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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 2021**

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 2021 together with the comparative figures for the corresponding period in 2020, 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 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	2021	2020
Gross written premiums	4	162,731,563	161,573,844
Less: Premiums ceded to reinsurers and retrocessionaires	4	(14,974,700)	(12,103,874)
Net written premiums	4	147,756,863	149,469,970
Changes in unearned premium reserves	5	(3,716,921)	(3,387,576)
Net premiums earned		144,039,942	146,082,394
Reinsurance commission income		1,933,090	2,664,943
Investment income	6	14,764,050	15,688,533
Exchange gains and losses, net		23,278	98,062
Other income	7	3,213,257	3,661,183
Total income		<u>163,973,617</u>	<u>168,195,115</u>

	<i>Note</i>	2021	2020
Total income		<u>163,973,617</u>	<u>168,195,115</u>
Claims and policyholders' benefits	7	(117,504,269)	(116,661,419)
– Claims incurred		(73,259,898)	(66,347,190)
– Life and health reinsurance death and other benefits paid		(34,714,441)	(25,836,951)
– Changes in long-term life and health reinsurance contract liabilities		(9,529,930)	(24,477,278)
Handling charges and commissions		(22,120,576)	(24,911,677)
Finance costs		(2,051,817)	(1,748,652)
Other operating and administrative expenses		<u>(17,022,747)</u>	<u>(19,672,679)</u>
Total benefits, claims and expenses		<u>(158,699,409)</u>	<u>(162,994,427)</u>
Share of profits of associates		<u>2,294,929</u>	<u>2,097,055</u>
Profit before tax	8	<u>7,569,137</u>	<u>7,297,743</u>
Income tax	9	(1,178,765)	(1,373,909)
Profit for the year		<u>6,390,372</u>	<u>5,923,834</u>
Attributable to:			
Equity shareholders of the parent		6,362,777	5,710,531
Non-controlling interests		<u>27,595</u>	<u>213,303</u>
Profit for the year		<u>6,390,372</u>	<u>5,923,834</u>
Earnings per share (in RMB)	11		
– Basic		<u>0.15</u>	<u>0.13</u>
– Diluted		<u>0.15</u>	<u>0.13</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2021**(Expressed in thousands of Renminbi, unless otherwise stated)*

	2021	2020
Profit for the year	<u>6,390,372</u>	<u>5,923,834</u>
Other comprehensive income for the year after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	45,737	(13,865)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates, after tax	(78,279)	(59,178)
Available-for-sale financial assets, after tax	(4,775,147)	2,775,586
Exchange differences on translation of financial statements of foreign operations	<u>(147,152)</u>	<u>(404,286)</u>
Other comprehensive income for the year after tax	<u>(4,954,841)</u>	<u>2,298,257</u>
Total comprehensive income for the year	<u><u>1,435,531</u></u>	<u><u>8,222,091</u></u>
Attributable to:		
Equity shareholders of the parent	1,744,163	7,887,213
Non-controlling interests	<u>(308,632)</u>	<u>334,878</u>
Total comprehensive income for the year	<u><u>1,435,531</u></u>	<u><u>8,222,091</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Assets			
Cash and short-term time deposits		23,096,286	13,872,362
Financial assets at fair value through profit or loss		14,836,705	11,177,435
Derivative financial assets		436,422	246,287
Financial assets held under resale agreements		3,465,964	4,615,600
Premiums receivable	12	16,132,227	16,638,399
Reinsurance debtors	13	49,686,426	48,706,040
Investment contracts receivable		5,266,570	7,112,873
Reinsurers' share of insurance contract liabilities		21,039,827	19,724,423
Reinsurers' share of policy loans		628,518	563,501
Time deposits		21,365,996	19,904,638
Available-for-sale financial assets		177,765,796	163,649,766
Held-to-maturity investments		37,376,952	32,199,780
Investments classified as loans and receivables		39,097,068	41,236,325
Statutory deposits		18,844,502	18,044,502
Investment properties		6,257,961	6,477,825
Property and equipment		4,027,378	4,254,004
Right-of-use assets		1,250,371	1,333,175
Intangible assets		2,249,960	2,242,293
Investments in associates	14	26,193,714	25,758,482
Goodwill		1,597,205	1,606,768
Deferred tax assets		3,445,589	1,582,929
Other assets		26,377,337	12,629,665
Total assets		500,438,774	453,577,072

31 December	31 December
2021	2020

Liabilities and equity

Liabilities

Short-term borrowings	–	208,101
Financial liabilities at fair value through profit or loss	267,054	214,579
Derivative financial liabilities	–	172,014
Securities sold under agreements to repurchase	47,985,583	29,403,318
Reinsurance payables	19,115,393	16,284,145
Income tax payable	2,402,562	1,696,458
Policyholders' deposits	4,291,416	4,719,779
Investment contract liabilities	20,786,743	23,990,655
Insurance contract liabilities	257,959,374	229,496,289
Notes and bonds payable	22,556,059	22,748,255
Long-term borrowings	3,499,098	3,577,375
Lease liabilities	1,172,466	1,253,917
Deferred tax liabilities	1,045,492	1,291,583
Other liabilities	16,770,541	15,619,750

Total liabilities	397,851,781	350,676,218
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Equity

Share capital	42,479,808	42,479,808
Reserves	22,689,344	26,072,298
Retained profits	27,948,269	24,476,359

Total equity attributable to equity shareholders of the parent	93,117,421	93,028,465
Non-controlling interests	9,469,572	9,872,389

Total equity	102,586,993	102,900,854
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Total liabilities and equity	500,438,774	453,577,072
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent											
	Reserves											
	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
						remeasurement reserve						
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
Profit for the year	-	-	-	-	-	-	-	-	6,362,777	6,362,777	27,595	6,390,372
Other comprehensive income	-	-	-	-	-	45,737	(4,519,456)	(144,895)	-	(4,618,614)	(336,227)	(4,954,841)
Total comprehensive income	-	-	-	-	-	45,737	(4,519,456)	(144,895)	6,362,777	1,744,163	(308,632)	1,435,531
Appropriations to surplus reserve	-	-	258,640	-	-	-	-	-	(258,640)	-	-	-
Appropriations to general risk reserve	-	-	-	820,604	-	-	-	-	(820,604)	-	-	-
Appropriations to catastrophic loss reserve	-	-	-	-	69,951	-	-	-	(69,951)	-	-	-
Distributions to shareholders of the parent	-	-	-	-	-	-	-	-	(1,741,672)	(1,741,672)	-	(1,741,672)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(94,185)	(94,185)
Others	-	86,465	-	-	-	-	-	-	-	86,465	-	86,465
As at 31 December 2021	42,479,808	10,685,913	2,807,077	6,939,394	144,470	46,146	2,603,526	(537,182)	27,948,269	93,117,421	9,469,572	102,586,993

Attributable to equity shareholders of the parent

	Reserves											Total equity
	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	
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 loss reserve	-	-	-	-	64,551	-	-	-	(64,551)	-	-	-
Distributions to shareholders of the parent	-	-	-	-	-	-	-	-	(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	<u>42,479,808</u>	<u>10,599,448</u>	<u>2,548,437</u>	<u>6,118,790</u>	<u>74,519</u>	<u>409</u>	<u>7,122,982</u>	<u>(392,287)</u>	<u>24,476,359</u>	<u>93,028,465</u>	<u>9,872,389</u>	<u>102,900,854</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	2021	2020
Operating activities		
Cash generated from operations	11,230,699	35,519,561
Income tax paid	<u>(1,669,501)</u>	<u>(2,278,364)</u>
Net cash flows generated from operating activities	<u>9,561,198</u>	<u>33,241,197</u>
Investing activities		
Interests received	8,432,582	8,022,761
Dividends received	2,334,392	2,276,542
Purchases of property and equipment, investment properties and intangible assets	(442,697)	(897,409)
Proceeds from disposals of property and equipment, investment properties and intangible assets	27,508	25,737
Purchases of investments	(203,615,738)	(209,292,244)
Proceeds from disposals of investments	177,694,154	152,166,500
Disposals of associates	–	1,527,867
Investments in associates	<u>–</u>	<u>(1,171,010)</u>
Net cash flows used in investing activities	<u>(15,569,799)</u>	<u>(47,341,256)</u>

	2021	2020
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	300,668	40,001
Proceeds from notes and bonds payable	–	4,000,000
Proceeds from bank borrowings	–	369,875
Repayment of borrowings	(200,163)	(767,333)
Interests paid	(1,931,855)	(1,573,080)
Cash paid for lease liabilities	(419,804)	(469,216)
Dividends paid to equity shareholders of the parent	(1,741,672)	(1,861,398)
Dividends paid by subsidiaries to non-controlling interests	(94,185)	(303,823)
Net proceeds from securities sold under agreements to repurchase	18,098,585	8,521,734
Net cash flows generated from financing activities	14,011,574	7,956,760
Net increase/(decrease) in cash and cash equivalents	8,002,973	(6,143,299)
Cash and cash equivalents at the beginning of the year	14,837,049	21,267,582
Effect of foreign exchange rate changes	(636,191)	(287,234)
Cash and cash equivalents at the end of the year	22,203,831	14,837,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(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 2021 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 2021

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark (IBOR) Reform –Phase 2

In August 2020, the IASB issued IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments Interest Rate Benchmark Reform – Phase 2. The amendments address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark rate. The key reliefs provided by the Phase 2 amendments are as follows:

Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.

Hedge accounting. The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain financial instruments denominated in US dollars and Euros based on the London Interbank Offered Rate (“**LIBOR**”) and the Europe Interbank Offered Rate (“**EURIBOR**”) as at 31 December 2021. If the interest rates of these financial instruments are replaced by alternative benchmark rates in a future period, the Group will apply this practical expedient upon the modification of these financial instruments when the “economically equivalent” criterion is met and expects that no significant modification gain or loss for the Group will arise as a result of applying the amendments to these changes.

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Based on the current assessment, the Group expects that the adoption of IFRS 9 will have a significant impact on the Group’s consolidated financial statements. The Group adopts the temporary exemption permitted in Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (“**IFRS 4 Amendment**”) to apply IAS 39 rather than IFRS 9, until the effective date of IFRS 17.

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business models (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income (“**FVOCI**”) or fair value through profit or loss (“**FVTPL**”), based on their respective business models.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealised gains and losses on equity instruments currently classified as available-for-sale securities being recorded in income going forward. Currently, these unrealised gains and losses are recognized in other comprehensive income (“OCI”). If the Group elects to record equity investments at FVOCI, gains and losses would be recognised in retained earnings when the instruments be disposed, except for the received dividends which do not represent a recovery of part of the investment cost.

Impairment

IFRS 9 replaces the “incurred loss” model with the “expected credit loss” model which is designed to include forward-looking information. If the expected credit loss model was to be applied by the Group, the Group believed that the provision for the accumulated amount of impairment loss to be recognized by the Group would be generally increased as compared to the accumulated amount recognized under the previous “incurred loss” model.

Hedge accounting

The Group concludes that the new hedge accounting model under IFRS 9 will have no significant impact on the Group’s consolidated financial statements.

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 2023, 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’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 2021**

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. 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 70% 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.

	2021						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	51,954,499	69,373,704	43,496,148	–	–	(2,092,788)	162,731,563
Less: Premiums ceded to reinsurers and retrocessionaires	(4,453,854)	(8,156,646)	(4,456,152)	–	–	2,091,952	(14,974,700)
Net written premiums	47,500,645	61,217,058	39,039,996	–	–	(836)	147,756,863
Changes in unearned premium reserves	(2,110,926)	(1,421,046)	(184,099)	–	–	(850)	(3,716,921)
Net premiums earned	45,389,719	59,796,012	38,855,897	–	–	(1,686)	144,039,942
Reinsurance commission income	572,025	816,151	1,227,384	–	–	(682,470)	1,933,090
Investment income(Note)	3,300,372	7,091,276	2,895,081	1,328,941	2,018,261	(1,869,881)	14,764,050
Exchange gains/(losses), net	212,655	101,724	(21,438)	(218,784)	(10,737)	(40,142)	23,278
Other income	145,098	2,347,112	136,555	834,687	625,983	(876,178)	3,213,257
Total income	49,619,869	70,152,275	43,093,479	1,944,844	2,633,507	(3,470,357)	163,973,617
– External income	47,820,599	69,926,209	44,390,053	1,176,719	660,037	–	163,973,617
– Inter-segment income	1,799,270	226,066	(1,296,574)	768,125	1,973,470	(3,470,357)	–
Claims and policyholders' benefits	(29,812,068)	(60,144,634)	(27,547,644)	–	–	77	(117,504,269)
– Claims incurred	(29,812,068)	(15,900,263)	(27,547,644)	–	–	77	(73,259,898)
– Life and health reinsurance death and other benefits paid	–	(34,714,441)	–	–	–	–	(34,714,441)
– Changes in long-term life and health reinsurance contract liabilities	–	(9,529,930)	–	–	–	–	(9,529,930)
Handling charges and commissions	(13,765,729)	(4,832,780)	(4,213,341)	–	–	691,274	(22,120,576)
Finance costs	(835,367)	(640,972)	(144,873)	(353,121)	(77,484)	–	(2,051,817)
Other operating and administrative expenses	(2,485,943)	(2,339,215)	(11,328,419)	(469,324)	(1,302,162)	902,316	(17,022,747)
Total benefits, claims and expenses	(46,899,107)	(67,957,601)	(43,234,277)	(822,445)	(1,379,646)	1,593,667	(158,699,409)
Share of profits of associates	329,004	1,186,831	147,715	10,772	927,937	(307,330)	2,294,929
Profit before tax	3,049,766	3,381,505	6,917	1,133,171	2,181,798	(2,184,020)	7,569,137
Income tax	(380,390)	(671,486)	51,888	(133,148)	(45,629)	–	(1,178,765)
Profit for the year	2,669,376	2,710,019	58,805	1,000,023	2,136,169	(2,184,020)	6,390,372

Note: Investment income of the others segment in 2021 includes dividends from subsidiaries of RMB1,855 million.

	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.

2021

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	135,201,966	241,542,776	83,828,572	14,624,075	64,427,227	(39,185,842)	500,438,774
Segment liabilities	(106,719,076)	(217,032,837)	(57,642,425)	(10,654,085)	(11,167,804)	5,364,446	(397,851,781)
Other segment information							
Capital expenditures	(68,798)	(27,532)	(311,022)	(9,526)	(42,974)	–	(459,852)
Depreciation and amortisation	(169,262)	(122,332)	(823,189)	(15,989)	(107,274)	–	(1,238,046)
Interest income	2,483,659	5,510,429	1,546,923	145,475	505,993	(11,583)	10,180,896
Financial assets impairment loss charges	(323,627)	(721,500)	(229,064)	(3,089)	(125,540)	–	(1,402,820)
Other impairment loss charges	(12,448)	–	(259,305)	(16,153)	(2,820)	–	(290,726)

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)

4 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	2021	2020
Long-term life and health reinsurance	43,224,293	45,965,104
Short-term life and health reinsurance	25,904,024	20,864,594
Property and casualty reinsurance	44,313,967	41,898,087
Primary property and casualty insurance	49,289,279	52,846,059
Total	<u>162,731,563</u>	<u>161,573,844</u>

(b) Premiums ceded to reinsurers and retrocessionaires

	2021	2020
Long-term life and health reinsurance	2,962,505	552,631
Short-term life and health reinsurance	5,184,737	4,729,823
Property and casualty reinsurance	2,217,875	2,623,981
Primary property and casualty insurance	4,609,583	4,197,439
Total	<u>14,974,700</u>	<u>12,103,874</u>

(c) Net written premiums

	2021	2020
Net written premiums	<u>147,756,863</u>	<u>149,469,970</u>

5 CHANGES IN UNEARNED PREMIUM RESERVES

	2021	2020
Short-term life and health reinsurance	1,445,787	989,745
Property and casualty reinsurance	1,803,863	1,220,036
Primary property and casualty insurance	467,271	1,177,795
Total	<u>3,716,921</u>	<u>3,387,576</u>

6 INVESTMENT INCOME

	2021	2020
Interest, dividend and rental income (a)	12,149,698	11,403,166
Realised gains (b)	4,377,169	5,287,410
Unrealised (losses)/gains (c)	(359,997)	207,111
Negative goodwill arising from investments in associates	–	350,602
Impairment losses on financial assets (d)	(1,402,820)	(1,290,369)
Impairment losses on investments in associates	–	(269,387)
Total	14,764,050	15,688,533

(a) Interest, dividend and rental income

	2021	2020
Interest income		
Current and time deposits	1,667,450	1,490,869
Fixed maturity investment		
– Held-to-maturity investment	1,761,834	1,732,220
– Available-for-sale financial assets	4,720,856	3,834,102
– Financial assets at fair value through profit or loss	113,529	82,814
– Investments classified as loans and receivables	1,832,831	2,323,908
Financial assets held under resale agreements	78,427	72,564
Reinsurers' share of policy loans	5,969	7,289
Subtotal	10,180,896	9,543,766
Dividend income		
Equity securities		
– Available-for-sale financial assets	1,652,550	1,523,448
– Financial assets at fair value through profit or loss	60,947	112,789
Subtotal	1,713,497	1,636,237
Rental income from investment properties	255,305	223,163
Total	12,149,698	11,403,166

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

	2021	2020
Dividend income		
Listed securities	606,336	563,457
Unlisted securities	1,107,161	1,072,780
Total	1,713,497	1,636,237

(b) Realised gains

	2021	2020
Fixed maturity investment		
– Available-for-sale financial assets	(68,113)	144,633
– Financial assets at fair value through profit or loss	(96,566)	32,558
Equity securities		
– Available-for-sale financial assets	4,868,140	4,437,809
– Financial assets at fair value through profit or loss	495,480	606,290
– Investments in associates	(855,543)	(74,910)
Derivative financial instruments	33,771	141,030
Total	<u>4,377,169</u>	<u>5,287,410</u>

(c) Unrealised (losses)/gains

	2021	2020
Financial assets at fair value through profit or loss	(512,060)	315,861
Financial liabilities at fair value through profit or loss	(52,475)	(214,579)
Derivative financial assets	(8,438)	107,523
Derivative financial liabilities	212,976	(1,694)
Total	<u>(359,997)</u>	<u>207,111</u>

(d) Impairment losses on financial assets

	2021	2020
Fixed maturity investment		
– Investments classified as loans and receivables	(1,125,401)	(990,638)
– Available-for-sale financial assets	(213,803)	–
Equity securities		
– Available-for-sale financial assets	(63,616)	(299,731)
Total	<u>(1,402,820)</u>	<u>(1,290,369)</u>

7 CLAIMS AND POLICYHOLDERS' BENEFITS

	Gross	2021 Ceded	Net
Claims incurred	80,914,982	(7,655,084)	73,259,898
– Short-term life and health reinsurance	20,180,451	(4,401,695)	15,778,756
– Property and casualty reinsurance	27,710,444	(860,068)	26,850,376
– Primary property and casualty insurance	33,024,087	(2,393,321)	30,630,766
Life and health reinsurance death and other benefits paid	35,971,961	(1,257,520)	34,714,441
Changes in long-term life and health reinsurance contract liabilities	11,391,865	(1,861,935)	9,529,930
Total	<u>128,278,808</u>	<u>(10,774,539)</u>	<u>117,504,269</u>
	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>

8 PROFIT BEFORE TAX

Profit before tax is recognised at after deducting the following items:

	2021	2020
Employee costs (including directors' and supervisors' emoluments) (a) (note)	6,968,556	6,538,741
Depreciation of property and equipment (note)	363,645	316,000
Depreciation of investment properties (note)	219,864	255,398
Amortisation of intangible assets (note)	247,277	193,721
Depreciation of right-of-use assets (note)	407,260	451,397
Rental expenses (note)	151,668	153,311
Auditors' remuneration	9,600	10,545
Impairment losses on available-for-sale financial assets	277,419	299,731
Impairment losses on investments classified as loans and receivables	1,125,401	990,638
Impairment losses on premiums receivable	161,847	203,666
Impairment losses of reinsurance debtors	12,448	43,371
Impairment losses in associates	–	269,387
Impairment losses on other assets	116,431	101,905

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)

	2021	2020
Salaries, allowances and performance related bonuses	6,461,263	6,346,830
Defined contribution plan	502,690	183,403
Defined benefit retirement plan	4,603	8,508
Total	<u>6,968,556</u>	<u>6,538,741</u>

9 INCOME TAX

	2021	2020
Current income tax		
Charge for the year	2,556,673	2,819,360
Adjustments in respect of prior years	(10,519)	11,350
Deferred income tax	(1,367,389)	(1,456,801)
Total	<u>1,178,765</u>	<u>1,373,909</u>

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

	2021	2020
Profit before tax	7,569,137	7,297,743
Tax at the applicable tax rate of 25%	1,892,284	1,824,436
The effect of different tax rates of other countries and regions (i)	(52,948)	(6,687)
Tax effect of non-deductible expenses	117,206	81,924
Tax effect of non-taxable income	(835,300)	(597,696)
Unused tax losses for which no deferred tax asset has been recognised	64,515	15,776
Previously unrecognised tax losses used to reduce deferred tax expense	(15,046)	(1,621)
Adjustments for prior years	(10,519)	11,350
Withheld income tax on dividends received from associates	18,573	46,427
Income tax	<u>1,178,765</u>	<u>1,373,909</u>

- (i) The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the year ended 31 December 2021 (the year ended 31 December 2020: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10 DIVIDENDS

	2021	2020
In respect of previous year:		
2020 final dividend (declared in 2021): RMB0.041 per ordinary share	1,741,672	
2019 final dividend (declared in 2020): RMB0.044 per ordinary share		1,869,112

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.

	2021	2020
Net profit attributable to the equity shareholders of the parent	6,362,777	5,710,531
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.15	0.13

There were no potential diluted ordinary shares in issue during the year ended 31 December 2021 (31 December 2020: Nil), so the diluted earnings per share were the same as the basic earnings per share.

12 PREMIUMS RECEIVABLE

	31 December 2021	31 December 2020
Premiums receivable	16,844,105	17,188,332
Less: impairment provision	<u>(711,878)</u>	<u>(549,933)</u>
Premiums receivable, net	<u><u>16,132,227</u></u>	<u><u>16,638,399</u></u>

(a) Aging analysis

	31 December 2021	31 December 2020
Within 3 months (inclusive)	15,486,430	16,016,401
3 months to 1 year (inclusive)	741,930	689,158
1 to 2 years (inclusive)	267,547	227,353
Over 2 years	<u>348,198</u>	<u>255,420</u>
Total	16,844,105	17,188,332
Less: impairment provision	<u>(711,878)</u>	<u>(549,933)</u>
Net	<u><u>16,132,227</u></u>	<u><u>16,638,399</u></u>

(b) Impairment provision of premiums receivable

	2021	2020
At the beginning of the year	549,933	346,371
Net charge for the period	161,847	203,666
Exchange difference	<u>98</u>	<u>(104)</u>
At the end of the year	<u><u>711,878</u></u>	<u><u>549,933</u></u>

13 REINSURANCE DEBTORS

	31 December 2021	31 December 2020
Reinsurance debtors	49,867,583	48,876,562
Less: impairment provision	(181,157)	(170,522)
Reinsurance debtors, net	<u>49,686,426</u>	<u>48,706,040</u>

(a) Aging analysis

	31 December 2021	31 December 2020
Within 3 months (inclusive)	44,815,283	42,095,252
3 months to 1 year (inclusive)	3,472,110	5,075,816
1 to 2 years (inclusive)	732,721	861,480
Over 2 years	847,469	844,014
Total	49,867,583	48,876,562
Less: impairment provision	(181,157)	(170,522)
Net	<u>49,686,426</u>	<u>48,706,040</u>

(b) Impairment provision of reinsurance debtors

	2021	2020
At the beginning of the year	170,522	131,478
Charge for the year	17,140	43,371
Reversal for the year	(4,692)	—
Exchange difference	(1,813)	(4,327)
At the end of the year	<u>181,157</u>	<u>170,522</u>

14 INVESTMENTS IN ASSOCIATES

	31 December 2021	31 December 2020
Carrying amount		
– Listed shares	18,784,160	18,533,201
– Unlisted shares	7,409,554	7,225,281
Total	26,193,714	25,758,482

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

Name of associate	Place of incorporation and business <i>(in RMB millions)</i>	Registered capital	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 2021	4.29%	1.46%	2.83%
31 December 2020	4.29%	1.46%	2.83%

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 2021, the market value of the Group's investment in CEB was RMB5,674 million (31 December 2020: RMB6,382 million).

15 SHARE CAPITAL

	31 December 2021	31 December 2020
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 2021, 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 businesses. We operate our domestic and overseas P&C reinsurance business primarily through China Re P&C, Chaucer and Singapore Branch; our domestic and overseas life and health reinsurance business primarily through China Re Life, China Re HK and Singapore Branch; our domestic and overseas primary P&C insurance business primarily through China Continent Insurance and 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 P&C reinsurance business through China Re P&C, and manages 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		
	2021	2020	Change (%)
Gross written premiums	162,732	161,574	0.7
Gross written premiums by business segment:			
P&C reinsurance ¹	51,954	48,573	7.0
Life and health reinsurance ¹	69,374	66,957	3.6
Primary P&C insurance ¹	43,496	48,167	(9.7)
Total investment income ²	16,275	17,122	(4.9)
Total investment yield (%) ³	5.17	6.01	Decrease by 0.84 percentage points
Net investment income ⁴	14,445	13,500	7.0
Net investment yield (%) ⁵	4.59	4.74	Decrease by 0.15 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 income = Investment income + share of profits of associates – interest expenses on securities sold under agreements to repurchase.
3. Total investment yield = Total investment income ÷ average of total investment assets as at the beginning and end of the period.
4. Net investment income = Interest + dividend + rental income + share of profits of associates.
5. Net investment yield = Net investment income ÷ average of total investment assets as at the beginning and end of the period.

	As at 31 December 2021		As at 31 December 2020	
	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)
China Re Group	185	209	189	215
Group Company	600	600	599	599
China Re P&C	158	214	169	231
China Re Life	187	215	195	229
China Continent Insurance	369	369	338	338

In 2021, China Re Group adhered to the general tone of “making progress while ensuring stability”, insisted on the operational policy of “stabilising growth, adjusting structure, controlling risk, and increasing profitability”. We continued to implement the new development concept, meet the new development requirements and construct the new development pattern, therefore achieving a good opening of high-quality development for the “14th Five-Year” Plan.

Our core reinsurance business maintained its solid market position and we maintained the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. We also maintained leading market share in domestic primary P&C insurance business.

In 2021, we made steady progress in operation and management. First, the premium volume grew steadily. The Group’s gross written premiums amounted to RMB162,732 million, representing a year-on-year increase of 0.7%; we achieved steady growth in domestic P&C reinsurance and life and health reinsurance businesses while maintained rapid growth in overseas business; in 2021, the Group was recognised as one of the “Top 500 Global Companies” by FORTUNE magazine. Second, the operation results improved steadily. The net profit amounted to RMB6,390 million, representing a year-on-year increase of 7.9%; the weighted average return on equity reached 6.84%, representing a year-on-year increase of 0.50 percentage points. Third, the structural adjustment advanced constantly. The Group’s premium income from overseas businesses accounted for 18.9%, representing a year-on-year increase of 2.3 percentage points, among which, the P&C reinsurance overseas businesses accounted for 32.4%, representing a year-on-year increase of 1.5 percentage points; the protection-type business in life and health reinsurance business accounted for 37.6%, representing a year-on-year increase of 6.5 percentage points; the non-motor business in primary P&C insurance business accounted for 48.0%, representing a year-on-year increase of 4.5 percentage points. Fourth, the overall risk was under control. The risk management system continuously improved, the risk management and control measures steadily enhanced, and the solvency and international ratings remained stable. 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 2021, the Group’s total investment yield was 5.17% and the net investment yield was 4.59%, both representing a year-on-year decrease. Affected by the downturn of domestic and overseas equity markets, there was a year-on-year decrease in the investment income of equity and funds, thus a year-on-year decrease in the total investment income. As the scale of assets reached a year-on-year increase, the total investment yield resulted in a year-on-year decrease. Affected by the downturn in interest rates, the coupon rate for reinvestment at maturity decreased while the scale of assets increased year-on-year, resulting in a year-on-year decrease in the net investment yield.

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		
	2021	2020	Change (%)
Gross written premiums	162,732	161,574	0.7
Profit before tax	7,569	7,298	3.7
Net Profit	6,390	5,924	7.9
Net profit attributable to equity shareholders of the parent company	6,363	5,711	11.4
Earnings per share (RMB)	0.15	0.13	11.4
Weighted average return on equity (%) ¹	6.84	6.34	Increase by 0.50 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 2021, net profit attributable to equity shareholders of the parent company of the Group amounted to RMB6,363 million, representing a year-on-year increase of 11.4%, which was mainly due to improvement of the underwriting profits of the overseas business as a result of the structure optimisation and rates increase of the overseas business.

Unit: in RMB millions, unless otherwise stated

	2021 As at 31 December	2020 As at 31 December	Change (%)
Total assets	500,439	453,577	10.3
Total liabilities	397,852	350,676	13.5
Total equity	102,587	102,901	(0.3)
Net assets per share attributable to equity shareholders of the parent company (RMB)	2.19	2.19	0.1

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

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 2021, 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 construction inherent defects insurance (IDI), short-term health insurance, Chinese interest abroad projects insurance, construction surety bond insurance, catastrophe insurance, intellectual property insurance and safety production liability umbrella excess of loss insurance, and thus our business structure continued to optimise.

For overseas business, we continued to take high-quality development as the long-term development goal of our international business in optimising management mechanism and strengthening risk management and control. Our operating results improved significantly with an adjusted business portfolio. 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 domestic and overseas operating entities' underwriting capacity, facilitate business development, optimise the risk portfolio and promote the Belt and Road related business development.

In 2021, gross written premiums from our P&C reinsurance segment amounted to RMB51,954 million, representing a year-on-year increase of 7.0% and accounting for 31.5% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB2,669 million, representing a year-on-year increase of 47.9%, and the weighted average return on equity reached 9.76%. The combined ratio was 99.39%, representing a year-on-year decrease of 2.72 percentage points, of which the loss ratio was 65.68%, representing a year-on-year increase of 0.62 percentage points; the expense ratio was 33.71%, representing a year-on-year decrease of 3.34 percentage points. The decrease in the combined ratio was mainly due to the significantly improved underwriting performance of overseas business as a result of (i) high combined ratio of overseas business in the same period last year as affected by the pandemic; and (ii) optimised business structure and controlled business risks as we seized the opportunity of rising rates in overseas markets.

Business Analysis

Domestic P&C Reinsurance Business

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In 2021, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB35,027 million, representing a year-on-year increase of 5.0%. The combined ratio was 99.95%, representing a year-on-year increase of 0.17 percentage points, which was mainly due to the impact of the comprehensive reform of motor insurance.

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

	For the year ended 31 December		Change
	2021	2020	
Loss ratio (%)	68.62	63.22	Increase by 5.40 percentage points
Expense ratio (%)	31.33	36.56	Decrease by 5.23 percentage points
Combined ratio (%)	99.95	99.78	Increase by 0.17 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.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	32,828	93.7	30,909	92.7
Facultative reinsurance ¹	2,199	6.3	2,442	7.3
Total	35,027	100.0	33,351	100.0

Note: 1. Pursuant to the definition of facultative reinsurance business in the Provisions on the Administration of Reinsurance Business (Decree No.8 of the CBIRC in 2021), facultative obligatory reinsurance was no longer included in facultative reinsurance business in 2021. For better comparability, after excluding the written premiums of facultative obligatory reinsurance for the reporting periods indicated, the premium of facultative reinsurance business for 2021 amounted to RMB1,144 million, representing a year-on-year increase of 8.8% from comparable calibre.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	34,679	99.0	32,798	98.3
Non-proportional reinsurance	348	1.0	553	1.7
Total	35,027	100.0	33,351	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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Primary	32,713	93.4	31,163	93.4
Via broker	2,314	6.6	2,188	6.6
Total	35,027	100.0	33,351	100.0

Lines of Business

As the largest domestic specialised 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 2021 amounted to RMB26,928 million, representing a year-on-year increase of 14.4%. Non-motor insurance business accounted for 76.9% of our overall gross written premiums, representing a year-on-year increase of 6.3 percentage points, further optimising the business structure. In particular, we achieved a rapid growth in emerging business sectors such as the construction inherent defects insurance (IDI), short-term health insurance, Chinese interest abroad projects insurance, construction surety bond insurance, catastrophe insurance, intellectual property insurance and safety production liability umbrella excess of loss insurance, with reinsurance premium income recorded at RMB2,096 million, representing a year-on-year increase of 29.6%, 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				
	2021		YoY Change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Motor	8,099	23.1	(17.5)	9,814	29.4
Agriculture	8,062	23.0	3.0	7,825	23.5
Commercial property	6,783	19.4	25.2	5,418	16.2
Liability	4,924	14.1	29.5	3,803	11.4
Engineering	2,690	7.7	27.1	2,116	6.3
Others ¹	4,469	12.7	2.1	4,375	13.2
Total	35,027	100.0	5.0	33,351	100.0

Note: 1. Others include, among others, guarantee, cargo, marine hull, speciality and accident insurance.

Motor reinsurance. In 2021, reinsurance premium income from motor insurance amounted to RMB8,099 million, representing a year-on-year decrease of 17.5%, mainly due to the decline in the premium volume of the motor insurance business as a result of the influence of the comprehensive reform of motor insurance in primary insurance market.

Agriculture reinsurance. In 2021, reinsurance premium income from agriculture insurance amounted to RMB8,062 million, representing a year-on-year increase of 3.0%. We are actively exploring the dual development of developing commercial agriculture insurance and strengthening policy agriculture insurance, promoting innovation of our agricultural insurance products.

Commercial property reinsurance. In 2021, reinsurance premium income from our commercial property insurance amounted to RMB6,783 million, representing a year-on-year increase of 25.2%, mainly due to the increase in premiums ceded to reinsurers of certain customers.

Liability reinsurance. In 2021, reinsurance premium income from liability insurance amounted to RMB4,924 million, representing a year-on-year increase of 29.5%, 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 construction inherent defects insurance (IDI).

Engineering reinsurance. In 2021, reinsurance premium income from engineering insurance business amounted to RMB2,690 million, representing a year-on-year increase of 27.1%, mainly due to the increase in premiums ceded to reinsurers of certain customers.

Clients and Client Services

In 2021, we continued to maintain good client relationships. We maintained stable cooperation relationships with major P&C insurance companies in the PRC 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 clients’ needs and improving the establishment of a client service system. We actively explored and implemented innovative approaches to client services. 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.

Overseas P&C Reinsurance and Chaucer Business

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 described in this section refers to overseas P&C reinsurance and overseas primary P&C insurance business operated by the entities of Chaucer.

In 2021, we seized the overall trend of rising rates to expand the scale of our businesses with prominent advantages and actively adjusted our business portfolio, which resulted in enhanced business quality and improved operating efficiency. Gross written premiums from our overseas P&C reinsurance and Chaucer business amounted to RMB16,824 million, representing a year-on-year increase of 12.0%. The combined ratio was 97.32%, representing a year-on-year decrease of 11.40 percentage points.

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

	For the year ended 31 December		
	2021	2020	Change
Loss ratio (%)	58.47	69.79	Decrease by 11.32 percentage points
Expense ratio (%)	38.85	38.93	Decrease by 0.08 percentage points
Combined ratio (%)	97.32	108.72	Decrease by 11.40 percentage points

Overseas P&C Reinsurance Business

In 2021, gross written premiums from our overseas P&C reinsurance business amounted to RMB3,487 million, representing a year-on-year decrease of 12.1%. The decrease in written premiums was mainly due to (i) our active adjustment of business structure and optimisation of business portfolio and (ii) the China Re Syndicate 2088 business completed reinsurance to close.

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

	For the year ended 31 December		
	2021	2020	Change
Loss ratio (%)	76.17	87.06	Decrease by 10.89 percentage points
Expense ratio (%)	28.58	32.82	Decrease by 4.24 percentage points
Combined ratio (%)	104.75	119.88	Decrease by 15.13 percentage points

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	3,313	95.0	3,560	89.7
Facultative reinsurance	209	6.0	298	7.5
Primary insurance	(35)	(1.0)	110	2.8
Total	3,487	100.0	3,968	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				
	2021		YoY change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Non-marine	2,525	72.4	(6.9)	2,711	68.3
Specialty	443	12.7	(18.6)	544	13.7
Liability	197	5.7	(39.4)	325	8.2
Others ¹	322	9.2	(17.0)	388	9.8
Total	3,487	100.0	(12.1)	3,968	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 practise, 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 2021, the gross written premiums from Chaucer amounted to RMB13,337 million, representing a year-on-year increase of 20.7%. The combined ratio was 94.81%¹, representing a year-on-year decrease of 8.83 percentage points, the return on economic capital² (ROEC) was 14.8%. The primary reason for the decrease in combined ratio was that: by leveraging its own strengths, Chaucer seized the overall trend of rising rates by supplementing its capital and underwriting capabilities timely to expand its business, especially its businesses lines of property and specialty reinsurance, political violence insurance, marine insurance, primary P&C insurance and primary liability insurance, further expanding the scale of its advantageous businesses. At the same time, we made efforts to improve the policy terms and conditions, and took initiatives to adjust the underperforming businesses, hence our overall business quality has further been improved. Although affected by the catastrophic loss of the market in 2021, the effect was controllable and within expectation. The premium of contracts led by Chaucer accounted for approximately 52% of its overall gross written premiums. Chaucer is one of a limited number of Lloyd's market entities that gained market recognition and support in respect of both of its underwriting and claims fronts.

The following table sets forth the loss ratio, expense ratio and combined ratio of Chaucer business for the reporting periods indicated:

	For the year ended 31 December		Change
	2021	2020	
Loss ratio (%)	52.48	61.91	Decrease by 9.43 percentage points
Expense ratio (%)	42.33	41.73	Increase by 0.60 percentage points
Combined ratio (%)	94.81	103.64	Decrease by 8.83 percentage points

- Note:*
1. Under the UK GAAP, the combined ratio of Chaucer was 91.20%, which was different from that under the International Accounting Standards mainly due to the different treatment for exchange gains and losses as well as reserve discounting and risk margin.
 2. Return on economic capital = the net profit of Chaucer's statement under the UK GAAP (Management Information)/economic capital.

In terms of types of business and lines of business, Chaucer business consists of treaty reinsurance, facultative reinsurance and primary insurance. Of which treaty reinsurance business primarily provided coverage for property, specialty and casualty reinsurance worldwide; and 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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	5,065	38.0	3,441	31.1
Facultative reinsurance	2,088	15.7	2,620	23.7
Primary insurance	6,184	46.3	4,988	45.2
Total	13,337	100.0	11,049	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				
	2021		YoY change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Casualty and political risk/credit insurance	3,711	27.8	17.8	3,149	28.5
Marine, energy, space and aviation, nuclear insurance	2,873	21.6	17.5	2,446	22.1
Property and political violence insurance	2,419	18.1	27.2	1,901	17.2
Others ¹	4,334	32.5	22.0	3,553	32.2
Total	13,337	100.0	20.7	11,049	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 the main source of business of Chaucer. 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 that has rich experience in insurance sector. The current senior management team has an average term in office of Chaucer for approximately 17 years, and has an entrepreneurial approach to business. We deliver customised risk solutions to the market with more than 110 experienced underwriters having distinctive capabilities across 45 specialty lines, including political risk and 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. In addition, 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 branches for Europe, the Middle East and North Africa, Latin 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 GBP1.1 billion, making us one of the leading platforms with substantial contract leadership capabilities in Lloyd's market. In response to Brexit, Syndicates 1084 and 1176 under Chaucer carried out underwriting business through Lloyd's Europe located in Brussels, Belgium in 2021. On the other hand, CIC provides 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 the EU markets to offer customers more flexible options after Brexit. A branch of CIC established in Bermuda in 2020 provides professional underwriting services to North American customers through professional reinsurance products such as property insurance, liability insurance and specialty insurance. In October 2021, S&P Global Ratings raised the long-term credit and financial rating of CIC from A- to A, fully reflecting the significant strategic role CIC has in China Re Group's international strategy. Furthermore, the brand strength and global reputation of China Re Group have brought Chaucer many new business opportunities, including providing underwriting support to the Belt and Road related enterprises.

In terms of product innovation, we increased investment in this aspect and endeavoured to leverage digital solution to provide innovative products while offering more intelligent and efficient underwriting capabilities. For example, developing and applying a next-generation underwriting platform for high-volume specialty products, and integration into 'business as usual' of the first phase of Chaucer's new cloud-based policy administration system in 2020.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In 2021, our reinsurance premium income from business via the CNIP platform amounted to RMB131 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		
	2021	2020	Change (%)
Gross written premiums	51,954	48,573	7.0
Less: Premiums ceded to reinsurers and retrocessionaires	(4,454)	(4,268)	4.4
Net written premiums	47,501	44,305	7.2
Changes in unearned premium reserves	(2,111)	(1,423)	48.3
Net premiums earned	45,390	42,882	5.9
Reinsurance commission income	572	541	5.7
Investment income	3,300	3,621	(8.9)
Exchange gains/(losses), net	213	67	217.9
Other income	145	126	15.1
Total income	49,620	47,238	5.0
Claims and policyholders' benefits	(29,812)	(27,897)	6.9
Handling charges and commissions	(13,766)	(14,735)	(6.6)
Finance costs	(835)	(604)	38.2
Other operating and administrative expenses	(2,486)	(2,101)	18.3
Total benefits, claims and expenses	(46,899)	(45,337)	3.5
Share of profits and losses of associates	329	168	95.8
Profit before tax	3,050	2,068	47.5
Income tax	(380)	(262)	45.0
Net profit	2,669	1,805	47.9

Note: 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 7.0% from RMB48,573 million in 2020 to RMB51,954 million in 2021, mainly because (i) domestic businesses seized market opportunities and adjusted business structures to achieve growth in the non-motor reinsurance business; (ii) the premium in the Chaucer business increased. Chaucer leveraged its own professional strength and seized the opportunity of the overall trend of rising rates, each primary line of business thus achieved growth.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment increased by 4.4% from RMB4,268 million in 2020 to RMB4,454 million in 2021, mainly due to the adjustment in retrocession arrangements and the increase in retained premiums.

Investment Income

Investment income from our P&C reinsurance segment decreased by 8.9% from RMB3,621 million in 2020 to RMB3,300 million in 2021. 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 6.9% from RMB27,897 million in 2020 to RMB29,812 million in 2021, mainly due to the impact of the comprehensive reform of motor insurance and major risk events which led to the corresponding increase in claims and policyholders' benefits.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment decreased by 6.6% from RMB14,735 million in 2020 to RMB13,766 million in 2021, mainly due to the impact of changes in the conditions of the undertaking business.

Share of Profits and Losses of Associates

Share of profits and losses of associates for our P&C reinsurance segment increased by 95.8% from RMB168 million in 2020 to RMB329 million in 2021, mainly due to the increase in profits of associates in 2021.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment increased by 47.9% from RMB1,805 million in 2020 to RMB2,669 million in 2021.

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 managed by the Group Company through China Re Life.

In light of COVID-19 pandemic and other factors, the global economic recovery in 2021 was slow and uneven. The domestic economy faced the pressures of decreased demand supply shocks, and weakening expectations. Following the growth halt of the traditional agent channel business and transformation of insurance products, the domestic life insurance industry experienced sharply negative growth in new premiums, and the growth rate of health insurance premiums also experienced a slowdown. We actively overcame the adverse impact in the industry, took the initiative for innovation development and remained steady development of our core business. We continued to optimise our business structure, maintain stable growth of profitability through asset-liability synergy, and effectively managed risks on the whole. We strategically developed the protection-type reinsurance business, facilitated the supply-side structural reform of the industry with “Product+” and “Data+” strategies and effectively managed business risks. We were helped by China Association of Actuaries for the compilation project of the Table of Incidence Rate of Accidental Injury Experience in China Insurance Industry (2021) (《中國保險業意外傷害經驗發生率表(2021)》), proactively participated in a number of local governments’ inclusive health insurance programmes, explored innovative insurance payment model for specialty drugs, and promoted the integration of health insurance products and health industry. We achieved diversified development in savings-type reinsurance business, strengthened coordinated innovation in domestic and overseas markets, and attached great importance to cost control and asset-liability management. We developed financial reinsurance business under the premise of compliance and improved management of existing business. We continued paying close attention to the compliance risk and credit risk of our counterparties. China Re HK has fully brought into play its advantages in the coordination of 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, Japan and surrounding markets. We are in a solid competitive position in both the mainland and Hong Kong markets. In the mainland market, we have maintained the highest proportion of reinsurance contracts being entered into as leading reinsurer in all reinsurance contracts.

In 2021, reinsurance premium income from our life and health reinsurance segment amounted to RMB69,374 million, representing a year-on-year increase of 3.6% and accounting for 42.1% of the Group’s gross written premiums (before inter-segment eliminations). Net profit amounted to RMB2,710 million, representing a year-on-year increase of 3.7%, and weighted average return on equity reached 10.80%, of which reinsurance premium income from China Re Life (consolidated with China Re HK) amounted to RMB69,302 million, representing a year-on-year increase of 4.2%; total written premiums (“TWPs”) amounted to RMB74,486 million (including TWPs of RMB5,184 million from savings-type non-insurance business), representing a year-on-year increase of 6.0%.

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) is the main part of the whole life and health reinsurance business segment, unless otherwise stated, references to our life and health reinsurance business in the business analysis in 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 steady pace, the overseas savings-type business saw a stable growth as the Company prioritised the development of savings-type business in low-cost overseas markets, and the financial reinsurance business recorded an increase compared to that of the previous year.

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				
	2021		YoY change(%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Domestic protection-type reinsurance	26,042	37.6	25.9	20,688	31.1
Domestic savings-type reinsurance	4,514	6.5	(62.3)	11,981	18.0
Domestic financial reinsurance	24,782	35.8	11.1	22,310	33.5
Domestic in total	55,338	79.9	0.7	54,979	82.6
Overseas savings-type reinsurance	13,757	19.9	23.2	11,163	16.8
Other overseas business	207	0.3	(44.9)	376	0.6
Overseas in total	13,964	20.1	21	11,539	17.4
Total	69,302	100.0	4.2	66,518	100.0

In addition, we continued developing savings-type non-insurance business on the precondition of ensuring our business margin. 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				
	2021		YoY change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Domestic savings-type non-insurance	5,154	99.4	39.5	3,694	98.9
Overseas savings-type non-insurance	30	0.6	(25.0)	40	1.1
Total	5,184	100.0	38.9	3,734	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 2021, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB55,338 million, representing a year-on-year increase of 0.7%, which basically remained stable compared to the same period last year, and the TWPs amounted to RMB60,492 million (including TWPs of RMB5,154 million from savings-type non-insurance business), representing a year-on-year increase of 3.1%.

In respect of the protection-type reinsurance business, we successfully made progress while maintaining stable growth amidst challenges. The industry has experienced a growth downturn with a lack of innovation and confidence. The sales of new critical illness insurance products remained weak due to a shortage of manpower in agent channels while the development of mid-end medical care market became sluggish due to an impact of Hui Min Bao (惠民保) business. After scientifically assessing the prospects of the industry, the Company proposed the overall strategy of “seeking progress while maintaining stable growth, strengthening stability based on progress”. With such strategy, we countered challenges through implementing policies in a precise manner, thereby achieving growth in both business scale and profitability. In 2021, our reinsurance premium income amounted to RMB26,042 million, representing a year-on-year increase of 25.9%. Of which, reinsurance premium income of RMB11,150 million was from the yearly renewable term reinsurance business¹ and RMB4,870 million was from the mid-end medical care insurance business. We adhered to the following principles: (i) We remained efficiency-centric and continued to put our key clients and key businesses into high priority. We accurately grasped the major business opportunities and promoted the innovative YRT business plan, as well as secured profitable contracts with key clients. (ii) We cultivated potential markets by way of traditional innovation. We tapped into the market of new critical illness insurance while sticking to bottom-line thinking in the long-term medical insurance field. We committed to the development of long-term care insurance products and have successfully launched more than 10 products throughout the year. (iii) We carried out industrial integration and innovation, achieving strategic breakthrough in Hui Min Bao and various innovative payment methods. In respect of the “Hui Min Bao” business, we provided reinsurance solutions and quotations for 97 cities, and achieved reinsurance cooperation in 50 products, covering more than 50 million people. As the innovative payment methods thrived, we explored opportunities in the network model of head private hospitals in subdivided specialized fields, and developed insurance for online clinical medicine which covers dental, generic drugs and drugs for chronic diseases. With the combined effect of innovation-driven and risk control, we overcame the challenges in development of our protection-type reinsurance business. The combined ratio (excluding operating and administrative expenses) after retrocession of the short-term protection-type business was 97.85%, representing a steady rate, and the underwriting profits were RMB415 million.

Note: 1. Yearly Renewable Term reinsurance business, i.e. YRT 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 RMB4,514 million in 2021, representing a year-on-year decrease of 62.3%, and the TWPs amounted to RMB9,668 million (including TWPs of RMB5,154 million from savings-type non-insurance business), representing a year-on-year decrease of 38.3%. We proactively responded to adverse circumstances such as the downward pressure on interest rates and cost rigidity in the domestic market, and strictly controlled domestic business costs. We prioritised the development of low-cost overseas foreign currency business while the domestic business scale decreased significantly.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB24,782 million in 2021, representing a year-on-year increase of 11.1%. We paid close attention to changes in the regulatory policies, strengthened business model innovation and optimization, intensified analyses of counterparty risk, improved capital optimisation and management, 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 and China Re HK.

In 2021, the reinsurance premium income from our overseas life and health reinsurance business amounted to RMB13,964 million, representing a year-on-year increase of 21.0%; and the TWPs amounted to RMB13,994 million (including TWPs of RMB30 million from savings-type non-insurance business), representing a year-on-year increase of 20.9%, of which the reinsurance premium income from China Re Life and China Re HK (after intra-group eliminations) amounted to RMB5,981 million and RMB7,983 million, respectively.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB13,757 million in 2021, representing a year-on-year increase of 23.2%; and the TWPs amounted to RMB13,787 million (including TWPs of RMB30 million from savings-type non-insurance business), representing a year-on-year increase of 23.1%. First, we set our business priorities based on absolute costs and selected preferred markets. Second, we sought low-cost business opportunities through innovative channels, such as entering Japan and other regions markets with low interest rates and expanding the scope of our clients into investment banks. Third, we took advantage of the dual-platform to innovate business models. We took multiple measures to achieve the scale growth of overseas savings-type business.

In respect of other overseas business, reinsurance premium income amounted to RMB207 million in 2021, representing a year-on-year decrease of 44.9%.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	69,094	99.7	66,413	99.8
Facultative reinsurance	208	0.3	105	0.2
Total	69,302	100.0	66,518	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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	69,257	99.9	66,468	99.9
Non-proportional reinsurance	45	0.1	50	0.1
Total	69,302	100.0	66,518	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				
	2021		YoY change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Life	44,374	64.0	(4.6)	46,504	69.9
Health	21,231	30.7	20.9	17,558	26.4
Accident	3,697	5.3	50.5	2,456	3.7
Total	69,302	100.0	4.2	66,518	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		
	2021	2020	Change (%)
Gross written premiums	69,374	66,957	3.6
Less: premiums ceded to retrocessionaires	(8,157)	(5,282)	54.4
Net written premiums	61,217	61,675	(0.7)
Changes in unearned premium reserves	(1,421)	(1,001)	42.0
Net premiums earned	59,796	60,674	(1.4)
Reinsurance commission income	816	1,280	(36.3)
Investment income	7,091	7,338	(3.4)
Exchange gains/(losses), net	102	232	(56.0)
Other income	2,347	2,831	(17.1)
Total income	70,152	72,355	(3.0)
Claims and policyholders' benefits	(60,145)	(62,413)	(3.6)
Handling charges and commissions	(4,833)	(4,876)	(0.9)
Finance costs	(641)	(533)	20.3
Other operating and administrative expenses	(2,339)	(2,259)	3.5
Total benefits, claims and expenses	(67,958)	(70,081)	(3.0)
Share of profits and losses of associates	1,187	1,113	6.6
Profit before tax	3,381	3,387	(0.2)
Income tax	(671)	(774)	(13.3)
Net profit	2,710	2,613	3.7

Note: 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 3.6% from RMB66,957 million in 2020 to RMB69,374 million in 2021, mainly due to the increase of domestic protection-type reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 54.4% from RMB5,282 million in 2020 to RMB8,157 million in 2021, mainly due to the increase in premiums ceded to retrocessionaires from the savings-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment decreased by 3.4% from RMB7,338 million in 2020 to RMB7,091 million in 2021. 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 decreased by 3.6% from RMB62,413 million in 2020 to RMB60,145 million in 2021, mainly due to the impact of changes in reinsurance business structure.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment decreased by 0.9% from RMB4,876 million in 2020 to RMB4,833 million in 2021, mainly due to the impact of changes in the reinsurance business structure.

Share of Profits and Losses of Associates

Share of profits and losses of associates for our life and health reinsurance segment increased by 6.6% from RMB1,113 million in 2020 to RMB1,187 million in 2021, mainly due to the increase in profits of associates in 2021.

Net Profit

As a result of the foregoing reasons, net profit for our life and health reinsurance segment increased by 3.7% from RMB2,613 million in 2020 to RMB2,710 million in 2021.

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 2021, we adhered to upholding our vision, pursuant to which we scientifically decided strategic directions, strengthened our customer-driven strategy, promoted transformation of business models, and witnessed our business development moving positively forward. We actively responded to the comprehensive reform of motor insurance under the new normal, continued to deepen customer-oriented comprehensive operation, highly emphasised business structures optimisation, and led the development and transformation of motor insurance to an effective and fruitful outcome. We actively promoted the strategy of “Non-motor”, strengthened the quality management and control, and adjusted the business layout by focusing on key sectors to enhance the business growth of liability insurance, agricultural insurance and health insurance. We continued to optimise our business structure, making the proportion of premium from the non-motor insurance increased by 4.5 percentage points. Through cost control, compliance and risk control, technology empowerment and other measures, we persisted on strengthening fundamental structures, laying a solid foundation for our sustainable development.

In 2021, insurance income from our primary P&C insurance segment amounted to RMB43,496 million, representing a year-on-year decrease of 9.7% and accounting for 26.4% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB43,150 million, representing a year-on-year decrease of 9.6%. Net profit was RMB59 million, and weighted average return on equity reached 0.22%. The combined ratio was 106.64%, representing a year-on-year increase of 2.20 percentage points. Of such combined ratio, the loss ratio and expense ratio were 70.93% and 35.71% respectively, representing a year-on-year increase of 9.09 percentage points and a year-on-year decrease of 6.89 percentage points, respectively. The year-on-year increase in the combined ratio was mainly because, with the deepening of the comprehensive reform of motor insurance, our business structure optimisation and cost control were still ongoing, and the decrease of expense ratio was still lower than the increase of loss ratio.

Based on primary premium income of P&C insurance companies in the domestic market in 2021 published by the CBIRC, we maintained leading market share in domestic primary P&C insurance business.

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				
	2021		Year-on-year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Motor insurance	22,432	52.0	(16.8)	26,958	56.5
Accident and short-term health insurance	7,553	17.5	5.9	7,134	14.9
Surety insurance	5,423	12.6	(17.1)	6,538	13.7
Liability insurance	2,871	6.7	18.5	2,422	5.1
Cargo insurance	1,180	2.7	(17.3)	1,428	3.0
Agriculture insurance	1,046	2.4	41.4	740	1.5
Others ¹	2,645	6.1	4.5	2,531	5.3
Total	43,150	100.0	(9.6)	47,751	100.0

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

Motor Insurance. In 2021, primary premium income from our motor insurance amounted to RMB22,432 million, representing a year-on-year decrease of 16.8%. We strove to optimise our motor insurance business operation, guided by the principle of comprehensive operation of motor insurance, and took “motor+X” business as the main line by adhering to the red line of our motor insurance policy costs. By optimising the risk pricing model, we improved our pricing risk screening capability to achieve precise resource allocation. We strengthened the quality control of our motor insurance business, increased the coverage ratio of our quality insurance products for household vehicles, and improved premium adequacy to optimise business structure and quality, promoting the healthy development of our motor insurance business.

Accident and Short-term Health Insurance. In 2021, primary premium income from accident and short-term health insurance amounted to RMB7,553 million, representing a year-on-year increase of 5.9%, of which primary premium income from accident insurance amounted to RMB3,340 million, representing a year-on-year increase of 7.9%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB2,458 million, representing a year-on-year decrease of 7.0%, of which primary premium income from personal health insurance business derived from traditional channels amounted to RMB367 million, representing a year-on-year increase of 37.8%; primary premium income from critical illness insurance amounted to RMB1,755 million, representing a year-on-year increase of 25.8%. We continued to deepen the customer-oriented comprehensive operation, explored and expanded micro and small businesses' needs for corporate accident insurance and individual customers' needs for health insurance, and continued to optimise our business structure. Under strengthened risk management and control, we participated in various livelihood project businesses such as major illness medical insurance for urban and rural residents, nursing care insurance and Hui Min Bao, and explored the development of home accident insurance, accident insurance for the disabled and accident insurance of public welfare nature, so as to assume the function of insurance in serving the society actively.

Surety Insurance. In 2021, primary premium income from surety insurance amounted to RMB5,423 million, representing a year-on-year decrease of 17.1%, and the cumulative bad debt rate was 6.98%, representing a decrease of 1.89 percentage points compared to that of the same period last year. We adjusted and transformed our surety insurance business to further improve our management efficiency. We carried out differentiated management by business segment, cancelled and merged the weaker segments and encouraged high-performing segments to aim for high-quality development. We optimised our mode of operation, actively promoted the construction of 5 customer service sub-centres, generating positive results in respect of integrating recovery resources and building professional recovery teams.

Liability Insurance. In 2021, primary premium income from liability insurance amounted to RMB2,871 million, representing a year-on-year increase of 18.5%. We actively served the national strategies of "six stabilities" and "six securities", and focused on the development of safe production liability insurance, construction inherent defects insurance, carrier liability insurance, government relief insurance and poverty eradication liability insurance and other business lines, thus maintaining a positive development trend for liability insurance business.

Cargo Insurance. In 2021, primary premium income from cargo insurance amounted to RMB1,180 million, representing a year-on-year decrease of 17.3%. The decrease in business was mainly attributable to the decline in the scale of return freight insurance of online shopping, except for which other business lines maintained a steady development. In order to help enterprises that imported cold-chain foods lower risks and reduce operating pressure, we have developed the COVID-19-contaminated goods loss insurance, providing risk protection of over RMB7 billion for customers.

Agricultural Insurance. In 2021, primary premium income from agricultural insurance amounted to RMB1,046 million, representing a year-on-year increase of 41.4%. We continued to improve the operating conditions of agricultural insurance business. Throughout the year, we added 17 new branches to the local insurance company directory that met the operating conditions for agricultural insurance business. We actively engaged in policy selection projects for agricultural insurance, continued to innovate and develop insurance products, and focused on exploring insurance for agricultural products with local characteristics, weather index insurance, price index insurance, "insurance + futures", income insurance and other innovative fields. 128 innovative products were developed and filed throughout the year.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	25,244	58.5	29,300	61.4
Of which: Individual insurance agents	15,402	35.7	18,457	38.7
Ancillary insurance agencies	2,130	4.9	3,018	6.3
Professional insurance agencies	7,712	17.9	7,825	16.4
Direct sales	13,974	32.4	14,533	30.4
Insurance brokers	3,932	9.1	3,918	8.2
Total	43,150	100.0	47,751	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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	7,613	17.6	8,608	18.0
Zhejiang	3,544	8.2	4,170	8.7
Yunnan	3,092	7.2	3,471	7.3
Shandong	2,518	5.8	2,730	5.7
Inner Mongolia	1,811	4.2	2,013	4.2
Jiangxi	1,776	4.1	1,803	3.8
Henan	1,408	3.3	1,592	3.3
Guangdong	1,390	3.2	1,652	3.5
Sichuan	1,360	3.2	1,471	3.1
Shaanxi	1,318	3.1	1,144	2.4
Others	17,320	40.1	19,097	40.0
Total	43,150	100.0	47,751	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	
	2021	2020
Loss ratio (%)	70.93	61.84
Expense ratio (%) ¹	35.71	42.60
Combined ratio (%)	106.64	104.44

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		
	2021	2020	Change (%)
Gross written premiums	43,496	48,167	(9.7)
Less: premiums ceded to reinsurers	(4,456)	(4,700)	(5.2)
Net written premiums	39,040	43,467	(10.2)
Changes in unearned premium reserves	(184)	(969)	(81.0)
Net premiums earned	38,856	42,498	(8.6)
Reinsurance commission income	1,227	1,617	(24.1)
Investment income	2,895	3,181	(9.0)
Exchange (losses)/gains, net	(21)	(135)	(84.4)
Other income	137	209	(34.4)
Total income	43,094	47,371	(9.0)
Claims and policyholders' benefits	(27,548)	(26,350)	4.5
Handling charges and commissions	(4,213)	(6,071)	(30.6)
Finance costs	(145)	(198)	(26.8)
Other operating and administrative expenses	(11,328)	(14,146)	(19.9)
Total benefits, claims and expenses	(43,234)	(46,764)	(7.5)
Share of profits and losses of associates	147	129	14.0
Profit before tax	7	736	(99.0)
Income tax	52	(143)	—
Net profit	59	593	(90.1)

Note: 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 9.7% from RMB48,167 million in 2020 to RMB43,496 million in 2021, mainly due to the decrease in premium income of motor insurance and personal loan surety insurance.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our primary P&C insurance segment decreased by 5.2% from RMB4,700 million in 2020 to RMB4,456 million in 2021, mainly due to the decrease in gross written premiums, which led to a corresponding decrease in premiums ceded to reinsurers.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment decreased by 24.1% from RMB1,617 million in 2020 to RMB1,227 million in 2021, mainly due to the decline of reinsurance commission income ratio as a result of the policies for comprehensive reform of motor insurance.

Investment Income

Investment income for our primary P&C insurance segment decreased by 9.0% from RMB3,181 million in 2020 to RMB2,895 million in 2021. 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 primary P&C insurance segment increased by 4.5% from RMB26,350 million in 2020 to RMB27,548 million in 2021, mainly due to the increase of loss ratio for motor insurance as a result of the effective implementation of policies for comprehensive reform of motor insurance.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment decreased by 30.6% from RMB6,071 million in 2020 to RMB4,213 million in 2021, mainly due to a significant decrease in handling charges and commissions as a result of continuous deepening of the comprehensive reform of motor insurance.

Net profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment decreased by 90.1% from RMB593 million in 2020 to RMB59 million in 2021.

Asset Management Business

In 2021, driven by increased vaccination rates and consumption recovery, economies in Europe and the United States recovered faster. The domestic economy amidst recurring pandemic outbreaks, “houses are for living in, not for speculation” and dual-carbon policies faced weak consumption, lower investment in real estate construction and infrastructure, and economic growth that started strong but finished weakly. Throughout the year, the performance of A shares was bumpy but showed a clear style division. Drawdowns of the Hang Seng Index increased in the second half of the year, while the yield of the domestic bond market fluctuated downward.

As at the end of the Reporting Period, the balance of assets under the management of the Group amounted to RMB346,980 million, of which the total investment assets balance of the Group was RMB321,113 million, representing an increase of 4.3% from the end of the previous year; the balance of investment assets under the management of China Re AMC was RMB285,704 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	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	23,096	7.2	13,872	4.5
Fixed-income investments	257,338	80.1	230,948	75.0
Time deposits	21,366	6.7	19,905	6.5
Bonds	168,255	52.4	143,091	46.5
Government bonds	14,948	4.7	11,482	3.7
Financial bonds	23,950	7.5	19,201	6.2
Enterprise (corporate) bonds	116,043	36.1	104,765	34.1
Subordinated bonds	13,314	4.1	7,643	2.5
Investments classified as loans and receivables	39,097	12.2	41,236	13.3
Other fixed-income investments ¹	28,620	8.8	26,716	8.7
Equity and investment funds	56,043	17.5	60,444	19.6
Investment funds ²	26,246	8.2	23,814	7.7
Stocks	26,607	8.3	28,024	9.1
Unlisted equity shares ³	3,190	1.0	8,606	2.8
Other investments ⁴	32,622	10.2	32,096	10.4
Investment in associates	26,194	8.2	25,758	8.4
Others ⁴	6,428	2.0	6,338	2.0
Less: Securities sold under agreements to repurchase	(47,986)	(15.0)	(29,403)	(9.5)
Total investment assets	321,113	100.0	307,957	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, currency swaps, 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. Domestic fixed income investments continued to play the role of a “ballast”, steadying the foundation of allocated income and capturing allocation patterns to substantially increase our bond allocation. We actively searched for high-quality non-standard and “non-standard alternative” products, accelerating our deployment of new categories such as public offering REITs and perpetual bond strategy funds to relieve portfolio stress. For overseas fixed income investments, we adopted short-term strategy in response to the adverse credit market environment. For equity investments, we strengthened our diversified management of style portfolio, focused on seizing market opportunities while maintaining a stable operation and optimised the asset allocation structure. Meanwhile, we realised gains in a timely manner by grabbing opportunities arising from fluctuations in equity market. For alternative investments, we orderly retired developed projects while upheld the “PE + direct investment” strategy for new projects, expanded cooperation scope of fund managers and extended our fund arrangements towards earlier stages.

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 Insurance and products from insurance asset managers for management with China Re AMC acting as the trustee in aggregate held city investment bonds accounting for 8.75% of investment assets under the management of China Re AMC, local state-owned enterprise bonds (including industrial and city investment enterprises) accounting for 21.80%, and held none capital supplementation bonds of city commercial banks/rural commercial banks. 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 Insurance to China Re AMC for management in aggregate directly held non-standard assets¹ which accounted for 13.60% of investment assets under the management of China Re AMC, of which those with an external rating of AA+ and above accounted for 85.65%. The top three industries in terms of positions held were real estate, transportation and public utilities, accounting for 37.50%, 22.95%, and 16.72%, respectively.

Note: 1. 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 effectively 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 entire Group. We strengthened the prevention and control of major risk and took instant response and action to the warning signals of credit risk rising in individual financial products, and the risk is generally controllable.

During the Reporting Period, we have been actively responding to the external changes of the COVID-19 pandemic and the aggravation of capital market credit risks. We built corporate concentration limit indicators aligning with corporate credit internal rating in addition to industry and regional risk limits for credit products, enriching the annual credit limit index system and carrying out monitoring. In terms of rating and credit management, we conducted timely research on industry default cases, continuously optimised the corporate credit granting mechanism, and improved the rating model based on industry experience data and debt credit enhancement measure, making them more accurate in reflecting the changes of corporate credit risks and more effective in managing 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. Since 2020, China Re AMC has taken 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.

Since 2009, China Re Group has purchased the shares that China Everbright Bank issued domestically and in Hong Kong. During the Reporting Period, China Everbright Bank actively promoted the development of wealth management bank, contributing to a stable expansion of business scale, a steady rise of profit level and a generally controllable risk status. Overall, its operation has been stable and improving. 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.

In July 2018, China Re P&C and China Continent Insurance entered into the Share Subscription Agreements with China Great Wall Asset and held 3.64% and 2.86% of Great Wall Asset's equity interest, respectively. In aggregate, China Re Group held 6.5% of Great Wall Asset's equity interest. During the Reporting Period, Great Wall Asset focused on its main business, and continued to increase efforts on the acquisition and disposition of non-performing assets. Consequently, on account of its remarkable risk-dissolving capability, some of the risk defuse projects won applause from local government, business entities and all sectors of society, which enhanced the reputation of Great Wall Asset. In the future, Great Wall Asset will increase efforts on the acquisition of financial non-performing assets, while maintaining the work on the acquisition and substantial restructuring of the non-financial risky assets and endeavour to bring stable returns to shareholders. As of the end of the Reporting Period, the equity of Great Wall Asset in aggregate held by China Re Group remain unchanged.

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 with a total area of 36,006.28 square metres at an acquisition price of approximately RMB3,089 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. China Continent Insurance has acquired title certificate for the project. As at the end of the Reporting Period, all of the transaction price of the project has been paid. Of which, 19,925.48 square metres is used for investment, while the remaining 16,080.80 square metres is a real estate for self-use purpose.

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	
	2021	2020
Cash and fixed-income investments	8,215	8,576
Interest income	10,181	9,544
Realised (losses)/gains	(165)	177
Unrealised losses	(462)	(154)
Impairment losses	(1,339)	(991)
Equity and investment funds	6,055	6,815
Dividend income	1,713	1,637
Realised gains	4,508	4,969
Unrealised(losses)/gains	(102)	509
Impairment losses	(64)	(300)
Other investments	2,789	2,394
Total investment income from investment in associates	2,295	2,178
Other gains ¹	494	216
Less: interest expenses on securities sold under agreements to repurchase	(784)	(663)
Total investment income ²	16,275	17,122
Total investment yield (%) ²	5.17	6.01
Net investment income ³	14,445	13,500
Net investment yield (%) ³	4.59	4.74

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

2. Total investment income = Investment income + share of profit or loss of associates – interest expenses on securities sold under agreements to repurchase;

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

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 – financial liabilities at fair value through profit or loss – securities sold under agreements to repurchase.

3. Net investment income = Interest income + dividend income + rental income + share of profit or loss of associates;

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

In 2021, the Group's total investment yield was 5.17% and the net investment yield was 4.59%, both representing a year-on-year decrease. Affected by the downturn of domestic and overseas equity markets, there was a year-on-year decrease in the investment income of equity and funds, and a year-on-year decrease in the total investment income, while the scale of assets reached a year-on-year increase, resulting in a year-on-year decrease in total investment yield; affected by the downturn in interest rates, the decreased coupon rate for reinvestment at maturity, and the year-on-year increase of the scale of assets, resulting in a year-on-year decrease in the net investment yield.

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 2021, against a general environment of intensifying competition and tightening regulatory policies in the insurance intermediary market, we adhered to the general principle of making progress while ensuring stability and striving for innovation and transformation, and strove to boost the “Going Out” marketing, industrial layout and coordinated development, thereby achieving the rapid growth of business scale and steady improvement of operating efficiency.

In 2021, revenue from insurance intermediary business amounted to RMB508 million, representing a year-on-year increase of 31.9%. Profit before tax amounted to RMB2.62 million, representing a year-on-year increase of 19.1%.

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 2021	31 December 2020	Change (%)
China Re Group			
Core capital	99,645	94,837	5.1
Available capital	112,643	107,834	4.5
Minimum capital	53,930	50,169	7.5
Core solvency adequacy ratio (%)	185	189	Decrease of 4 percentage points
Aggregated solvency adequacy ratio (%)	209	215	Decrease of 6 percentage points
Group Company			
Core capital	78,950	79,402	(0.6)
Available capital	78,950	79,402	(0.6)
Minimum capital	13,163	13,248	(0.6)
Core solvency adequacy ratio (%)	600	599	Increase of 1 percentage points
Aggregated solvency adequacy ratio (%)	600	599	Increase of 1 percentage points
China Re P&C			
Core capital	22,627	21,812	3.7
Available capital	30,627	29,811	2.7
Minimum capital	14,304	12,904	10.8
Core solvency adequacy ratio (%)	158	169	Decrease of 11 percentage points
Aggregated solvency adequacy ratio (%)	214	231	Decrease of 17 percentage points
China Re Life			
Core capital	33,790	28,631	18.0
Available capital	38,788	33,629	15.3
Minimum capital	18,028	14,663	22.9
Core solvency adequacy ratio (%)	187	195	Decrease of 8 percentage points
Aggregated solvency adequacy ratio (%)	215	229	Decrease of 14 percentage points
China Continent Insurance			
Core capital	25,260	26,292	(3.9)
Available capital	25,260	26,292	(3.9)
Minimum capital	6,854	7,786	(12.0)
Core solvency adequacy ratio (%)	369	338	Increase of 31 percentage points
Aggregated solvency adequacy ratio (%)	369	338	Increase of 31 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 submitting 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. Compared with the end of 2020, the consolidated solvency adequacy ratio of China Re Group decreased, mainly due to the overall increased business of China Re Group. In particular, the solvency adequacy ratio of the Group Company remained stable. The solvency adequacy ratios of China Re P&C and China Re Life decreased, mainly due to the increased business. The solvency adequacy ratio of China Continent Insurance increased, mainly due to the decrease in minimum capital as a result of change in business structure.

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 2021 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 to be extracted from the Summary of Solvency Reports as of the end of the fourth quarter of 2021:

Unit: in RMB millions

Indicators \ Entity	Group Company	China Re P&C	China Re Life	Continent Insurance
	As at 31 December 2021			
Net assets	60,925	22,674	21,232	26,366
	For the year ended 31 December 2021			
Insurance income	5,408	39,925	61,319	43,496
Net profit	2,586	2,170	3,062	129

- 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 2021 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 submitting to the CBIRC.

For viewing of the Summary of Solvency Report for the fourth quarter of 2021, 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 derivatives appropriately. As at 31 December 2021, the Group held foreign currency derivatives of RMB436 million (31 December 2020: RMB74 million).

Details of Assets Charged and Bank Borrowings

As at 31 December 2021, bonds with a carrying value of RMB 17,678 million (as at 31 December 2020: RMB 8,824 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the interbank market.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balance of the related repurchase transaction. As at 31 December 2021, the carrying value of securities deposited in the collateral pool was RMB 49,593 million (as at 31 December 2020: RMB 42,284 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

As at 31 December 2021, 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 2021, the Group had issued the following guarantees:

- (1) As at 31 December 2021, the Group Company provided maritime guarantee of RMB1,825 million (31 December 2020: RMB2,266 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.
- (2) As at 31 December 2021, the letter of credit provided by the Group Company to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP100 million has been withdrawn (31 December 2020: GBP100 million).
- (3) As at 31 December 2021, CRIH provided the letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP335 million totally (31 December 2020: GBP250 million).
- (4) Within the Reporting Period, CRIH entered into two Tier 1 securities lending arrangements for Funds at Lloyd's with two financial institutions. The facilities amounted to GBP80 million and USD50 million (31 December 2020: GBP80 million and USD50 million) respectively.

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 2021, the invested proceeds from the initial public offering of the Company amounted to HKD16,392 million, of which:

- (1) HKD410 million was used for the payment of underwriting expenses of initial public offering;
- (2) HKD7,749 million was used for the capital increase of the subsidiaries and overseas entities of the Company;
- (3) HKD1,568 million was used to pay the consideration for acquisition of subsidiaries by the Company; and
- (4) HKD6,665 million was used for business operations, including investment, solvency, international rating support and other activities.

As of the end of the Reporting Period, the proceeds from the Company's initial public offering were fully utilised.

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 2022, the fundamentals of China's macroeconomy are solid and improving, and the new economy is booming with strong resilience. The insurance industry will continue to gain enormous space for development. As the accelerated transformation of the insurance industry from risk bearers to comprehensive risk managers becomes increasingly clear, we will reshape transaction models to be customer-oriented, support competitiveness through ecosystem building, and take pre-emptive opportunities in the incremental market with technology empowerment.

For the primary P&C insurance market, in the post-pandemic era, the macro economy makes steady progress, while the regulatory policy of "returning to the roots" brings new opportunities for growth regarding the transformation and development of the industry. The business structure is changing its focus rapidly from motor insurance to non-motor insurance. The essence of competition shifts from expense to customer-oriented professional skills, with an emphasis on the growth of quality and profitability. The non-motor insurance is expected to grow faster, while the comprehensive reform of motor insurance is deepening, and the growth rate of premiums will gradually increase. 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. 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, affected by recurring pandemic, pressure on economic growth, capital market fluctuations, agents manpower shortage and low productivity and other factors, we have seen the pressure of declining demand, slow transformation and lower expectation, resulting in a significant decrease in the growth of new premiums. On the other hand, the insurance industry remains in the period of strategic opportunities, with the establishment of multi-level healthcare protection system and third pillar pension insurance system being accelerated. Commercial insurance appears to be the important product in the vision of "Health China" and the strategies for an ageing population. The industry is speeding up the supply-side reform for products, channels and services, and strengthening the development of wealth management, risk protection, life and health services, aiming for the better integration of online and offline services.

In respect of the P&C reinsurance market, after the comprehensive reform of motor insurance, primary insurance companies face a substantial increase in the pressure from underwriting profits while the reinsurance market is facing certain adjustments. Business opportunities and chances for innovation continue to arise from national strategies such as self-sufficiency in service technology, green development and regional synergistic development. Non-motor insurance such as liability insurance, agricultural insurance and health insurance will continue to grow rapidly. Product innovation supported by reinsurance drives continuous development of reinsurance business model. 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.

For the life and health reinsurance market, traditional business in the developed markets of Europe and the US experienced stagnant growth while the business growth of major international reinsurance companies has seen a slowdown. Due to long-term low interest rates, increased mortality rate in the US, impact of the pandemic on claims and investment and other reasons, fluctuations in profits derived from the life and health reinsurance business has increased. In Asia-Pacific markets, the combined ratio was on the rise mainly attributable to deterioration of critical illness. The growth of domestic protection-type reinsurance business remained sluggish, and the demand for the development and iteration of the insurance market products increased. As a result, data, product and service innovation have become the keys to stand out in the competitive reinsurance market. Under the environment of low interest rates and with the implementations of IFRS 17 and the “C-ROSS” Phase II project, there were opportunities and challenges arising from savings-type and financial reinsurance business. In terms of overseas markets, the recurrence of the pandemic has caused an increasing uncertainty in economic recovery. The strong expectation of the US Federal Reserve rate hike and the increasing fluctuations in emerging capital markets resulted in both demand for and risks in the foreign currency business. The emerging markets in Southeast Asia have a younger demographic structure and are still highly-expected markets in respect of overseas protection-type reinsurance business.

In respect of the development of capital market and use of insurance capital, the overseas economy is still recovering, but the pandemic, inflationary spike and withdrawal of quantitative easing monetary policies may slow the recovery. Facing threefold pressure of “contracted demand, supply shocks and weaker expectations”, Chinese economy will put more focuses on “prioritising stability”. More flexible policies will be adopted to underpin macroeconomy, while the slowdown in the growth of macroeconomy caused by real estate sector and the credit risks that may arise therein remains important risk factors that require investors’ attention. The environment described above requires stronger ability to identify and make judgement on profitability and risks in insurance investments. The safe assets that have higher profit will be sought out in the investment segment while enhancing the ability to identify opportunities to invest in strategic emerging industries, and capture differentiated and structural opportunities to continuously strengthen professional capabilities.

Outlook of China Re Group

China Re Group will continue to adhere to the general tone of “making progress while ensuring stability and value creation”, unswervingly insist on “profitable development, market benchmarks, holding out the bottom line of risk compliance and digital transformation”, persist in the operational policy of “stabilising growth, adjusting structure, controlling risks and increasing profitability”, maintain “incremental thinking, innovative thinking, transformation thinking” to seize opportunities, ensure stable fundamentals while striving for new tracks, accelerate the transformation and upgrading of business structure, and continue to promote high quality development of China Re Group.

In respect of the P&C reinsurance business, we will continue to perform the function of a national reinsurance, more actively improve business layout under new development pattern, combine innovation momentum and transformation development, consolidate domestic and international markets, further increase our social value and business value, vigorously promote the “Digital China Re 2.0 Strategy” and accelerate establishment of the reinsurance eco-system. For domestic operations, we will focus on major national strategies, serve national economic and livelihood, promote domestic reinsurance business to strengthen internal circulation and, under the premise of controllable risk, continue to solidify our leading position in the domestic market, achieving high-quality development of our business. For overseas operations, we will grasp market cycles, adhere to the ideal of underwriting profits, continue to optimise our business portfolio and strengthen risk management. We will continue to promote technology empowerment, upgrade and commercial application of catastrophe models and application of blockchain technology in more business scenarios, provide more technical support for the innovation and development of the industry.

For the life and health reinsurance business, we will adhere to the requirements under the “14th Five-Year” Plan, continue to focus on “seeking progress while maintaining growth, carrying out reform and innovation”, actively promote supply side reforms such as products and services by taking 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 implementations of IFRS 17 and the “C-ROSS” Phase II 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. Anchored in meeting 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 closely adhere to national strategies and the Company’s development strategies under the “14th Five-Year Plan”. Accelerating transformation and upgrading, we aspire to achieve the high-quality development goals of strengthening foundation, seeking progress in stability, strengthening compliance work and creating profits. In respect of the motor insurance, preserving our integrity and innovation, we identify new energy vehicles as the main growth driver in the new vehicle market. To stress the motor insurance’s role as a ballast, we focus on cost control, quality optimisation and sustained growth, and ensure that our clients are the basis for developing motor insurance. By precisely identifying clients, enhancing pricing ability, and strengthening the closed-loop full lifecycle process management of motor insurance business, we are able to boost the overall growth rate of the motor insurance business. In respect of the non-motor insurance business, we are committed to promoting the practice of “Non-motor” strategy. Conforming to material national policies and emphasising the modernisation of the national governance system and governance capabilities, we continuously contribute to business sectors such as liability insurance, agriculture insurance and health insurance. We also facilitate the development and transformation of the “Motor + Individual” accident insurance while promoting the “Non-motor + Individual” business through developing traffic-type group accident insurance, government-sponsored group accident insurance and other businesses. We cling to the self-operating and diversified development strategy of health insurance to achieve cost optimisation, and strongly promote the personal health insurance business, as well as middle and high-end health insurance business. We adhere to the strategies of centralised risk control and business synergy, promoting the integration of credit insurance business management systems.

In respect of the asset management business, we will consolidate, coordinate and firmly promote the implementation of the development strategy under the “14th Five-Year” Plan, using professionalism, marketisation and internationalism as our fulcrums to push for the realisation of strategic missions such as productisation transformation. 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 continue to double down on research, allocation, innovation and risk control and devote more resource to make up for shortcomings, eliminate weaknesses and strengthen our advantages. We will promote the development of marketisation and professionalisation with productisation, and make due efforts to develop third-party businesses. We will attach great importance to risk management and continue to increase our awareness of proactive risk management, cultivate a stable and prudent risk culture and continue to perfect our comprehensive risk management system.

EMBEDDED VALUE

1. Valuation Results

As at 31 December 2021, the China Re Group life and health reinsurance business includes the life and health reinsurance business of the Group Company and all businesses 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 2021.

This section summarises the EV and the value of one year’s new business (“1-year VNB”) results as at 31 December 2021 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	31 Dec 2021	31 Dec 2020
Embedded Value		
Adjusted Net Worth (“ANW”)	103,501	99,151
Value of In-force Business (“VIF”) before CoC	12,132	11,497
Cost of Required Capital (“CoC”)	(4,636)	(4,042)
Value of In-force Business after CoC	7,496	7,455
Embedded Value	110,996	106,606
Of which:		
ANW of the life and health reinsurance business	28,354	25,752
VIF after CoC of the life and health reinsurance business	7,331	7,254
EV of the life and health reinsurance business	35,685	33,006
Value of One Year’s New Business of the life and health reinsurance business		
Value of One Year’s New Business before CoC	3,483	3,286
Cost of Required Capital	(1,189)	(940)
Value of One Year’s New Business after CoC	2,294	2,347

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 are the main part 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 2021.

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 2021:

	2022	2023	2024	2025-2031	2032+
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					
	4.0%	4.0%	4.0%	4.0%	4.0%

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 2021. 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	7,331	2,294
Risk discount rate increased by 100 basis points	6,400	2,108
Risk discount rate decreased by 100 basis points	8,403	2,505
Annual investment return rates increased by 50 basis points	8,800	2,516
Annual investment return rates decreased by 50 basis points	5,851	2,071
Mortality and morbidity rates increased by 10%	7,260	2,294
Mortality and morbidity rates decreased by 10%	7,399	2,293
Discontinuance rates increased by 10%	7,200	2,264
Discontinuance rates decreased by 10%	7,468	2,327
Expenses increased by 10%	7,171	2,233
Expenses decreased by 10%	7,487	2,355
Combined ratio of short-term reinsurance contracts increased by 1 percentage point on absolute basis	7,163	2,174
Combined ratio of short-term reinsurance contracts decreased by 1 percentage point on absolute basis	7,568	2,377

4. Movement Analysis

The table below shows the movement analysis of the EV of China Re Group for the period from 31 December 2020 to 31 December 2021.

Unit: in RMB millions

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2020	33,006	EV as at 2020 year end before model change
2	Model change	368	EV model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2020	33,374	EV as at 2020 year end after model change
4	Expected return on EV	2,798	Expected return on EV in the year of 2021
5	Impact of new business	2,735	Impact of new business in the year of 2021
6	Impact of market value adjustments and other adjustments	114	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	(1,462)	Difference between actual investment income and expected investment income in the year of 2021

No.	Item	Amount	Details
8	Operating experience variances	626	Difference between actual operational experience and expected operational results in the year of 2021
9	Change in assumptions	(1,254)	Adjustments to assumptions at 31 December 2021
10	Others	(215)	
11	Capital injection and shareholder dividend payment	(1,030)	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 2021	35,685	
13	EV of other business of the Group as at 31 December 2020	73,600	
14	Profit from other business in the year of 2021	1,284	
15	Impact of market value adjustments and other adjustments	1,175	Changes from asset market value adjustments and other adjustments
16	Others	(36)	
17	Capital injection and shareholder dividend payment	(711)	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 2021	75,311	
19	EV of the Group as at 31 December 2021	110,996	

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 all applicable 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 annual 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 2021 of RMB0.045 per share (tax inclusive), totalling approximately RMB1,912 million (the “**2021 Final Dividend**”). The 2021 Final Dividend is subject to the approval of shareholders of the Company at the 2021 annual general meeting, and is expected to be paid on Thursday, 18 August 2022 to the shareholders of the Company whose names appear on the register of members of the Company as at Monday, 4 July 2022 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 2021 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 2021 annual general meeting will announce the date of the 2021 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 2021 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 Group for the year ended 31 December 2021. The figures in respect of the Group’s results for the year ended 31 December 2021 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 2021.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2021 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

“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 set out in Appendix 14 of 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
“Listing Date”	26 October 2015, being the date on which the H shares of the Company became listed on the Hong Kong Stock Exchange
“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 of the Hong Kong Listing Rules
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2021 until 31 December 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Company

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

Beijing, the PRC, 28 March 2022

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