9.5)	(21,488)	(8.2)
Total investment assets	307,957	100.0	261,833	100.0

Notes: 1. Primarily including financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans and others.

2. Including monetary funds and the senior tranche of structured index funds.

3. Including assets management products, unlisted equity investments and equity investment schemes.

4. Including investment properties, derivative financial instruments and financial liabilities at fair value through profit or loss, etc.

In terms of investment management, by adhering to the philosophy of value investment and long-term investment while insisting on the strategy of seeking progress in stability and balanced configuration, we continued to optimise our asset allocation structure and flexibly responded to the complicated economic and financial situation in a low interest rate environment. In terms of fixed income investment, first, we made great efforts to play the role of a “ballast” in respect of domestic fixed income by flexibly capturing the allocation pattern and duration strategy to increase our allocation of high-grade assets such as bank deposits, local government bonds, policy financial bonds and high-quality financial products to secure stable sources of income. Meanwhile, we actively made deployment for “fixed income+” and stepped up the efforts in the allocation of portfolio insurance asset management products; second, for overseas fixed income, we stepped up the efforts in allocation by seizing the key window for a market rebound, with a focus on long-term holding, appropriate active management, and strict control of credit risks. For equity investment, first, we duly increased the proportion of equity allocation, optimised the position structure, and obtained excess investment returns; second, we continued to leverage the long-term capital advantages of insurance funds and increased holdings of products with a long-term investment value and a higher payout level; third, we seized the alternative investment opportunities amidst the economic downturn, continued to increase the reserve of high-quality unlisted equity and fund projects, and realised the IPO exit of some existing equity investment projects.

As at the end of the Reporting Period, in terms of par value, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life, China Continent Reinsurance and products from insurance asset managers for management with China Re AMC acting as the trustee in aggregate held city investment bonds of RMB25,146 million, local state-owned enterprise bonds (including industrial and city investment enterprises) of RMB55,845 million, and capital supplementation bonds of city commercial banks/rural commercial banks of RMB100 million. Currently, there is no bond default.

As at the end of the Reporting Period, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life and China Continent Reinsurance to China Re AMC for management in aggregate directly held non-standard assets of RMB39,953 million¹, of which those with an external rating of AA+ and above accounted for 82.64%. The top three industries in terms of positions held were real estate, transportation and public utilities, accounting for 45.60%, 17.30%, and 16.27%, respectively.

Note: 1. The non-standard assets include five types of assets of the trust company collective fund trust plans, the infrastructure debt investment plans, the equity investment plans, the project asset support plans, and the real estate debt investment plans.

In terms of risk management, we continued to strengthen our risk management on both asset and liability aspects and improve the matching of them. We strengthened the analysis and evaluation of allocation performance, and promoted the effective transmission of asset allocation strategies and risk appetite. We continued to improve our investment risk management mechanism, improved our risk assessment system, and strengthened risk scanning. We continued to improve our expertise in investment risk management, and optimised the comprehensive risk monitoring management indicator system to achieve visualisation of monitoring. We established a multi-layered and multi-dimensional risk reporting system to reflect the investment risk status in a timely and comprehensive manner. In order to cope with the extreme risk condition, we measured the potential loss by scenario analysis, stress test and other methods, closely focused on the impact of market volatility on the investment income and the solvency of the whole Group. We strengthened the prevention and control of major risk and took instant response and action to the warning signals of credit risk exposure rising in individual financial products, and the risk is generally controllable.

During the Reporting Period, the Company has been actively responding to the external changes of the COVID-19 Pandemic and the aggravation of capital market credit risk. Through peer studies and entrusted accounts characteristics identification, we formed annual industry and regional risk limit indicators for credit products monitoring. The Company also conducted timely research on industry default cases and continuously optimized the corporate credit limit and rating models, making them more accurate to the changes of corporate credit risk. We strengthened the investment team to enhance superior ability on credit risk early warning system, and more effectively controlled credit risk exposure.

As at the end of the Reporting Period, our significant investments held mainly include China Re – Bairong World Trade Center Real Estate Debt Investment Scheme, investments in associates, namely China Everbright Bank and Great Wall Asset, and investment in the real estate of the Shanghai Fuyuan Landmark Plaza Project.

On 23 June 2016, China Re AMC initiated to establish China Re – Bairong World Trade Center Real Estate Debt Investment Scheme with a term of 11 years. The subscription amount by China Re P&C, China Re Life and China Continent Insurance was RMB8,000 million in total. A principal of RMB1,540 million in total for such scheme was repaid on 27 June 2017, 27 June 2018, 27 June 2019, 30 July 2019 and 20 December 2019, respectively. In 2020, China Re AMC took legal measures on behalf of the investment plan due to failure of the debt-servicing entity and the guarantor of the investment plan to make timely payments relating to the investment plan.

In 2020, China Everbright Bank achieved relatively stable business development despite the challenges of the pandemic, with faster growth in the scale of its retail business and continuous improvement in the level of digital financial technology. As at the end of the Reporting Period, China Re Group held approximately 4.29% equity interest in China Everbright Bank in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

As the pandemic gradually subsided in China, Great Wall Asset further increased the acquisition of non-performing assets business. On the one hand, it continued to respond to the needs of financial institutions (mainly banks) by actively acquiring non-performing assets from them. On the other hand, attempting to help enterprises to ease burdens, it effectively conducted non-financial non-performing asset acquisitions for high-quality companies that have encountered difficulties temporarily affected by the pandemic. Based on the above-mentioned business guidelines and the diversified financial instruments and asset disposal capabilities of Great Wall Asset, it is expected that the results of Great Wall Asset will achieve steady growth in the long term, thereby generating stable returns for our shareholders. As at the end of the Reporting Period, China Re P&C and China Continent Insurance respectively held approximately 3.64% and 2.86% of Great Wall Asset's equity interest, China Re Group held 6.5% of Great Wall Asset's equity interest in aggregate.

On 15 December 2018, China Continent Insurance entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd., to acquire a property at a consideration of approximately RMB3,085 million, payable in cash. The property is Building No. 1 (the address is No. 6 Lane 38, Yuanshen Road) of the Shanghai Fuyuan Landmark Plaza Project located at the land plot Nos. 04-4 of Huangpu Riverbank Unit E10, Pudong New District, Shanghai, the PRC. As at the end of the Reporting Period, 99.8% of the transaction price of the project has been paid, amounting to RMB3,083 million in total. The project is now completed and delivered. In December 2020, China Continent Insurance changed 8 floors of the property, totaling 16,080.80 square meters, into real estate for its own use. The remaining 10 floors, totaling 19,925.48 square meters, remained as investment properties for commercial use.

Investment Performance

The following table sets forth the relevant information on investment income of China Re Group for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Investment income	For the year ended 31 December	
	2020	2019
Cash and fixed-income investments	8,576	8,700
Interest income	9,544	8,693
Realised gains	177	112
Unrealised gains	(154)	21
Impairment losses	(991)	(126)
Equity and investment funds	6,815	1,917
Dividend income	1,637	1,342
Realised gains	4,969	329
Unrealised gains	509	710
Impairment losses	(300)	(464)
Other investments	2,394	2,839
Total investment income from investment in associates	2,178	2,561
Other gains ¹	216	278
Less: interest expenses on securities sold under agreements to repurchase	(663)	(457)
Total investment income ²	17,122	12,999
Total investment yield(%) ²	6.01	5.30
Net investment income ³	13,500	12,316
Net investment yield(%) ³	4.74	5.02

Notes: 1. Including gains or losses from changes in fair value of derivative financial instruments, gains on disposal of derivative financial instruments and rental income of investment properties.

2. Total investment yield = Total investment income ÷ average of total investment assets as at the beginning and end of the period;

Total investment income = Investment income + share of profits of associates – interest expenses on securities sold under agreements to repurchase;

Investment assets = cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreements + time deposits + available-for-sale financial assets + held-to-maturity investments + investments classified as loans and receivables + reinsurers' share of policy loans + investments in associates + statutory deposits + derivative financial instruments + investment properties – securities sold under agreements to repurchase – financial liabilities at fair value through profit or loss.

3. Net investment yield = Net investment income ÷ average of total investment assets as at the beginning and end of the period;

Net investment income = interest income + dividend income + rental income + share of profits of associates.

In 2020, the Group's total investment income was RMB17,122 million, representing a year-on-year increase of 31.7%, and the net investment income was RMB13,500 million, representing a year-on-year increase of 9.6%. The increase in our investment income was mainly due to (1) relatively rapid growth in the scale of our total investment assets, which was mainly derived from premium cash inflows and the accumulation of investment income; and (2) the Group actively seized the market opportunities to optimise our allocation structure and secure excess investment returns. At the same time, some existing equity investment projects have been realised the IPO exit with enhanced returns. Total investment yield rate was 6.01%, representing a year-on-year increase of 0.71 percentage points, and net investment yield rate was 4.74%, representing a year-on-year decrease of 0.28 percentage points.

Insurance Intermediary Business

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and its subsidiary, Huatai Surveyors & Adjusters Company. In 2020, against a general environment of intensifying competition and tightening regulatory policies in the insurance intermediary market, we insisted on our general strategy of “market-oriented development, institutionalised management and professional service” with channels as the core, collaboration as the booster and innovation as the driving force, continuously promoting our “Going Out” marketing strategy, synergetic development, innovative development and refined management. Facing the impact of the COVID-19 Pandemic on business development, we coordinated our efforts in pandemic prevention and operation management, and successively carried out competition activities, focusing on stabilising the inventory, achieving the increment and preventing the variables, so as to realise quick rebound and ongoing improvement in business development.

In 2020, revenue from insurance intermediary business amounted to RMB385 million, representing a year-on-year increase of 15.9%. Profit before tax amounted to RMB2.20 million, representing a year-on-year increase of 20.3%.

Solvency

The following table sets forth the relevant data of the Group, the Group Company and major reinsurance and insurance subsidiaries of the Group as at the dates indicated:

Unit: in RMB millions, except for percentages

	31 December 2020	31 December 2019	Change (%)
China Re Group			
Core capital	94,837	88,316	7.4
Available capital	107,834	97,311	10.8
Minimum capital	50,169	46,579	7.7
Core solvency adequacy ratio (%)	189	190	Decreased by 1 percentage point
Aggregated solvency adequacy ratio (%)	215	209	Increased by 6 percentage points
Group Company			
Core capital	79,402	72,497	9.5
Available capital	79,402	72,497	9.5
Minimum capital	13,248	12,917	2.6
Core solvency adequacy ratio (%)	599	561	Increased by 38 percentage points
Aggregated solvency adequacy ratio (%)	599	561	Increased by 38 percentage points
China Re P&C			
Core capital	21,812	20,084	8.6
Available capital	29,811	24,083	23.8
Minimum capital	12,904	11,025	17.0
Core solvency adequacy ratio (%)	169	182	Decreased by 13 percentage points
Aggregated solvency adequacy ratio (%)	231	218	Increased by 13 percentage points
China Re Life			
Core capital	28,631	26,253	9.1
Available capital	33,629	31,250	7.6
Minimum capital	14,663	14,691	(0.2)
Core solvency adequacy ratio (%)	195	179	Increased by 16 percentage points
Aggregated solvency adequacy ratio (%)	229	213	Increased by 16 percentage points
China Continent Insurance			
Core capital	26,292	26,226	0.3
Available capital	26,292	26,226	0.3
Minimum capital	7,786	7,063	10.2
Core solvency adequacy ratio (%)	338	371	Decreased by 33 percentage points
Aggregated solvency adequacy ratio (%)	338	371	Decreased by 33 percentage points

- Notes:*
1. Core solvency adequacy ratio = core capital ÷ minimum capital; Aggregated solvency adequacy ratio = available capital ÷ minimum capital.
 2. Due to rounding adjustments, figures shown may not be arithmetic aggregation of the figures preceding them.
 3. The data of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitted to the CBIRC.

As at the end of the Reporting Period, the Group, the Group Company and each of the reinsurance and insurance subsidiaries of the Group were all in compliance with the regulatory requirement regarding their respective solvency. As compared with the end of 2019, the consolidated solvency adequacy ratio of China Re Group generally remained stable. In particular, the solvency adequacy ratio of the Group Company increased, mainly due to the changes in retrocession arrangement within the Group. The solvency adequacy ratio of China Re P&C increased, mainly due to the issuance of capital supplementary bonds of RMB4 billion. The solvency adequacy ratio of China Re Life increased, mainly due to increase of net assets. The solvency adequacy ratio of China Continent Insurance decreased, mainly due to business growth.

According to the requirements of The Solvency Regulatory Rules (Nos. 1-17) for Insurance Companies (《保險公司償付能力監管規則(1-17號)》), the “Summary of Solvency Reports” as of the end of the fourth quarter of 2020 of the Group Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, will be disclosed on their official websites respectively and the website of Insurance Association of China in due course. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Reports as of the end of the fourth quarter of 2020:

Unit: in RMB millions

Indicators \ Entities	Group Company	China Re P&C	China Re Life	China Continent Insurance
	As at 31 December 2020			
Net assets	60,004	21,855	20,362	27,464
	For the year ended 31 December 2020			
Insurance income	7,102	37,717	60,589	48,167
Net profit	2,604	1,511	2,878	614

- Notes:*
1. As the consolidated scope is larger than these four companies and affected by offsetting factors when calculating the consolidated net profit of the Group, the consolidated net profit of the Group is not equal to the sum of net profits of these four companies.
 2. The relevant data as at 31 December 2020 in the Summary of Solvency Reports of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitted to the CBIRC.

For viewing of the Summary of Solvency Report for the fourth quarter of 2020, shareholders and potential investors can visit the official websites of the Company at <http://www.chinare.com.cn>, China Re P&C at <http://www.cpcr.com.cn>, China Re Life at <http://www.chinalifere.cn> and China Continent Insurance at <http://www.ccic-net.com.cn>, or the website of Insurance Association of China at <http://www.iachina.cn> for enquiries.

Exchange Rate Fluctuation Risk

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars, British pounds and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We control the adverse impacts of the fluctuations of exchange rates through enhancing management of the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency hedging instruments appropriately. As at 31 December 2020, the Group held currency swaps of RMB74 million (31 December 2019: RMB411 million).

Details of Assets Charged and Bank Borrowings

As at 31 December 2020, the bonds with carrying amount of RMB42,284 million (31 December 2019: RMB26,421 million) were deposited in the collateral pool as the securities sold under agreements to repurchase by the Group. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

As at 31 December 2020, the Group held an unsecured short-term borrowing of GBP20 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year; and unsecured short-term borrowings of RMB25 million and RMB5 million with each coupon rate of 4.25%, which will be repayable within half year.

As at 31 December 2020, the Group held a long-term borrowing of USD550 million with a coupon rate of 4.7%, and the term is 60 months.

Contingencies

As at 31 December 2020, the Group had issued the following guarantees:

As at 31 December 2020, the Group Company provided maritime guarantee of RMB2,266 million (31 December 2019: RMB2,937 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

As at 31 December 2020, the Group Company provided letter of credit for Lloyd's to support China Re Syndicate 2088's underwriting business of GBP100 million (31 December 2019: GBP100 million).

As at 31 December 2020, CRIH provided letter of credit for Lloyd's to support Syndicate 1084 and Syndicate 1176's underwriting business of GBP250 million (31 December 2019: GBP300 million).

Major Events

Material Connected Transactions

During the Reporting Period, the Group did not conduct any connected transaction that is subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Use of Proceeds

The Company's shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on 26 October 2015. The total proceeds from the initial public offering (including the partial exercise of the over-allotment option as stated in the Prospectus) amounted to approximately HKD16,392 million. As of 31 December 2020, the invested proceeds from the initial public offering of the Company amounted to HKD10,160 million, of which:

- (1) HKD7,716 million was used for the capital increase of the subsidiaries and overseas branches of the Company;
- (2) HKD876 million was used for the payment of underwriting expenses of initial public offering and general corporate purposes; and
- (3) HKD1,568 million was used to pay the consideration for acquisition of subsidiaries by the Company.

During the Reporting Period, the Company used HKD116 million to increase the registered and working capital of Singapore Branch.

As of the end of the Reporting Period, the balance of the proceeds from the Company's initial public offering amounted to HKD6,232 million, of which: GBP95 million was proposed to be used for the capital increase of China Re UK, which will be paid after obtaining the approval from regulatory authorities; and the remaining proceeds will be used for the purposes as disclosed in the Prospectus, which are continuously supporting the Company's solvency and international rating to uphold business development. Considering the capital and operation conditions of the Company, currently there is no specific utilisation plan for the remaining proceeds.

Undertakings of the Company and Controlling Shareholder Given or Effective during the Reporting Period

During the Reporting Period, the Company and Central Huijin, the controlling shareholder, complied with the undertakings made by them as set out in the Prospectus. For details of the relevant undertakings, please refer to the sections headed "Substantial Shareholders" and "Share Capital" in the Prospectus.

Prospects

Market Environment

Looking ahead to 2021, China will accelerate the formation of a new development pattern with the domestic cycle as the main focus and the domestic and international cycles promoting each other. The new development pattern will provide an enormous space for the development and transformation of the insurance industry. The insurance industry will return to its roots and strengthen its risk coverage function to provide risk protection and long-term stable funds for the economic and social development. The industry will also adhere to technology empowerment and transform its development method to provide strong support for the improvement in business quality, cost reduction, and strengthened management.

In the primary P&C insurance market, the establishment of the new “dual circulation” development model has provided huge room for the development and transformation of the insurance industry. The successive issues including the Guided Opinion on High-quality Development of the Bancassurance Industry and the Three-year Action Plan for the property and casualty insurance industry, which has opened a new horizon for the high-quality development of the insurance industry. Digital technology has injected new momentum into the high-quality development of the insurance industry, and the digital transformation has become a key driving force to control the commanding height of the industry. Following the full implementation of the comprehensive reform for motor insurance, the motor insurance market will experience slow growth in premium volume with operational differentiation among market entities. It is expected that the industry’s growth driver and focus will continue to shift faster to non-motor insurance. Further development of non-motor insurance business will remain to be driven by key factors such as policy support, financial subsidy and consumption upgrade. Health insurance, agriculture insurance and liability insurance will maintain high growth momentum.

For the primary life and health insurance market, policy signals for the development of commercial health insurance and pension insurance are constantly released from the top-level design of the state and the industry. The simultaneous “Three Medical System” reform has a profound impact on the landscape of the health industry, and strict supervision has forced the transformation and upgrading of the development model of the industry. With the growing demand for health services and the consumption upgrade under the new economy, the supply-side reform of health insurance products and health services is constantly deepened, and scenario innovation and digital construction have accelerated.

In respect of the P&C reinsurance market, the comprehensive reform of motor insurance has reshaped market landscape. The primary P&C insurance industry will face the pressures from both premium volume and underwriting profits, and reinsurance will cede a structural adjustment; in respect of the non-motor reinsurance business, its market environment has been increasingly regulated with a rapid growth in scale while more market segments and innovative business opportunities have been emerging. Businesses from short-term health insurance, liability insurance and accident insurance will maintain rapid growth. The proportion of non-motor insurance businesses will further increase; innovative businesses such as construction quality inherent defects insurance (IDI), catastrophe insurance and insurance business for the Belt and Road Initiative will continue to grow rapidly and accelerate the innovation and transformation of the domestic reinsurance market. Reinsurance will make more contributions in supporting the real economy and modernisation of social governance. Its risk management and innovation capabilities will become increasingly important in market competition. Affected by COVID-19 Pandemic, overseas P&C insurance market has shifted to a hard cycle and the reinsurance rates of overseas P&C insurance market is expected to rebound.

For the life and health reinsurance market, there is relatively strong demand for development and reinsurance ceding of the new products such as new critical illnesses and inclusive medical care in the protection-type business. Data, product and service innovation has become the key to competition. Under the environment of low interest rates and with the implementation of IFRS 17 and the “C-ROSS” Phase II project, opportunities and challenges arising from the savings-type and financial reinsurance businesses coexist. For overseas markets, the pandemic in Hong Kong continues and the RMB-denominated insurance policies continue to remain sluggish. Under the less expansionary monetary policy globally, there exist certain market opportunities for foreign currency business such as the US dollar. In addition, the emerging markets in Southeast Asia have a younger demographic structure and are important markets for overseas protection-type business.

In terms of capital market development and the application of insurance funds, the domestic and foreign economies are expected to be in the post-pandemic recovery phase in 2021 as the prevention and control of the COVID-19 pandemic and vaccine promotion gradually take effect. China’s economy is switching from “six stabilities and six securities” to independent recovery in the short term. In the medium term, the policy objective is to focus on the rebalancing of stable growth and stable leverage, and in the long term, to embrace the critical period of the upcoming “14th Five-Year Plan”. We see both opportunities and challenges in the capital market. Due to the unstable and uncertain factors of the pandemic, the release of credit risk and the disturbance of risk appetite will remain. The requirement of insurance investment on the overall profitability and safety margin of enterprises will be enhanced. The investment segment always adhere to the concept of “long-term investment and value investment”, and will continue to explore and optimise investment strategies under the low interest rate environment while deepening the professional capacity building of insurance investment.

Outlook of China Re Group

China Re Group will adhere to the drivers of “platform operation, technology advancement and globalisation”, and insist on profitable development, market benchmarks, holding out the bottom line of risk compliance and digital transformation. Taking into account the layout of the “14th Five-Year Plan” and the consideration of both capital efficiency and strategic value, we will focus on optimising the business structure, promote improvement of the overall capital efficiency of the Group, and continue to facilitate the transformation of China Re Group from rapid development to high-quality development. In response to the impact of the pandemic, we will focus on areas including overseas insurance business, domestic credit guarantee insurance business and pandemic-related investment business, continue to assess the updates of losses from the pandemic, strengthen penetrative management, and uphold the bottom line of not incurring major risks.

For the P&C reinsurance business, we will continue to facilitate the transformation and upgrading of our operating mode, optimise the customer service system and vigorously promote technology empowerment and innovation-driven development. We will consolidate our advantages in traditional business, actively infuse national development strategy, and seize new development opportunities; further foray into emerging business fields, serve the modernisation of social governance, and accelerate business innovation and transformation; expand the industry chain and cooperation network to promote the implementation of the reinsurance ecosystem; gear toward customers’ needs to continuously promote beforehand service and enhance service level. We will also facilitate the optimisation of structural adjustment of overseas business, enhance domestic and overseas business collaboration, strengthen international business risk management and improve business management capabilities to drive the high-quality development of overseas business. We will continuously facilitate the technology upgrade of catastrophe modelling framework and promote its commercial application, expand the application of artificial intelligence and blockchain technology in operation and management and continuously improve the level of digitisation, and intelligent technology application.

For the life and health reinsurance business, we will adhere to our strategic focus, actively promote supply side reforms such as products and services by focusing on major development opportunities such as the health insurance development of the industry, industrial integration and digital transformation, carefully evaluate business development strategies in a low interest rate environment, and actively prepare for the implementation of IFRS 17 and the “C-ROSS” Phase II project and continue to pay attention to industry policies and risk events. Focusing on “Data+” and “Product+”, we will vigorously expand business scale of the protection-type business, explore policy opportunities such as new critical illnesses, long-term medical care and inclusive medical care, innovate and upgrade product development and service integration, as well as continue to strengthen risk prevention and management to promote high-quality development of the protection-type business. We will strictly control operating cost, enhance the asset-liability matching and risk management of the savings-type business. We will meet our customers’ needs, strengthen counterparty risk management and existing business management, and develop the financial reinsurance business with innovative solutions under the principle of risk control. We will fully capitalise on “(domestic and overseas) dual-markets” and “(business and investment) dual-platforms” to achieve the collaborative development of business in domestic and overseas markets.

For the primary P&C insurance business, we will continuously optimise product structure, improve efficiency, reduce costs, achieving high-quality development to further consolidate our market position. In respect of the motor insurance, we will continuously put efforts in the technology empowerment and refined management, actively respond to the comprehensive reform of motor insurance, optimise the renewal and claims process, improve the business quality and strengthen the cost management and control to achieve high-quality development of motor insurance business. In respect of the non-motor insurance, we will further enhance risk management and effectively control risks. Meanwhile, we will seize opportunities presented by the post-pandemic development of non-motor insurance, and continue to deepen the “Non-motor Insurance Business” strategy, strive to make breakthroughs and achieve balanced development in policy-related and profitable insurance types. We will further promote the “China Continent Super APP” customer online application platform and continue to promote the in-depth implementation of the customer-oriented comprehensive operation model. We will fully enhance the abilities of online operation, digitisation and intelligent technology application, strengthen the abilities of technology innovation and application and facilitate transformation, so as to build a brand new model for customer management.

For the asset management business, we will continue to follow the orientation of internationalisation, marketisation and professionalisation to further enhance our investment management capabilities. We will continue to adhere to a steady and prudent investment concept and strengthen our judgement on the key factors such as the economic situation, market environment and interest rate trends, aiming to achieve more forward-looking and effective asset allocation. We will attach great importance to risk management, further increase our awareness of proactive risk management, continuously conduct comprehensive risk management, stress the management of and control over full-cycle process and focus on risk prevention and control as well as response plan for risks to achieve more forward-looking, targeted and effective risk management. We will strengthen the collaboration among different investment functions of the system, tap into the potential of business synergy with the main insurance businesses and make due efforts to develop third-party business to support the high-quality development of China Re Group.

EMBEDDED VALUE

1. Valuation Results

As at 31 December 2020, the China Re Group life and health reinsurance business includes the life and health reinsurance business of the Group Company and all business of China Re Life and China Re HK. Based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” issued by the China Association of Actuaries in November 2016 and industry practice for publicly listed companies in Hong Kong, we performed the China Re Group embedded value (“EV”) calculation as at 31 December 2020.

This section summarises the EV and the value of one year’s new business (“1-year VNB”) results as at 31 December 2020 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	31 Dec 2020	31 Dec 2019
Embedded Value		
Adjusted Net Worth (“ANW”)	99,151	91,031
Value of In-force Business (“VIF”) before CoC	11,497	10,880
Cost of Required Capital (“CoC”)	(4,042)	(3,458)
Value of In-force Business after CoC	7,455	7,422
Embedded Value	106,606	98,453
Of which:		
ANW of the life and health reinsurance business	25,752	20,462
VIF after CoC of the life and health reinsurance business	7,254	7,259
EV of the life and health reinsurance business	33,006	27,721
Value of One Year’s New Business of the life and health reinsurance business		
Value of One Year’s New Business before CoC	3,286	2,865
Cost of Required Capital	(940)	(647)
Value of One Year’s New Business after CoC	2,347	2,219

Note 1: Figures may not add up due to rounding, and the same applies in the tables below.

Note 2: Figures related to life and health reinsurance business only include business of China Re Life and China Re HK, which accounts for more than 99% of total life and health reinsurance business. The same applies in the tables below.

2. Assumptions

The assumptions used in the EV and 1-year VNB calculations as at the valuation date have been made under a “going concern” basis, assuming a continuation of the economic and regulatory environment currently prevailing in China. The calculation followed “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” and industry practice for publicly listed companies in Hong Kong. Various operating actuarial assumptions were set primarily based on internal experience analysis results, and with reference to the experience in the China insurance market and the outlook of future tendency of the experience assumptions. Therefore, this represents the best estimate of future valuation based on the information available as at the valuation date.

The assumptions below are used for the valuation of EV and value of one year’s new business as at 31 December 2020.

Risk Discount Rate

A 10.5% risk discount rate has been used to calculate value of in-force business and value of one year’s new business.

Investment Return Rates

The following table summarises the assumptions of investment return rates used for the value of in-force business and value of one year’s new business as at 31 December 2020:

	2021	2022	2023	2024-2030	2031+
Life and health reinsurance business of the Group Company and China Re Life					
Non asset-driven business	5.0%	5.0%	5.0%	5.0%	5.0%
Asset-driven business					
– Domestic Universal Life	6.0%	6.0%	5.0%	5.0%	5.0%
Asset-driven business					
– Domestic Other	6.0%	6.0%	6.0%	6.0%	5.0%
Asset-driven business					
– Overseas	6.0%	6.0%	6.0%	6.0%	5.0%
Life and health reinsurance business of China Re HK	4.3%	4.3%	4.3%	4.3%	4.3%

The assumptions shown above are determined with reference to the circumstances of current capital market, current and expected future asset allocations, and the investment returns of major asset classes.

Asset-driven business refers to the reinsurance business underwritten by China Re Life with relatively high required returns, which is backed by a segregated asset portfolio already in place with higher investment returns.

Policyholder Dividend

Policyholder dividend has been derived in accordance with the terms related to dividend accepted by the reinsurer as stipulated in the reinsurance contracts. The surplus of the participating business accepted is the sum of interest surplus and mortality surplus, and 70% of the corresponding surplus is assumed to be distributed to policyholders. The reinsurer is responsible for paying the amount of dividend according to the terms in the reinsurance contracts. Moreover, interest surplus is determined either based on the terms in the reinsurance contracts or the Group's assumptions for investment return rates.

Mortality and Morbidity

The assumptions of mortality and morbidity rates are based on the recent experience of China Re Group and the overall experience of China life and health insurance market. Mortality and morbidity assumptions vary by product categories.

Claim Ratio

The claim ratio assumptions are only relevant to short-term reinsurance business and YRT reinsurance business, and are determined on a contract-by-contract basis according to the claim experience of recent years.

Discontinuance Rates

The assumptions of discontinuance rates are determined based on the actual experience in recent years, current and future expectations, and the understanding of the overall China life and health insurance market. Discontinuance rate assumptions vary by product categories and premium payment types.

Expenses

The assumptions of expenses are determined based on recent experience, expense management and the expected future expense level of life and health reinsurance business. For per policy expense assumptions, the assumed annual inflation rate is 2%.

The commission rates, sliding scale commission rates and profit commission rates for short-term reinsurance business and YRT reinsurance business are determined according to recent experience on a contract-by-contract basis.

Tax

Currently, corporate income tax rates in the Chinese mainland market and the Hong Kong market are assumed to be 25% and 8.25% of taxable profit respectively. And some percentage of investment return is assumed to be tax free based on current experience and future expectation.

3. Sensitivity

We have performed a series of sensitivity tests on alternative assumptions for value of in-force business and value of one year's new business of the life and health reinsurance business of China Re Group as at 31 December 2020. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

Unit: in RMB millions

Scenarios	VIF after CoC	1-year VNB after CoC
Base Scenario	7,254	2,347
Risk discount rate increased by 100 basis points	6,429	2,142
Risk discount rate decreased by 100 basis points	8,199	2,572
Annual investment return rates increased by 50 basis points	8,724	2,803
Annual investment return rates decreased by 50 basis points	5,778	1,889
Mortality and morbidity rates increased by 10%	7,190	2,344
Mortality and morbidity rates decreased by 10%	7,320	2,350
Discontinuance rates increased by 10%	7,065	2,325
Discontinuance rates decreased by 10%	7,452	2,370
Expenses increased by 10%	7,113	2,296
Expenses decreased by 10%	7,396	2,397
Combined ratio of short-term reinsurance contracts increased by 1 percentage point on absolute basis	6,913	2,239
Combined ratio of short-term reinsurance contracts decreased by 1 percentage point on absolute basis	7,596	2,455

4. Movement Analysis

The table below shows the movement analysis of the EV of China Re Group for the period from 31 December 2019 to 31 December 2020.

Unit: in RMB millions

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2019	27,721	EV as at 2019 year end before model change
2	Model change	6	EV model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2019	27,727	EV as at 2019 year end after model change
4	Expected return on EV	2,498	Expected return on EV in the year of 2020
5	Impact of new business	2,192	Impact of new business in the year of 2020
6	Impact of market value adjustments and other adjustments	7	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	1,262	Difference between actual investment income and expected investment income in the year of 2020
8	Operating experience variances	167	Difference between actual operational experience and expected operational results in the year of 2020
9	Change in assumptions	65	Adjustments to assumptions at 31 December 2020
10	Others	(57)	
11	Capital injection and shareholder dividend payment	(855)	Capital injection to China Re Life and dividend paid to the Group Company by China Re Life
12	EV of life and health reinsurance business as at 31 December 2020	33,006	
13	EV of other business of the Group as at 31 December 2019	70,731	
14	Profit from other business in the year of 2020	4,093	
15	Impact of market value adjustments and other adjustments	(197)	Changes from asset market value adjustments and other adjustments
16	Others	(14)	
17	Capital injection and shareholder dividend payment	(1,014)	Capital injection to subsidiaries, dividend paid to the Group Company by subsidiaries and dividend paid to shareholders by China Re Group
18	EV of other business of the Group as at 31 December 2020	73,600	
19	EV of the Group as at 31 December 2020	106,606	

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as its corporate governance code. During the Reporting Period, the Company has been in compliance with the code provisions stipulated in the Corporate Governance Code and adopted recommended best practices under appropriate circumstances.

SECURITIES TRANSACTIONS

During the Reporting Period, the Company has adopted the Model Code for Securities Transactions as its own code in respect of dealings in securities by Directors and Supervisors. Upon enquiries made by the Company, and all the Directors and Supervisors confirmed that they had complied with the standards set out in the Model Code for Securities Transactions during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

Since the end of the financial year and up to the date of this results announcement, the Group did not have any important events.

FINAL DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2020 of RMB0.041 per share (tax inclusive), totalling approximately RMB1,742 million (the “**2020 Final Dividend**”). The 2020 Final Dividend is subject to the approval of shareholders of the Company at the 2020 annual general meeting, and is expected to be paid on Friday, 20 August 2021 to the shareholders of the Company whose names appear on the register of members of the Company as at Tuesday, 6 July 2021 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the interbank foreign exchange market for the last five business days up to and including the date of the 2020 annual general meeting published by China Foreign Exchange Trade System as authorised by the People’s Bank of China. The above profit distribution plan will not result in a lower indicator of the Company’s relevant solvency adequacy ratio than the regulatory requirements.

Notice of the 2020 annual general meeting will announce the date of the 2020 annual general meeting of the Company and details of relevant book closure, as well as the arrangement of book closure for the final dividend.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements for the year ended 31 December 2020 of the Group were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers. The audit committee of the Company has also reviewed the audited annual results of the Company for the year ended 31 December 2020. The figures in respect of the Group's results for the year ended 31 December 2020 as set out in this annual results announcement have been agreed by the auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and will be published on the website of the Company (www.chinare.com.cn) and HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

DEFINITIONS

“Belt and Road Initiative”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of our Company
“C-ROSS”	China Risk Oriented Solvency System, which is China’s second generation insurance solvency regulation system
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Central Huijin”	Central Huijin Investment Ltd.
“Chaucer”	the collective name of China Re International Holdings Limited, Chaucer Insurance Company Designated Activity Company and China Re Australia HoldCo Pty Ltd
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003. The Company holds 64.3% of its shares
“China Everbright Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a joint stock limited liability company incorporated in the PRC

“China Re AMC”	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
“China Re HK”	China Reinsurance (Hong Kong) Company Limited (中國再保險(香港)股份有限公司), a subsidiary of China Re Life licensed and incorporated by Hong Kong Insurance Authority on 16 December 2019
“China Re Life”	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003
“China Re P&C”	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
“China Re Syndicate 2088”	the syndicate established at Lloyd’s in December 2011 by the Company through China Re UK
“China Re UK”	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
“CIC”	Chaucer Insurance Company Designated Activity Company, a company registered in the Republic of Ireland
“CNIP”	China Nuclear Insurance Pool. CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C
“Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“CRAH”	China Re Australia HoldCo Pty Ltd, a company registered in Australia, the former name of which is Hanover Australia HoldCo Pty Ltd

“CRIH”	China Re International Holdings Limited, a company registered in England and Wales, the former name of which is The Hanover Insurance International Holdings Limited
“Director(s)”	the director(s) of the Company
“Great Wall Asset”	China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC
“Group”, “China Re Group” or “we”	our Company and its subsidiaries (except where the context requires otherwise)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huatai Insurance Agency”	Huatai Insurance Agency and Consultant Service Limited (華泰保險經紀有限公司), a subsidiary of the Company incorporated in the PRC on 1 March 1993. The Company holds 52.5% of its shares
“Lloyd’s”	The Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2020 until 31 December 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Supervisor(s)”	the supervisor(s) of the Company

On behalf of the Board
China Reinsurance (Group) Corporation
Zhu Xiaoyun
Joint Company Secretary

Beijing, the PRC, 29 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Yuan Linjiang and Mr. He Chunlei, the non-executive directors of the Company are Ms. Lu Xiuli, Mr. Wen Ning, Ms. Wang Xiaoya and Mr. Liu Xiaopeng, and the independent non-executive directors of the Company are Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo.