中國再保險(集團)股份有限公司
CHINA REINSURANCE (GROUP) CORPORATION

(A joint stock limited company incorporated in the People's Republic of China)
Stock Code：1508

專業 讓保險更保險
EMPOWER YOUR INSURANCE **BY EXPERTISE**

2020 Annual Report

CORPORATE CULTURE OF CHINA RE GROUP

MISSION:

- Diversifying economic risks
- Assisting the robust development of the insurance industry

VISION:

- Becoming a world-class reinsurance group with outstanding expertise and eminent brand

CORE VALUES:

- Integrity
- Expertise
- Responsibility
- Aspiration

BASIC AWARENESS:

- Risk awareness
- Service awareness
- Compliance awareness
- Collaboration awareness

BUSINESS PHILOSOPHY:

- Prudence
- Innovation
- Openness
- Mutual-benefit

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Financial Highlights

Honours and Awards

Statement from the Chairman

FINANCIAL HIGHLIGHTS

Unit: RMB

Total assets
RMB453,577 million
Year-on-year increase of 14.4%

Total liabilities
RMB350,676 million
Year-on-year increase of 17.0%

Total equity
RMB102,901 million
Year-on-year increase of 6.1%

Gross written premiums
RMB161,574 million
Year-on-year increase of 11.5%

Net profit
RMB5,924 million
Year-on-year decrease of 10.9%

Net profit attributable to equity shareholders of the parent company
RMB5,711 million
Year-on-year decrease of 5.6%

Earnings per share
RMB0.13
Year-on-year decrease of 5.6%

Net assets per share attributable to equity shareholders of the parent company
RMB2.19
Year-on-year increase of 6.8%

Weighted average return on equity
6.34%
Decrease by 0.98 percentage points

FINANCIAL HIGHLIGHTS

As at the end of the Reporting Period, highlights of financial information of the Group for the past five accounting years are extracted as below:

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

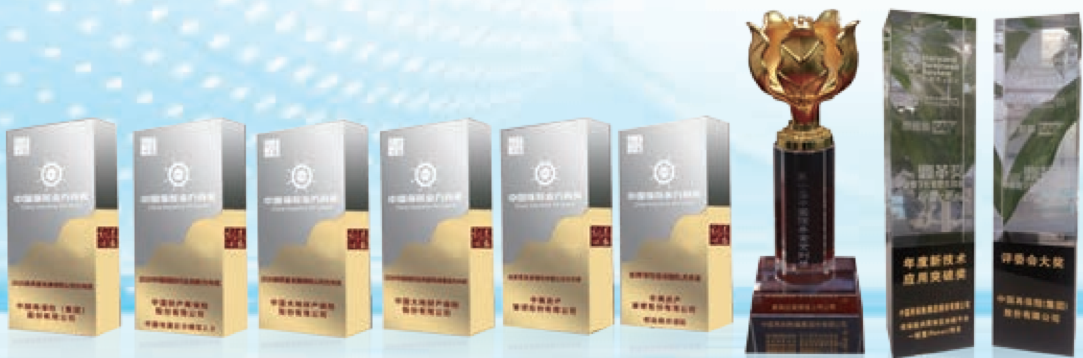
	2020	2019	**Change** (%)	2018	2017	2016
Total assets	**453,577**	396,638	**14.4**	340,907	242,800	211,207
Total liabilities	**350,676**	299,660	**17.0**	253,653	167,430	139,067
Total equity	**102,901**	96,978	**6.1**	87,254	75,370	72,140
Gross written premiums	**161,574**	144,973	**11.5**	122,257	105,336	86,677
Net profit	**5,924**	6,645	**(10.9)**	3,899	5,336	5,233
Net profit attributable to equity shareholders of the parent company	**5,711**	6,049	**(5.6)**	3,730	5,256	5,146
Earnings per share (RMB)	**0.13**	0.14	**(5.6)**	0.09	0.12	0.12
Net assets per share attributable to equity shareholders of the parent company (RMB)	**2.19**	2.05	**6.8**	1.84	1.75	1.68
Weighted average return on equity (%)[1]	**6.34**	7.32	**Decrease by 0.98 percentage points**	4.90	7.22	7.28

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

HONOURS AND AWARDS

The awarded unit	Title of the honours and awards received	Awards organisation
China Re Group	2020 Ark Award for Insurance Company with High-quality Development	Securities Times
	The 10th China Securities Golden Bauhinia Award for "Best Investment Value Award for Listed Companies"	Hong Kong Ta Kung Wen Wei Media Group
	"DingGe Award" 2020 Award for China Digital Transformation Pioneer List	Institute for Global Industry, Tsinghua University, Harvard Business Review China, SAP
	"DingGe Award" Breakthrough Award for Annual New Technology Application -- Platform for Nuclear Insurance Pool Blockchain "Renet Project"	
	13th of The Best LP in 2020	The Committee of Venture Capital Professional of the Chinese Technology Finance Development Association and China Fund of Funds Union
	4th in 2020 China's TOP 10 Best Insurance LP	China Fund of Funds Union
	Pioneer Award for Targeted Poverty Alleviation	Chinanet
	2020 "Best Insurance Company of the Year for Poverty Alleviation" in the election of Chinese Financial Institutions Gold Medal List – the Golden Dragon Prize	Financial News

- **China Re Group**



HONOURS AND AWARDS

The awarded unit	Title of the honours and awards received	Awards organisation
China Re P&C	2020 Ark Award for Innovation of the Insurance Industry in China	Securities Times
	Top 100 China Financial Brand Value	China Business Herald
	2020 Excellent Financial Innovation Award	China Finance Summit
	Demonstration Case for Global Services -- China Reinsurance: Provision of Professional Risk Management Services for Global Customers	China International Fair for Trade in Services
	Excellence Award for Outstanding Insurance Brand	JRJ.com
China Re Life	The Third Place of the Financial Services Innovation Award in Shenzhen -- Project of Big Data Intelligent Bancassurance Service New Model	Shenzhen Municipal Government

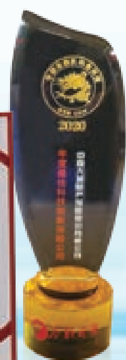
• China Re P&C

• China Re Life

HONOURS AND AWARDS

The awarded unit	Title of the honours and awards received	Awards organisation
China Continent Insurance	Global Insurtech Excellence Enterprise Award	JRJ.com, Tianjin Financial Bureau, Tianjin Port Free Trade Zone Administrative Committee, China Financial Research Institute at Tsinghua University School of Economics and Management
	2020 Ark Award for Insurance Company with High-quality Development	Securities Times
	2020 "Best Technology Innovative Insurance Company of the Year" in the election of Chinese Financial Institutions Gold Medal List – the Golden Dragon Prize	Financial News
	The 11th "Jinlicai" Annual Corporate Social Responsibility Award	Shanghai Securities News
	2020 First Prize of Online Technology Application Cases in Insurance Industry -- China Continent Super APP	China Banking and Insurance News
	2020 Technology Pioneer Financial Institution	International Finance News
	2020 Top 500 Asian Brands	World Brand Lab

• China Continent Insurance


HONOURS AND AWARDS

The awarded unit	Title of the honours and awards received	Awards organisation
China Re AMC	Ark Award for the Gold Medal Insurance Investment Team -- Equity Investment Department of China Re AMC	Securities Times
	"Most Potential Insurance Asset Management Company of the Year" in the election of Chinese Financial Institutions Gold Medal List – the Golden Dragon Prize	Financial News
	The 11th "Jinlicai" Award "Annual Asset Management Excellence Award"	Shanghai Securities News
	The Asset 2020 Highly Recommended Award for Asian Bond Market -- China Re AMC (Hong Kong)	The Asset
Huatai Insurance Agency	Beijing Integrity Enterprise	Beijing Enterprise Evaluation Association

• China Re AMC

• Huatai Insurance Agency

STATEMENT FROM THE CHAIRMAN

STATEMENT FROM THE CHAIRMAN

2020 was an extraordinary year. The sudden outbreak of the COVID-19 pandemic has exerted a huge impact on the global politics, economy and the insurance industry. Faced with the complex external situation, China Re Group has adhered to the general tone of "making progress while ensuring stability" and insisted on "stabilising growth, adjusting structure, controlling risk, and increasing profitability", forging ahead in unity and effectively responding to various difficulties including the COVID-19 pandemic. We achieved steady growth in premium volume, continued to solidify our position as a leading reinsurer, continued to strengthen our business innovation capability and accelerated digital transformation, thereby propelling the high-quality development to a new level.

In 2020, China Re Group's **premium volume grew steadily**, realising gross written premiums of RMB161,574 million, representing a year-on-year increase of 11.5%, which surpassed the average growth rate of the insurance industry. **Operating benefit was in line with expectations**. In face of the impact of the COVID-19 pandemic, China Re Group took active actions and seized the opportunities to reverse the unfavorable situation without sparing any effort, achieving a net profit attributable to equity shareholders of the parent company for the year of RMB5,711 million, though representing a year-on-year decrease of 5.6%, the decline was significantly narrower than that in the beginning of the year. The Group's total investment income amounted to RMB17,122 million, representing a year-on-year increase of 31.7%. **The overall risk continued to remain under control**. With successful implementation of risk appetite, the aggregated solvency adequacy ratios of the Group and each subsidiary were all above 200%. We were rated "A" by A.M. Best for 11 consecutive years and by S&P Global Ratings for seven consecutive years.

In 2020, China Re Group **fully supported the prevention and control of the COVID-19 pandemic**. At the early critical stage of the pandemic, we made donations of more than RMB15 million, donated insurance policies which could cover approximately RMB150 billion, provided 300,000 medical masks to Hubei, and donated 42,000 pieces of anti-pandemic supplies to over 30 foreign countries and regions. We created nearly 90,000 job opportunities for the society, assisted primary insurance companies to provide insurance coverage for more than 100 million people with an amount of over RMB6.8 trillion, and supported the launch of "Hui Min Bao" (惠民保) product in various cities nationwide. We innovatively promoted the "government-banking-insurance" (政銀保) model, providing reinsurance support for more than 6,000 micro, small and medium-sized enterprises in financing surety bond. **In actively serving the national strategy and social governance and construction**, we promoted the establishment of the China "Belt and Road" reinsurance pool and served as its chairman company and management institution, successfully underwrote the first political violence insurance. We have also successfully launched the Shanghai IDI platform 2.0 and the Beijing IDI platform, and replicated and promoted the platform in other provinces and cities to continue to serve the innovation in society governance with insurance. Together with the China Earthquake Administration, we released the "China Earthquake-catastrophe Model 3.0", which has reached an international leading technical level in general, and licensing agreements have been signed with several companies, thus our technical strength in catastrophe risk management continued to improve. We were deeply engaged in the revision of the "China Life Insurance Critical Illness Morbidity Table (2020)" (《中國人身保險業重大疾病經驗發生率表(2020)》), and created new patterns of "product + specific medicine" and "specific medicine + social insurance", integrating commercial insurance with social insurance. **We solidly pushed forward the construction of digital infrastructure**, and smoothly accomplished "Digital China Re 1.0", realising infrastructure cloudification, online business and data standardisation. As a result, our CBIRC off-site regulation score for IT governance capability increased from 60-70 points in 2016 to over 90 points. In reinforcing the application technology empowerment, we strengthened in-depth cooperation with banks through the integration of cross-border data in the application of secure computing platforms to achieve rapid breakthrough in the bancassurance business. We continued to upgrade the "Nuclear•Star" (核•星) global nuclear insurance pool to achieve online overseas business.

STATEMENT FROM THE CHAIRMAN

In 2020, reinsurance premium income from the domestic **P&C reinsurance business** reached a record high once again[1] with an amount of RMB33,351 million, representing a year-on-year increase of 16.1%, and the market share continued to expand. Gross written premiums from overseas P&C reinsurance and Chaucer business rose steadily with an amount of RMB15,017 million, representing a year-on-year increase of 6.9%. **The life and health reinsurance business** recorded reinsurance premium income of RMB66,957 million, and the total written premiums exceeded RMB70 billion, with the business structure continuing to optimise and the proportion of premium income from the protection-type business increasing to 31.6%. **The primary P&C insurance business** recorded gross written premiums of RMB48,167 million, of which the non-motor insurance business grew rapidly, and the year-on-year growth rates of agricultural insurance and liability insurance were 22.7% and 15.9%, respectively. **The asset management business** recorded a total investment income of RMB17,122 million, representing a year-on-year increase of 31.7%, and its total investment yield was 6.01%, with the comprehensive yield of domestic and overseas equity significantly exceeding market benchmarks. **The insurance intermediary business** recorded income of RMB385 million, representing a year-on-year increase of 15.9%. The premium of primary insurance along with reinsurance business amounted to RMB292 million, representing a year-on-year increase of 22.1%.

Looking ahead into the "14th Five-Year" Plan, China's insurance industry remains in an important period of strategic opportunities, but the developmental environment is undergoing profound changes. In 2020, China became the only major economy achieving positive growth in the world. The new "dual circulation" development pattern has repositioned the country's role in driving the global economy. The fundamentals for China's economy to be stable and promising in the long run will remain unchanged, laying a solid foundation for the high-quality development of the insurance industry. In 2020, China's premium income amounted to RMB4.53 trillion, and its proportion in the global premium income was far below China's proportion in the global GDP and population. In the next 10-15 years, China will still be an insurance market with the largest growth globally. The modernisation of governance capability and the implementation of major strategies will put forward more requirements on liability insurance, agricultural insurance, green insurance, catastrophe insurance and other risk protections. The acceleration of aging and the expansion of the middle class will stimulate health and aged care insurance to become the second growth path, while aged-care will be supported by commercial insurance as the third pillar. The accelerated "Belt and Road" construction and the unblocked international and domestic dual circulation will require insurance/reinsurance to provide comprehensive risk protection solutions for Chinese enterprises to "Go Global". With the iteration of consumer groups and the continuously enhanced awareness toward risk management, insurance will become a necessity for the public's good living. At the same time, under the complex and volatile macro environment, there will be profound adjustments on the balance of international power. With the COVID-19 pandemic accelerating the world's entry into a period of turbulent change and a new round of scientific and technological revolution triggering industrial changes, uncertainties will increase significantly. There will be substantial changes in regulatory rules and policies such as the comprehensive reform of motor insurance, the C-ROSS Phase II project, and the international accounting standards IFRS9 and IFRS17 will be implemented successively, which will have a major impact on the insurance operation and management. The gradually aggressive market competition, increasingly prominent Matthew effect and accelerated market layout by foreign investors in China, along with internet technology platforms fully entering the market and the quicken restructuring of the insurance value chain, will all make profound impact on the development of the industry.

1 The domestic P&C reinsurance business mentioned herein only refers to the domestic P&C reinsurance business operated by China Re P&C.

STATEMENT FROM THE CHAIRMAN

Facing both opportunities and challenges, in 2021, China Re Group will continue to adhere to the general tone of "making progress while ensuring stability" in deepening the implementation of the three strategies of "platform operation, technology advancement and globalisation", leveraging on product service and model innovation in enhancing comprehensive competitive advantages, and firmly guarding the bottom line of having no major risks, thereby embarking on a good start for the high-quality development of the "14th Five-Year" Plan. **For platform operation**, we will strengthen and expand the "Belt and Road" insurance pool between China and Singapore to provide more comprehensive protection for China's overseas interests. We will continue to iteratively upgrade the China earthquake-catastrophe model, and speed up the creation of typhoon and flood-catastrophe models, striving to achieve new breakthroughs in the domestic issuance of catastrophe bonds. We will accelerate the nationwide replication and promotion of IDI platforms, and facilitate research on new platform opportunities in areas such as major public health safety, network security, green economy and major technological innovation. **For technology advancement**, we will implement "Digital China Re 2.0" to create new business growth drivers with technological innovation. We will strengthen the construction of data middle platforms and data lakes, and comprehensively upgrade the internal technological foundation driven by data capitalisation and intellectualisation. We will strengthen the application of blockchain and secure multiparty data computation technology to build a new model of "reinsurance + technology" service to empower the development of insurance industry. **For globalisation**, we will continue to improve the international management and control framework and decision-making management mechanism to optimise the layout of overseas institutions, the structure of international business and the allocation of global assets. We will promote the development of business and investment dual-platform with Hong Kong as a pilot site, so as to commence our renewal of issuance of overseas bonds at the right time. We will accelerate interaction and back-feeding between domestic and overseas businesses, and continuously introduce clean energy insurance, network security insurance and other comprehensive risk management solutions urgently needed in China. **For product service and model innovation**, we will actively promote the construction of industry infrastructure, making every effort to promote the development of insurance products such as catastrophe insurance, agricultural insurance, environmental pollution liability insurance, commercial medical insurance and long-term care insurance which the nation and the public are in demand. We will speed up the construction of platform ecosystems in areas such as disaster management, construction engineering and the "Belt and Road", creating new models and new growth poles integrating the reinsurance and health care industries through "Product+" and "Data+", driving the high-quality development and transformation of the primary P&C insurance business with "insurance + technology + service", thus accelerating the construction of a professional, market-oriented and international asset management platform so as to better promote the coordinated development of the entire industry chain of "reinsurance + primary insurance + brokerage".

2021 represents the first year of the "14th Five-Year" Plan. China Re Group will secure itself a foothold in the new developmental stage, implement the new development concept and accelerate construction of our own development pattern on the new journey where we will share a mutual fate with the country to compose a new chapter of high-quality development in the "14th Five-Year" Plan.

Yuan Linjiang
Chairman

Management Discussion and Analysis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Timeline Total Use=2540 Hr.
Main Project
Review

MANAGEMENT DISCUSSION AND ANALYSIS

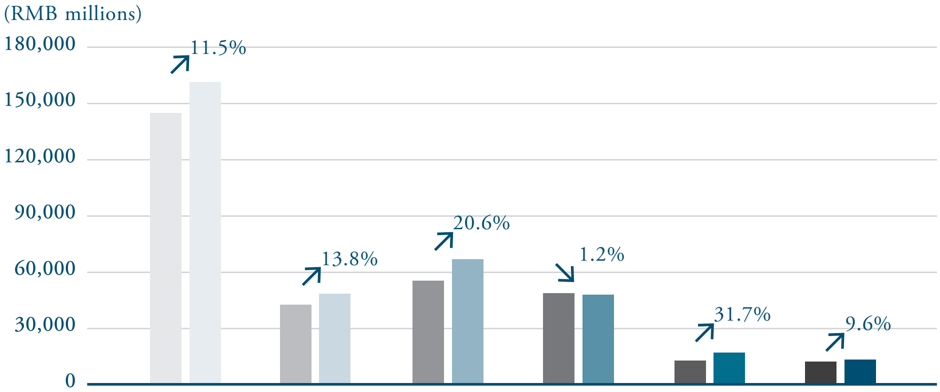
OVERVIEW

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

MANAGEMENT DISCUSSION AND ANALYSIS

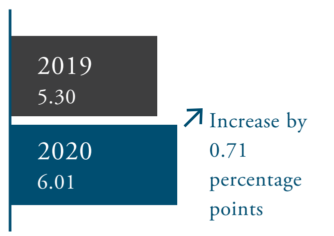
Key Operating Data

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

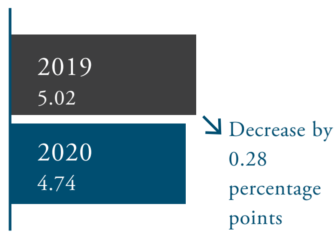


2019		2020
144,973	Gross written premiums	161,574
42,679	P&C reinsurance[1]	48,573
55,526	Life and health reinsurance[1]	66,957
48,730	Primary P&C insurance[1]	48,167
12,999	Total investment income[2]	17,122
12,316	Net investment income[3]	13,500

Total investment yield (%)[2]



Net investment yield (%)[3]



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

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

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

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

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

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

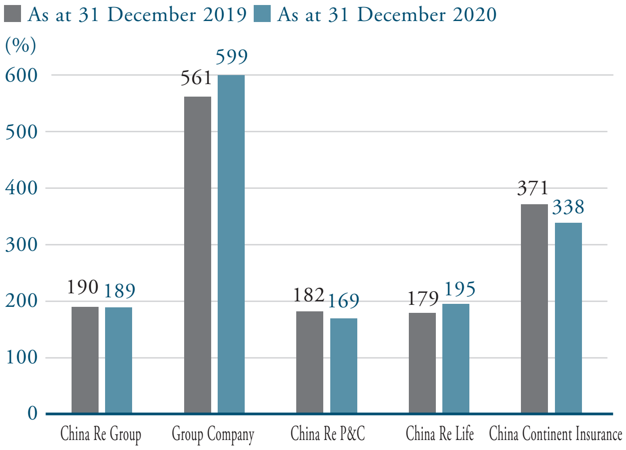
Investment assets = Cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreements + time deposits + available-for-sale financial assets + held-to-maturity investments + investments classified as loans and receivables + reinsurers'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

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

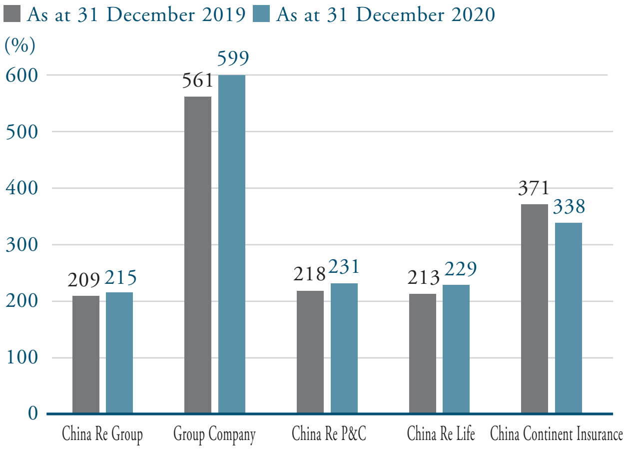
Net investment income = Interest + dividend + rental income + share of profits of associates.

MANAGEMENT DISCUSSION AND ANALYSIS

Core solvency adequacy ratio



Aggregated solvency adequacy ratio



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

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

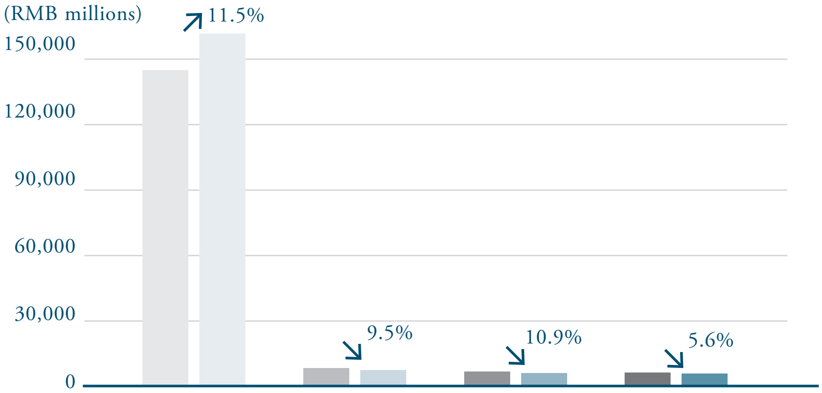
Our core reinsurance business maintained its solid market position and we continued to maintain the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.5% in primary P&C insurance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

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

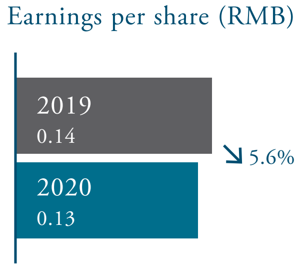
MANAGEMENT DISCUSSION AND ANALYSIS

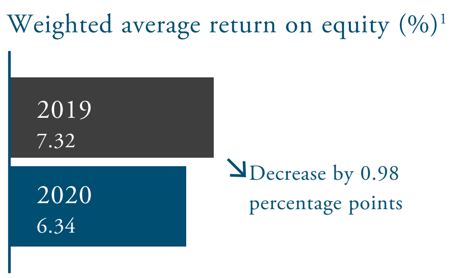
Key Financial Indicators

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



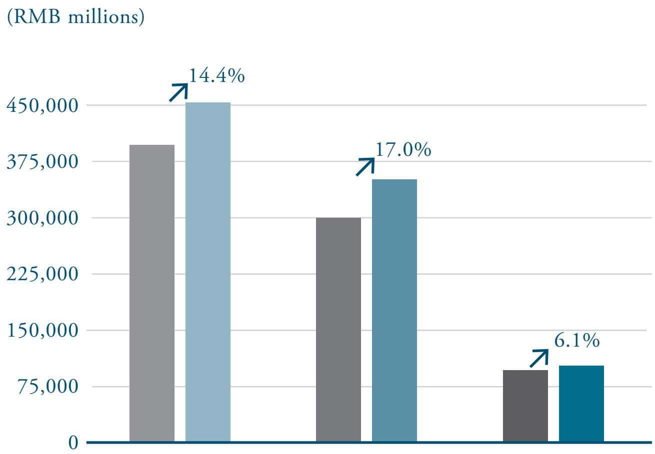
2019		2020
144,973	Gross written premiums	161,574
8,068	Profit before tax	7,298
6,645	Net profit	5,924
6,049	Net profit attributable to equity shareholders of the parent company	5,711



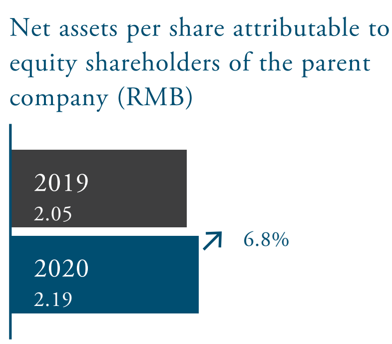


Note: 1. Weighted average return on equity = Net profit attributable to equity shareholders of the parent company ÷ balance of weighted average equity.

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



2019		2020
396,638	Total assets	453,577
299,660	Total liabilities	350,676
96,978	Total equity	102,901



MANAGEMENT DISCUSSION AND ANALYSIS

P&C REINSURANCE BUSINESS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis

Domestic P&C Reinsurance Business[1]

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In 2020, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB33,351 million, representing a year-on-year increase of 16.1%. The combined ratio was 99.78%, representing a year-on-year decrease of 1.66 percentage points, of which the loss ratio was 63.22%, representing a year-on-year increase of 1.96 percentage points; the expense ratio was 36.56%, representing a year-on-year decrease of 3.62 percentage points[2].

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

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

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

Lines of business

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

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

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

Clients and client services

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

Overseas P&C Reinsurance and Chaucer Business[1]

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

In 2020, gross written premiums from overseas P&C reinsurance and Chaucer business amounted to RMB15,017 million, representing a year-on-year increase of 6.9%. The combined ratio was 108.72%, representing a year-on-year increase of 7.52 percentage points. Of such combined ratio, the loss ratio and expense ratio were 69.79% and 38.93% respectively, representing a year-on-year increase of 5.95 percentage points and 1.57 percentage points respectively. The increase in combined ratio was mainly caused by COVID-19 Pandemic, and the combined ratio excluding COVID-19 Pandemic losses was 96.70%, representing a year-on-year decrease of 4.50 percentage points[2]. As at the end of the Reporting Period, total net loss on COVID-19 Pandemic was approximately USD205 million, which has been reflected in the financial data for 2020.

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

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

Overseas P&C Reinsurance Business

In 2020, gross written premiums from our overseas P&C reinsurance business amounted to RMB3,968 million, representing a year-on-year decrease of 10.5%. The decrease in written premiums was mainly due to the fact that China Re Syndicate 2088 went into run-off from 2020, and its underwriting capacity was consolidated into Chaucer. The combined ratio was 119.88%, representing a year-on-year increase of 15.49 percentage points, which was mainly caused by the COVID-19 Pandemic. Of such combined ratio, the loss ratio and expense ratio were 87.06% and 32.82% respectively, representing a year-on-year increase of 12.70 percentage points and 2.80 percentage points respectively[1].

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

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

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

Unit: in RMB millions, except for percentages

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

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

Chaucer Business

In 2020, gross written premiums from Chaucer amounted to RMB11,049 million, representing a year-on-year increase of 14.9%. The combined ratio was 103.64%[1], representing a year-on-year increase of 4.44 percentage points, which was mainly caused by the COVID-19 Pandemic. Of such combined ratio, the loss ratio and expense ratio were 61.91% and 41.73% respectively, representing a year-on-year increase of 4.68 percentage points and decrease of 0.24 percentage points respectively[2]. We took advantage of the opportunities provided by the increased rates in certain business areas over the world, and allocated more capacity to support a steady growth in premium income. We strengthened the professional capability of our underwriting team in the business line of reinsurance, property insurance, casualty insurance, policy terms and conditions improved and new opportunities arose in these classes. We constantly adjusted our business mix by reducing our participation in certain of the most challenging segments to maintain a satisfactory underwriting margin. Barring the impact of COVID-19 Pandemic, our overall business quality continued to improve. The premium of contracts led by Chaucer accounted for approximately 42% of its overall gross written premiums. Chaucer is one of the limited numbers of Lloyd's market entities with substantial contract leadership capabilities.

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

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

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

CNIP Business

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

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

Premiums Ceded to Reinsurers and Retrocessionaires

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

Investment Income

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

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Share of Profits of Associates

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

Net Profit

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

LIFE AND HEALTH REINSURANCE BUSINESS

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

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

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

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

Business Analysis

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

Domestic Life and Health Reinsurance Business

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

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

In respect of the protection-type reinsurance business, reinsurance premium income amounted to RMB20,688 million in 2020, representing a year-on-year increase of 21.3%, and accounted for the biggest market share. Of which, reinsurance premium income from the yearly renewable term reinsurance business[1] amounted to RMB10,497 million, representing a year-on-year increase of 5.2%, accounting for 50.7% of reinsurance premium income from the protection-type reinsurance business. On one hand, we relied on "Data+" and "Product+" development strategies and the integration of industry, to innovate and launch impactful products such as the inclusive medical care and the market first medical insurance with lifelong cancer prevention. We continuously cultivated the specialty drug insurance market, promoted cooperation with traditional customers, accelerated cooperation with the Internet companies and other platforms, and increased cooperation with local governments to further consolidate the Company's advantageous position. On the other hand, through experience analysis, data co-creation, risk control model development and product iteration, the Company actively carried out risk mitigation and prevention work of the business, conducted in-depth research on the risk control and price adjustment mechanism of long-term medical insurance, and further deepened the work of "Data + Risk Prevention and Control". The combined ratio (excluding operating and administrative expenses) after retrocession of the short-term protection-type business was 97.06%, representing a year-on-year decrease of 0.41 percentage points, and the underwriting profits were RMB414 million.

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

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

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

Overseas Life and Health Reinsurance Business

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

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

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

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

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

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

Unit: in RMB millions, except for percentages

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

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

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

Gross Written Premiums

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

Premiums Ceded to Retrocessionaires

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

Investment Income

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

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Share of Profits and Losses of Associates

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

Net Profit

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

MANAGEMENT DISCUSSION AND ANALYSIS

PRIMARY P&C INSURANCE BUSINESS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Analysis by Business Channel

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

Unit: in RMB millions, except for percentages

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

Analysis by Region

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

Unit: in RMB millions, except for percentages

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

Combined Ratio

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

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

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

Gross written premiums

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

Premiums Ceded to Reinsurers

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

Reinsurance Commission Income

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

Investment Income

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

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Net Profit

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

MANAGEMENT DISCUSSION AND ANALYSIS

ASSET MANAGEMENT BUSINESS

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

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

Investment Portfolio

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

Unit: in RMB millions, except for percentages

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

Notes:
1. Primarily including financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans and others.
2. Including monetary funds and the senior tranche of structured index funds.
3. Including assets management products, unlisted equity investments and equity investment schemes.
4. Including investment properties, derivative financial instruments and financial liabilities at fair value through profit or loss, etc.

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

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

As at the end of the Reporting Period, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life and China Continent Reinsurance to China Re AMC for management in aggregate directly held non-standard assets of RMB39,953 million[1], of which those with an external rating of AA+ and above accounted for 82.64%. The top three industries in terms of positions held were real estate, transportation and public utilities, accounting for 45.60%, 17.30%, and 16.27%, respectively.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

Investment Performance

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

Unit: in RMB millions, except for percentages

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

Notes:

1. Including gains or losses from changes in fair value of derivative financial instruments, gains on disposal of derivative financial instruments and rental income of investment properties.
2. Total investment yield = Total investment income ÷ average of total investment assets as at the beginning and end of the period;

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INSURANCE INTERMEDIARY BUSINESS

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

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

SOLVENCY

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

Unit: in RMB millions, except for percentages

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

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

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

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

Unit: in RMB millions

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

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

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

EXCHANGE RATE FLUCTUATION RISK

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

DETAILS OF ASSETS CHARGED AND BANK BORROWINGS

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

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

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

CONTINGENCIES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

In addition, the related-party transactions set out in Note 57 to the financial statements do not constitute the connected transactions under the Hong Kong Listing Rules. Therefore, they do not need to comply with the requirements of reporting, announcement or independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Use of Proceeds

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

(1) HKD7,716 million was used for the capital increase of the subsidiaries and overseas branches of the Company;

(2) HKD876 million was used for the payment of underwriting expenses of initial public offering and general corporate purposes; and

(3) HKD1,568 million was used to pay the consideration for acquisition of subsidiaries by the Company.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Market Environment

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Outlook of China Re Group

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

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

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

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

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

- Directors, Supervisors, Senior Management and Employees
- Corporate Governance Report
- Report of the Board of Directors
- Report of the Board of Supervisors

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Month and Year of Birth	Position	Date of Appointment
Yuan Linjiang	December 1963	Executive Director, Chairman	May 2016
He Chunlei	April 1965	Executive Director, Vice Chairman	Executive Director since February 2017, Vice Chairman since September 2018
Lu Xiuli	May 1964	Non-executive Director	December 2014
Wen Ning	July 1962	Non-executive Director	May 2019
Wang Xiaoya	November 1964	Non-executive Director	August 2019
Liu Xiaopeng	July 1975	Non-executive Director	November 2019
Hao Yansu	July 1958	Independent Non-executive Director	December 2014
Li Sanxi	March 1964	Independent Non-executive Director	December 2014
Mok Kam Sheung	December 1959	Independent Non-executive Director	August 2015
Jiang Bo	December 1955	Independent Non-executive Director	December 2018

Notes: 1. Mr. Ren Xiaobing ceased to serve as an executive Director since 25 February 2021.

2. For details of Directors' positions in the specialised committees of the Board, please refer to the section headed "Corporate Governance Report" in this annual report.

Supervisors

Name	Month and Year of Birth	Position	Date of Appointment
Zhu Yong	June 1969	Shareholder Representative Supervisor	December 2014
Zeng Cheng	July 1980	Shareholder Representative Supervisor	July 2018
Qin Yueguang	October 1976	Employee Representative Supervisor	June 2018
Li Jingye	February 1972	Employee Representative Supervisor	June 2018

Notes: 1. Mr. Zhang Hong ceased to serve as the Chairman of the Board of Supervisors and a Supervisor since 13 July 2020.

2. On 25 February 2021, the meeting of the Board of Supervisors considered and approved the nomination of Ms. Xiong Lianhua as a Shareholder Representative Supervisor candidate of the fourth session of the Board of Supervisors. Her appointment is subject to the approval by the shareholders' general meeting of the Company. Ms. Xiong Lianhua's term of office will take effect from the date of approval by CBIRC of her qualification as a supervisor and the performance of the procedural requirements set out by the Articles of the Association and end on the expiry of the term of the fourth session of the Board of Supervisors.

Senior Management

Name	Month and Year of Birth	Position	Date of Appointment
He Chunlei	April 1965	President	September 2018
Tian Meipan	October 1974	Chief Actuary	December 2012
Zhu Xiaoyun	August 1975	Board Secretary, Joint Company Secretary	Joint Company Secretary since April 2017, Board Secretary since June 2017

Notes: 1. Mr. Ren Xiaobing ceased to serve as the Vice President, the Compliance Controller and the Chief Risk Officer of the Company since February 2021.

2. On 25 February 2021, the meeting of the Board of Directors considered and approved the election of Mr. Zhuang Qianzhi as the Vice President, Compliance Controller and Chief Risk Officer of the Company, effective from the date of approval by CBIRC of his qualification as senior management and the performance of the procedural requirements set out by the Articles of the Association.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

Directors

Executive Directors

Mr. Yuan Linjiang (袁臨江), is an executive Director and the Chairman of the Company. He is an economist. Before joining the Company, Mr. Yuan had served as the vice president and chief risk officer of Beijing Branch, and the president of Chongqing Branch of China Everbright Bank; a non-executive director of Agricultural Bank of China; the deputy director of the general department (in charge of daily operation), the director of the integrated management department and the second banking institution management department of Central Huijin. He served as the general manager and senior managing director of CIC International (Hong Kong) Co., Ltd. Mr. Yuan joined the Company in March 2016. He has been an executive Director and the Chairman of the Company since May 2016. He is a director and the chairman of the board of directors of China Continent Insurance, a director and the chairman of the board of directors of China Re AMC and the chairman of CNIP. Mr. Yuan obtained a bachelor's degree of economics in business economics from Jiangxi Institute of Finance and Economics (currently known as Jiangxi Finance and Economics University) and a degree of Executive Master of Business Administration from Renmin University of China.

Mr. He Chunlei (和春雷), is an executive Director, the Vice Chairman and the President of the Company. Before joining the Company, Mr. He had served in the Economic Research Institute of the Academy of Social Sciences of Shaanxi Province, and the post doctoral programme of Economics of the Chinese Academy of Social Sciences. Mr. He had served as the deputy general manager of China Continent Insurance, the vice chairman of the board of directors and the general manager of China Re P&C, the chief executive officer of the international P&C reinsurance business of the Company, a director and the chairman of the board of directors of China Continent Insurance, a director of China Re AMC, the Vice President and the Executive Vice President of the Company (assuming the role of the President). Mr. He has been an executive Director of the Company since February 2017 and the Vice Chairman and the President of the Company since September 2018; he is also currently a director and the chairman of the board of directors of China Re P&C, and a director and the chairman of the board of directors of China Re Life, non-executive director of Shanghai Insurance Exchange Company Limited, and chairman of "Belt and Road" Reinsurance Community of the PRC. Mr. He obtained a bachelor's degree in political economics from Northwest College of Political Science and Law (currently known as Northwest University of Political Science and Law), a master's degree in political economics from Northwest University and a doctoral degree in economics from the Chinese Academy of Social Sciences.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Directors

Ms. Lu Xiuli (路秀麗), is a non-executive Director of the Company. She is a senior auditor and a certified public accountant (non-practising member) in the PRC. Ms. Lu had served at the department of finance audit of the NAO, where she served as the deputy divisional director, the divisional director and the deputy-departmental level auditor. Ms. Lu has been a non-executive Director of the Company since December 2014. Ms. Lu obtained a bachelor's degree in finance and a master's degree in international finance from Renmin University of China.

Mr. Wen Ning (溫寧), is a non-executive Director of the Company. He is a senior accountant and a university graduate. He had served as a senior staff member, a principal staff member, the deputy division director, the division director and the office director of the Shandong Regulatory Bureau of the Ministry of Finance, and a member of the party leadership group and the deputy director of the Anhui Regulatory Bureau of the Ministry of Finance. Mr. Wen has been a non-executive Director of the Company since May 2019.

Ms. Wang Xiaoya (汪小亞), is a non-executive Director of the Company and a research fellow. Ms. Wang had served as a member of the Post-doctoral Academic Committee, and a post-doctoral co-mentor at the Research Institute of Finance of the People's Bank of China ("PBOC"); deputy chief and chief of the Macroeconomic Analysis Division of the Research Bureau, and deputy director of the Research Bureau of the PBOC (during which period she served as a secondment deputy mayor of Tongliao City in the Inner Mongolia Autonomous Region); a non-executive director of Industrial and Commercial Bank of China Limited. Ms. Wang has been a non-executive director of Bank of China Limited since August 2017, and a non-executive Director of the Company since August 2019. She is currently a member of the Academic Committee of the China Institute for Rural Studies of Tsinghua University, an invited researcher of the National Institute of Financial Research of Tsinghua University, a doctoral supervisor of Southwestern University of Finance and Economics and an invited professor of the Graduate School of the Chinese Academy of Social Sciences. Ms. Wang obtained a master's degree in economics from Central China Normal University and a doctorate in macroeconomics from the Graduate School of the Chinese Academy of Social Sciences.

Mr. Liu Xiaopeng (劉曉鵬), is a non-executive Director of the Company and a senior economist. Mr. Liu served as the vice division chief of the department of financial assets management of State Grid Corporation of China; the general manager of the investment management department, the assistant to the general manager and the general manager of the department of development and planning of State Grid Yingda International Holdings Co., Ltd.; a member of the party leadership group, the deputy general manager and the secretary to the board of directors of China Power Finance Co., Ltd.; the deputy director general of the global energy interconnection office of State Grid Corporation of China and the Global Energy Interconnection Development and Cooperation Organisation; the director of the strategic operations of Gome Holdings Group Company Limited; an executive director and the CEO of Gome Finance Technology Co., Ltd. Mr. Liu has been a non-executive Director of the Company since November 2019. Mr. Liu obtained a bachelor's degree in technological economics from Tianjin University and a doctoral degree in world economics from Nankai University.

Independent Non-executive Directors

Mr. Hao Yansu (郝演蘇), is an independent non-executive Director of the Company and a professor. Mr. Hao had served as the dean of the insurance department at Liaoning University, the dean of the insurance department of Central Institute of Finance and Economics, the managing director of Hong Kong Zhongqing Insurance and Risk Management Consulting Company, and the dean of the School of Insurance of Central University of Finance and Economics. Mr. Hao is currently the director of the Academic Committee of the School of Insurance of Central University of Finance and Economics, an independent director of An Hua Agricultural Property Insurance Company Ltd. and an independent director of Dinghe Property Insurance Co., Ltd. Mr. Hao has been an independent non-executive Director of the Company since December 2014. Mr. Hao obtained a bachelor's degree of economics in finance from Liaoning Institute of Finance and Economics (currently known as Dongbei University of Finance and Economics).

Mr. Li Sanxi (李三喜), is an independent non-executive Director of the Company and a senior auditor. Mr. Li had served at the administrative affairs department and the audit research institute of the NAO and Beijing Zhong Tian Heng Certified Public Accountants. Mr. Li is currently the chairman of the board of directors of Beijing Zhong Tian Heng Management Consulting Co., Ltd. and the general manager of Beijing Zhong Tian Heng Da Engineering Consulting Company. Since December 2014, Mr. Li has been an independent non-executive Director of the Company. Mr. Li obtained a bachelor's degree of economics in accounting from Lanzhou Commercial College.

Ms. Mok Kam Sheung (莫錦嫦), is an independent non-executive Director of the Company. Ms. Mok has over 23-year working experience of legal affairs. Ms. Mok is now a partner of CFN Lawyers. Since August 2015, Ms. Mok has been an independent non-executive Director of the Company, and she is currently an independent director of China Reinsurance (Hong Kong) Company Limited. Ms. Mok obtained a Bachelor of Arts (honours) degree from the University of Plymouth in England and a Common Professional Examination diploma in laws from the University of the West of England. She was also granted a certificate by the Law Society of England and Wales evidencing the passing of the Solicitors' Final Examination. Ms. Mok is qualified to practise as a solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales. She is also qualified as a China-appointed attesting officer by the Ministry of Justice of the PRC.

Ms. Jiang Bo (姜波), is an independent non-executive Director of the Company, a senior accountant and a senior economist. Ms. Jiang was appointed as the chief financial officer and the chairman of the labour union of China Everbright Group Limited, a managing director, the vice president, a party committee member and the chief audit officer of China Everbright Bank, a director of China Everbright Holdings Company Limited (Hong Kong), Sun Life Everbright Life Insurance Co., Ltd., Everbright Financial Holding Asset Management Co., Ltd. and Shenyin & Wanguo Securities Co. Ltd. Ms. Jiang is currently an independent director of China Shenhua Energy Company Limited and Sinopec Oilfield Service Corporation. Since December 2018, Ms. Jiang has been an independent non-executive Director of the Company. Ms. Jiang held a doctoral degree in economics from the School of Finance of Renmin University of China.

Supervisors

Mr. Zhu Yong (朱永), is a shareholder representative Supervisor of the Company and a senior auditor. Mr. Zhu worked for the department of monetary audit of the NAO as the deputy divisional director. Mr. Zhu served as the general manager of the legal and audit department and the general manager of the human resources department of Tianjin Binhai Rural Commercial Bank, and the divisional director of China Export & Credit Insurance Corporation, the senior manager of the office of the board of supervisors/internal audit department and the leader of the working group of the board of supervisors of China Investment Corporation. Mr. Zhu serves as the non-executive director of Hengfeng Bank Co., Ltd. (assigned by Central Huijin). Since December 2014, Mr. Zhu has been appointed as a shareholder representative Supervisor of the Company. Mr. Zhu obtained a doctoral degree in history of economic thoughts from Peking University.

Mr. Zeng Cheng (曾誠), is a shareholder representative Supervisor of the Company and a senior accountant. Mr. Zeng was the manager of the financial department of Central Huijin and the senior deputy manager of the financial department of China Investment Corporation. Mr. Zeng is currently the senior manager of the financial department of China Investment Corporation. Since July 2018, Mr. Zeng has been appointed as a shareholder representative Supervisor of the Company. Mr. Zeng holds a doctoral degree in accounting from the Research Institute for Fiscal Science of MOF (now known as the Chinese Academy of Fiscal Sciences) and was qualified as a Chartered Global Management Accountant (CGMA) and a Fellow of the Chartered Institute of Management Accountants (FCMA).

Mr. Qin Yueguang (秦躍光), is an employee representative Supervisor of the Company and a certified public accountant (non-practising member) in the PRC. Prior to joining the Company, Mr. Qin had worked in Konka Group Co., Ltd., Ping An Insurance (Group) Company of China, Ltd., China Taiping Insurance Group Ltd. and New China Life Insurance Company Ltd. Mr. Qin was the deputy general manager (in charge of daily operation) and general manager of the risk management department of the Company. Mr. Qin is concurrently serving as a director of China Re Life. Since June 2018, Mr. Qin has been appointed as an employee representative Supervisor of the Company. Mr. Qin obtained a bachelor's degree in accounting from Central University of Finance and Economics.

Mr. Li Jingye (李靖野), is an employee representative Supervisor of the Company and a senior economist. Mr. Li worked in the Central Financial Work Committee, the former China Banking Regulatory Commission and CIRC, and as the supervisor at deputy division head level of PICC Holding Company and China Reinsurance (Group) Company appointed by the State Council. Mr. Li was the assistant to general manager and deputy general manager of audit department/office of the Board of Supervisors of the Company. Mr. Li serves as the general manager of the department/office, and is concurrently serving as the audit controller of China Re AMC. Since June 2018, Mr. Li has been appointed as an employee representative Supervisor of the Company. Mr. Li obtained a bachelor's degree in management information system from Dongbei University of Finance and Economics, a master's degree in monetary and banking from Dongbei University of Finance and Economics, and a doctoral degree in finance from the Fiscal Science Research Institute of the Ministry of Finance (now known as the Chinese Academy of Fiscal Sciences).

Senior Management

For the biography of **Mr. He Chunlei**, please refer to the paragraphs headed "Executive Directors" above.

Mr. Tian Meipan (田美攀), is the Chief Actuary of the Company. Before joining the Company, Mr. Tian served as a lecturer at the insurance department of Nankai University. Mr. Tian served at the commercial business division of the life insurance business department of the Company. Mr. Tian served as a controller of the risk management department, the deputy general manager and the chief actuary of China Re Life. Mr. Tian is now an executive director and the general manager of China Re Life, and he has been the Chief Actuary of the Company since December 2012. Mr. Tian obtained a bachelor's degree in international finance and a master's degree in finance from Nankai University. He has also obtained the qualification of actuary in North America and the PRC.

Ms. Zhu Xiaoyun (朱曉雲), is the Board Secretary and a joint company secretary of the Company, and an economist. Ms. Zhu joined the Company in July 1998 and had served as the deputy head of the office of the Board and the deputy head of the general office of the Company. Ms. Zhu currently serves as the head of the general office (party committee office) of the Company. Ms. Zhu has been the joint company secretary of the Company since April 2017 and the Board Secretary of the Company since June 2017. Ms. Zhu used to serve as a director in Huatai Insurance Agency and currently also serves as a director of China Banking and Insurance Media Company Ltd. (formerly known as China Insurance Media Company Ltd.). Ms. Zhu obtained a bachelor's degree in insurance from Capital University of Economics and Business and a master's degree in finance from University of International Business and Economics.

Joint Company Secretaries

For the biography of **Ms. Zhu Xiaoyun**, please refer to the paragraphs headed "Senior Management" above.

Ms. Ng Sau Mei (伍秀薇), has been appointed as a joint company secretary of the Company since April 2017. Ms. Ng is an associate director of the listing services department of TMF Hong Kong Limited. Ms. Ng has over 20 years of professional experience in the company secretarial field and is responsible for providing corporate secretarial and compliance services to listed company clients. Ms. Ng has extensive knowledge and experience in corporate governance and compliance matters for listed companies and currently serves as joint company secretary of several companies listed on the main board of the Hong Kong Stock Exchange, including Shandong Gold Mining Co., Ltd. and COSCO SHIPPING Development Co., Ltd., and is responsible for the corporate secretarial matters of several other companies listed on the main board of the Hong Kong Stock Exchange, including New China Life Insurance Company Ltd. and China Development Bank Financial Leasing Co., Ltd. Ms. Ng obtained a bachelor's degree in laws from City University of Hong Kong and a master of laws degree from University of London, and is a Chartered Secretary, a Corporate Governance Professional and a Fellow of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the UK.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Changes of Director and His Information

Name	Original Position	Present Position	Changes of Biographies
Ren Xiaobing	Executive Director	Nil	Ceased to serve as an Executive Director since February 2021.

For details of Mr. Ren Xiaobing's cessation, please refer to the announcement of the Company dated 25 February 2021.

Save as disclosed above and in "Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries" under this section, as of the Latest Practicable Date, there was no other change of the Directors or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

Changes of Supervisors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Zhang Hong	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	Nil	Ceased to serve as the Chairman of the Board of Supervisors and a Supervisor since July 2020.

For details of Mr. Zhang Hong's cessation, please refer to the announcement of the Company dated 13 July 2020. For details of Ms. Xiong Lianhua's appointment, please refer to the announcement and circular of the Company dated 25 February 2021 and 2 March 2021, respectively.

Save as disclosed above and in "Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries" under this section, as of the Latest Practicable Date, there was no other change of the Supervisors or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

Change of Senior Management and Their Information

Name	Original Position	Present Position	Changes of Biographies
Ren Xiaobing	Vice President, Compliance Controller, Chief Risk Officer	Nil	Ceased to serve as the Vice President, Compliance Controller and the Chief Risk Officer of the Company since February 2021.
Liu Tianyang	Audit Controller	Nil	Ceased to serve as the Audit Controller since March 2021.

Note: On 25 February 2021, the meeting of the Board of Directors considered and approved the election of Mr. Zhuang Qianzhi as the Vice President, Compliance Controller and Chief Risk Officer of the Company, effective from the date of approval by CBIRC of his qualification as senior management and the performance of the procedural requirements set out by the Articles of the Association.

Save as disclosed above and in "Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries" under this section, as of the Latest Practicable Date, there was no other change of the senior management of the Company or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As of 31 December 2020, China Re Group had a total of 63,914 employees. The Group's staff remuneration comprises three components, namely basic salary, performance bonus and benefits and subsidies. We always uphold the guidance of "combining the market practice with the real situation of China Re", follow the distribution concept of "giving priority to the front-line staff, the front office staff, the core backbones and the best-performing staff", and have established a fair, competitive and motivating remuneration system. We have established an enterprise annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits, which plays an important role in attracting, motivating and retaining talents.

The Group is devoted to realising a win-win situation between corporate development and employee improvement, and has fully implemented talent protection to train young employees, backbone talents, and core talents in a targeted manner, in which we have increased investment in talent cultivation, strengthened employee career planning management, cleared the obstacles on the career growth channels, and established a talent training system with our characteristics through multi-level training, internal rotation and exchange, and overseas training to create a high-quality, professional and international team of employees.

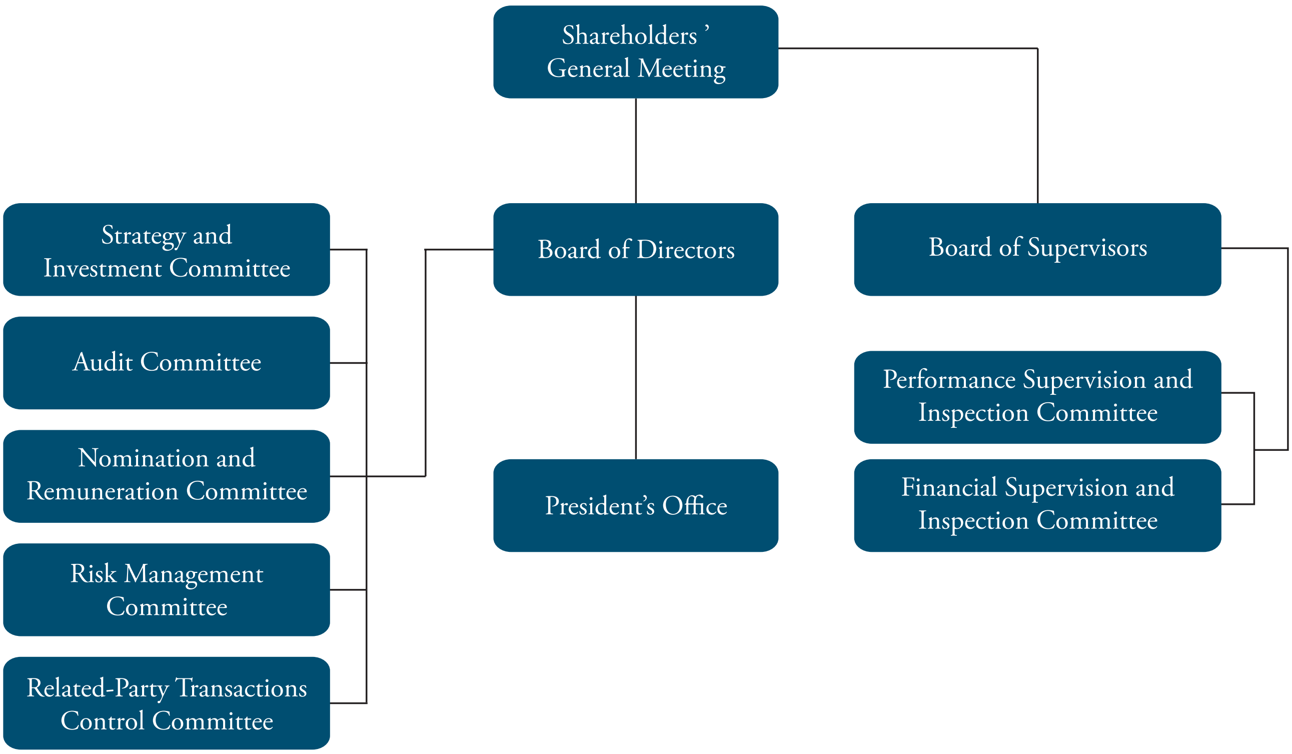
CORPORATE GOVERNANCE REPORT

OVERVIEW

The Company has always been in compliance with relevant laws and regulations and regulatory requirements such as the PRC Company Law, the PRC Insurance Law, the Hong Kong Listing Rules, the Guiding Opinion on Regulating the Corporate Governance Structure of Insurance Companies (Provisional), earnestly performed the requirements of the Articles of Association, adhered to the principles of good corporate governance, strove for continuously enhancing the corporate governance standard to ensure the stable development of the Company and to enhance shareholders' value.

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

The corporate governance structure chart of the Company is set out as below:



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' GENERAL MEETING

Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws: (1) to decide on operational policies and investment plans of the Company; (2) to elect or replace the Directors and Supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of Directors and Supervisors; (3) to consider and approve the reports of the Board of Directors; (4) to consider and approve the reports of the Board of Supervisors; (5) to consider and approve annual financial budgets and final accounts of the Company; (6) to consider and approve proposals for profit distribution and recovery of losses of the Company; (7) to decide on increase or reduction of the registered capital of the Company; (8) to decide on the issuance of bonds, shares, warrants or other marketable securities and their listing of the Company; (9) to decide on merger, division, dissolution or liquidation of the Company and changes in the form of the Company; (10) to amend the Articles of Association and to formulate and amend the rules of procedures of the shareholders' general meetings, the Board of Directors and the Board of Supervisors; (11) to decide on the acquisition of shares of the Company; (12) to decide on the appointment, dismissal or non-reappointment of accounting firms which provide regular statutory audit for financial statements of the Company; (13) to consider and approve matters related to the Company's establishment of legal entities, significant external investment, major acquisition of assets, major pledge and write-off of assets, major external donation and major asset mortgage (other than those authorised to be determined by the Board); (14) to consider and approve related-party transactions required to be considered and approved by the shareholders' general meetings under laws, administrative regulations, regulatory requirements and requirements of the securities regulatory authorities or stock exchange at the place where the Company's shares are listed; (15) to consider and approve matters related to the change of use of the raised fund; (16) to consider and approve share incentive scheme; (17) to consider and approve any proposal raised by shareholders, individually or in aggregate, holding above 3% of the issued shares of the Company with voting rights; (18) to consider and approve plan on authorisation to the Board granted by the shareholders' general meetings; and (19) to consider other matters that are to be determined at the shareholders' general meetings as required by the PRC laws, administrative regulations, regulatory requirements and the Articles of Association.

During the Reporting Period, the Company convened one shareholders' general meeting and the resolutions considered and approved at the meeting included:

- Resolution on the Report of the Board of Directors of China Reinsurance (Group) Corporation for the Year 2019;
- Resolution on the Report of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2019;
- Resolution on the Remuneration Matters of the Relevant Directors and Supervisors of China Reinsurance (Group) Corporation for the Year 2018;
- Resolution on the Final Financial Accounts Report of China Reinsurance (Group) Corporation for the Year 2019;

- Resolution on the Profit Distribution Plan of China Reinsurance (Group) Corporation for the Year 2019;
- Resolution on the Investment Budget for Fixed Assets of China Reinsurance (Group) Corporation for the Year 2020;
- Resolution on the Engagement of the Statutory Financial Reporting Auditors of China Re Group and the Related Fees for the Year 2020.

Methods of Convening Extraordinary General Meetings and Proposing Resolutions by Shareholders

According to the Articles of Association, any shareholder(s), whether individually or in aggregate, holding more than 10% of the outstanding shares of the Company with voting rights may request in writing to convene an extraordinary general meeting and such shareholder(s) shall submit the subject(s) of the meeting and the full proposal(s) in writing to the Board. If the Board holds the view that the proposal(s) complies with the requirements under the PRC laws, administrative regulations, regulatory requirements and the Articles of Association, it shall issue a notice of shareholders' general meeting within five days after the resolution of the Board.

For details of the procedures for nominating candidates of Directors by shareholders, please refer to the website of the Company. Specific enquiries or suggestions by shareholders can be sent in writing to the Board at the Company's registered address or by e-mail to the Company. In addition, if the shareholders have any enquiries about their shareholdings and entitlement to dividend, they can contact Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, the contact details of which are set out in the section headed "Corporate Information" of this annual report.

When shareholders' general meetings are held by the Company, shareholders individually or in aggregate holding more than 3% of the outstanding shares of the Company with voting rights have the right to make proposals in writing. The proposing shareholders may raise interim proposals and submit to the convenor of the shareholders' general meeting 10 days prior to the date of the meeting, and matters in the interim proposals within the scope of functions and powers of the shareholders' general meeting shall be included in such meeting's agenda. The convenor of the shareholders' general meeting shall give supplemental notice to the shareholders within two days upon receiving such interim proposals. The content of such interim proposals shall be within the scope of functions and powers of the shareholders' general meetings, and shall contain specific subjects and concrete matters for approval.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board shall be responsible for the shareholders' general meetings. It shall hold at least four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors and Supervisors at least 15 days before the date of the meeting (excluding the date of the meeting). Notice of extraordinary meetings shall be given to all Directors and Supervisors at least seven days before the date of the meeting (excluding the date of the meeting). In the event of an emergency matter, the convening of an extraordinary meeting is not subject to the aforementioned time limit of notification for the meeting, but reasonable notice shall be given.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders during their terms of office.

Composition

During the Reporting Period, the Board comprised 11 Directors, consisting of three executive Directors, four non-executive Directors and four independent non-executive Directors.

Directors serve a term of three years and may serve consecutive terms if re-elected. Details are as follows:

Name	Position
Yuan Linjiang	Chairman, Executive Director
He Chunlei	Vice Chairman, Executive Director
Ren Xiaobing	Executive Director
Lu Xiuli	Non-executive Director
Wen Ning	Non-executive Director
Wang Xiaoya	Non-executive Director
Liu Xiaopeng	Non-executive Director
Hao Yansu	Independent Non-executive Director
Li Sanxi	Independent Non-executive Director
Mok Kam Sheung	Independent Non-executive Director
Jiang Bo	Independent Non-executive Director

Note: Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as an executive Director.

During the Reporting Period, the Board had been at all times in compliance with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules which stipulate that an issuer must appoint at least three independent non-executive directors and at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise, and with Rule 3.10A of the Hong Kong Listing Rules which specifies that an issuer must appoint independent non-executive directors representing at least one-third of the board.

CORPORATE GOVERNANCE REPORT

All Directors (including independent non-executive Directors) have brought a variety of valuable working experience and expertise to the Board, enabling the Board to effectively perform its functions. All Directors have agreed to disclose to the Company in a timely manner the number, nature, position, and duration of office at other listed companies or institutions and other major appointments in accordance with the requirements of the Corporate Governance Code.

Corporate Governance Functions

The Company is committed to maintaining the highest level of corporate governance and the Board plays an important role to maintain sound corporate governance. The corporate governance functions of the Board and its specialised committees include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Duties and Responsibilities

The Board shall be responsible for the shareholders' general meeting, and its main responsibilities include, but are not limited to: (1) convening shareholders' general meetings and reporting its work to the shareholders' general meeting; (2) implementing the resolutions of the shareholders' general meetings; (3) determining the operation plans and investment proposals of the Company; (4) formulating the development strategies of the Company; (5) formulating the annual financial budget and final accounts of the Company; (6) formulating the profit distribution plan and loss recovery plan of the Company; (7) formulating proposals for increase or reduction of the registered capital or proposals for the issue of bonds, shares, warrants or other securities or the listing of the Company; (8) formulating plans for major acquisition of the Company, the acquisition of shares of the Company or merger, division, dissolution and changes of the form of the Company; (9) formulating proposals for any amendment to the Articles of Association; (10) formulating the procedural rules of the shareholders' general meetings and the Board and the working rules for specialised committees under the Board; (11) formulating the basic management system of the Company; (12) deciding on the establishment of internal management departments, branches and subsidiaries of the Company; (13) regularly evaluating and improving the corporate governance of the Company; (14) appointing or removing senior management of the Company, and implementing reviews as well as determining remuneration and rewards and punishment arrangements with respect to such personnel; appointing or removing members of each specialised committee under the Board; (15) reviewing and deciding on evaluation plans for the results of operation of our major subsidiaries; (16) reviewing annual financial reports and major disclosure of information of the Company; (17) proposing to the shareholders' general meeting on the appointment or removal of accounting firms which provide regular statutory audit on the financial statements of the Company; (18) considering and approving, or authorising the Related-Party Transactions Control Committee under the Board to approve related-party transactions, except for those which shall be considered and approved by the shareholders' general meeting as required by laws; (19) considering and approving the Company's matters such as external investment, acquisition of assets, disposal and write-off of assets, external donations and asset mortgage, except for the matters regulated under the functions and powers attributable to the shareholders' general meeting as stipulated in Article 69 of the Articles of Association; (20) listening to the report from the Company's President on the operation and management and inspecting the work of the President; (21) recruiting an external auditor to carry out the audit of the Directors and senior management of the Company; and (22) exercising such other functions and powers as granted by the PRC laws, administrative regulations, regulatory requirements or the Articles of Association and as empowered by the shareholders' general meeting.

Summary of the Work Undertaken

During the Reporting Period, the Directors' attendance records of the shareholders' general meeting were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)
Yuan Linjiang	1/1	100
He Chunlei	1/1	100
Ren Xiaobing	1/1	100
Lu Xiuli	1/1	100
Wen Ning	1/1	100
Wang Xiaoya	1/1	100
Liu Xiaopeng	1/1	100
Hao Yansu	1/1	100
Li Sanxi	1/1	100
Mok Kam Sheung	1/1	100
Jiang Bo	1/1	100

During the Reporting Period, the Directors' attendance records of Board meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	6/6	100	0/6	0
He Chunlei	6/6	100	0/6	0
Ren Xiaobing	6/6	100	0/6	0
Lu Xiuli	6/6	100	0/6	0
Wen Ning	6/6	100	0/6	0
Wang Xiaoya	6/6	100	0/6	0
Liu Xiaopeng	5/6	83	1/6	17
Hao Yansu	6/6	100	0/6	0
Li Sanxi	6/6	100	0/6	0
Mok Kam Sheung	6/6	100	0/6	0
Jiang Bo	6/6	100	0/6	0

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Board held a total of six meetings, at which 52 resolutions were considered and approved and seven reports were received. The Directors have exercised their voting rights prudently and independently and put forward constructive opinions and suggestions which have effectively facilitated the efficient operation of corporate governance compliance and constantly supported the implementation of the "One-Three-Five" strategy of the Company while driving the improvement of operation and management of the Company.

Directors

Responsibility with Respect to Financial Statements

The management of the Company has provided the Board with necessary explanations and information enabling all Directors to consider the Company's consolidated financial statements which are submitted to the Board for approval. The Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall reflect a true and fair view of the business operations of the Company by implementing proper accounting policies in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and implementing the accounting regulations issued by the Ministry of Finance and the CBIRC subject to compliance with the International Financial Reporting Standards.

The Board has confirmed that it is responsible for the preparation of the financial statements of the Company for the year ended 31 December 2020. The Company is not subject to any material uncertainties or circumstances which might cast significant doubt on the Company's ability to continue as a going concern.

Securities Transactions

During the Reporting Period, in respect of dealings in securities by Directors and Supervisors, the Company had adopted the Model Code for Securities Transactions. Having made enquiries by the Company, 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.

Training of Directors

During the Reporting Period, all Directors (Mr. Yuan Linjiang, Mr. He Chunlei, Mr. Ren Xiaobing, Ms. Lu Xiuli, Mr. Wen Ning, Ms. Wang Xiaoya, Mr. Liu Xiaopeng, Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo) were actively involved in continuous improvement in professional competence and participated in various kinds of training activities relating to corporate governance, the Hong Kong Listing Rules and risk management which were organised by the shareholders, regulatory authorities, industrial organisations and the Company, so as to develop and update their knowledge and skills and improve their performance ability, with the aim of making contributions to the Board with comprehensive information under appropriate circumstances.

Chairman/President

During the Reporting Period, the Chairman and the President of the Company were performed by different persons, the Chairman of the Company was Mr. Yuan Linjiang. The President of the Company was Mr. He Chunlei.

The Chairman is responsible for providing leadership to the Board, ensuring that the Company has good corporate governance practices and procedures, and maintaining the effective operation of the functions of Board. If the Chairman is unable to perform his duties or does not perform his duties, the Vice Chairman shall perform the duties of the Chairman.

The President is responsible for leading the operation and management of the Company, organising the implementation of Board resolutions, annual operation plans and investment proposals, formulating the internal management organisation plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of the Vice President of the Company and other senior management (other than the Audit Controller and the Board Secretary). Details of the duties and responsibilities of the Chairman and the President are set out in the Articles of Association.

Term of Office of Non-executive Directors

The term of office of non-executive Directors (including independent non-executive Directors) is three years.

Independence of Independent Non-executive Directors

All independent non-executive Directors have complied with the independence guidance requirements set out in Rule 3.13 of the Hong Kong Listing Rules, and have submitted their letters of confirmation regarding their independence to the Company. As such, the Company considers that all independent non-executive Directors are still independent.

Nomination of Directors

The Nomination and Remuneration Committee of the Board first reviews the candidates of Directors in accordance with the requirements of laws, regulations, regulatory documents, regulatory requirements and the Articles of Association and then makes recommendations to the Board.

Remuneration of Directors

The Board has established the Nomination and Remuneration Committee with written terms of reference. As at the end of the Reporting Period, the Nomination and Remuneration Committee consisted of two non-executive Directors, being Mr. Wen Ning (vice chairman), Ms. Lu Xiuli, and three independent non-executive Directors, being Mr. Hao Yansu (chairman), Mr. Li Sanxi and Ms. Mok Kam Sheung.

CORPORATE GOVERNANCE REPORT

The Articles of Association provide that the remuneration of the Directors shall be determined by the shareholders' general meetings of the Company from time to time. The remuneration of the independent non-executive Directors shall be proposed by the Board and reviewed and approved by the shareholders' general meetings. The Articles of Association provide that the Company shall enter into written contracts with the Directors in respect of remuneration matters with prior approval by the shareholders' general meetings. In 2020, except for independent non-executive Directors who received Directors' fees from the Company, all other Directors did not receive any remuneration from the Company in the capacity of Directors. Executive Directors received remuneration in the capacity of head of Central Financial Enterprise. The remuneration packages of independent non-executive Directors are determined based on the Company's actual situations with reference to market benchmarks.

Specialised Committees of the Board

There are five specialised committees under the Board, namely the Strategy and Investment Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Related-Party Transactions Control Committee. Each committee provides opinions and suggestions to the Board with respect to matters within the scope of its responsibilities. The duties and operation process of each specialised committee are explicitly stipulated in their respective terms of reference.

Strategy and Investment Committee

Composition

As at the end of the Reporting Period, the Strategy and Investment Committee comprised five Directors, including three executive Directors and two non-executive Directors.

Chairman:	Yuan Linjiang (executive Director)
Members:	He Chunlei (executive Director), Ren Xiaobing (executive Director), Wen Ning (non-executive Director), Wang Xiaoya (non-executive Director)

Note: Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as a member of the Strategy and Investment Committee.

Duties and Responsibilities

The Strategy and Investment Committee is primarily responsible for studying the mid- to long-term development strategies and significant investment decisions of the Company and making recommendations.

The primary duties include (but not limited to): (1) reviewing the Company's development strategies; (2) reviewing the Company's operation plans, annual financial budget and final accounts; (3) reviewing the goals of the Company's assets and liabilities management, asset allocation plans, and other investment asset management matters within the scope of authorisation by the Board; (4) reviewing the Company's major investment and fund raising plans, and matters such as investment, asset acquisition, asset disposal and write-off, external guarantee and external donation within the scope of mandates granted by the shareholders' general meeting (except for those performed by the senior management as authorised by the Board); (5) reviewing the basic systems of strategy management and asset management; (6) reviewing the establishment of our internal management departments and branches, and the establishment plan of legal person institution; and (7) other matters as authorised by the Board.

Summary of the Work Undertaken

During the Reporting Period, the Strategy and Investment Committee held a total of four meetings and considered and approved 10 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	4/4	100	0/4	0
He Chunlei	4/4	100	0/4	0
Ren Xiaobing	4/4	100	0/4	0
Wen Ning	4/4	100	0/4	0
Wang Xiaoya	4/4	100	0/4	0

During the Reporting Period, the Strategy and Investment Committee thoroughly studied and discussed the operation plans and budgets for the year 2020, report on the final accounts and profits distribution plan for the year 2019, participated in the plans for the initiation of establishment of China Agriculture Reinsurance Corporation and the three-year rolling capital plan for 2020 to 2022 as well as the adjustment of the capital increase plan for China Re UK, etc., which proposed constructive suggestions, and played an important role in areas including the implementation of significant strategies and the development of overseas business of the Company.

Audit Committee

Composition

As at the end of the Reporting Period, the Audit Committee comprised five Directors, including three independent non-executive Directors and two non-executive Directors, with an independent non-executive Director serving as the chairman.

Chairman: Li Sanxi (independent non-executive Director)

Vice chairlady: Jiang Bo (independent non-executive Director)

Members: Wen Ning (non-executive Director), Liu Xiaopeng (non-executive Director), Hao Yansu (independent non-executive Director)

Duties and Responsibilities

The Audit Committee examines the basic internal audit system and monitors its implementation, monitors and evaluates the internal audit and internal control of the Company, and makes recommendations on the appointment or change of external auditors and monitors their work. The primary duties include (but not limited to): (1) examining the basic internal audit system of the Company and monitoring its implementation, and inspecting, monitoring and evaluating the internal audit of the Company; (2) monitoring the implementation of the internal control and management system of the Company, inspecting and evaluating the compliance and effectiveness of material operating activities of the Company; reviewing the Corporate Governance Report and Compliance Report of the Company on a regular basis, and providing opinions and recommendations for improvement to the Board; (3) examining the Company's financial information and its disclosure, examining the Company's key financial system and its implementation, monitoring the financial status; monitoring the truthfulness of financial reports and the effectiveness of financial reporting procedures implemented by the management; (4) making recommendations on the appointment, re-appointment, replacement or removal of external auditors, monitoring the independence and objectivity, audit process and works of external auditors, coordinating the communication between the internal audit department and external auditors, examining reports issued by external auditors, and ensuring external auditors' accountability to the Board and the Audit Committee; and (5) other matters as authorised by the Board.

Summary of the Work Undertaken

During the Reporting Period, the Audit Committee held a total of seven meetings, considered and approved 16 resolutions, and received seven reports.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Li Sanxi	6/7	86	1/7	14
Jiang Bo	7/7	100	0/7	0
Wen Ning	7/7	100	0/7	0
Liu Xiaopeng	7/7	100	0/7	0
Hao Yansu	7/7	100	0/7	0

During the Reporting Period, the Audit Committee carefully performed its duties, considered and studied matters including the appointment of domestic and overseas annual auditors, the annual results announcement for the year 2019 and the interim results announcement of 2020, the annual report for the year 2019 and the interim report of 2020, the corporate governance report and compliance report for the year 2019; audit for senior management in office, selection and engagement of accounting firms, and provided the Board and the management with opinions and advice relating to finance, internal control and compliance in a timely manner, which kept enhancing the corporate governance level of the Company.

Nomination and Remuneration Committee

Composition

As at the end of the Reporting Period, the Nomination and Remuneration Committee comprised five Directors, including three independent non-executive Directors and two non-executive Directors.

Chairman:	Hao Yansu (independent non-executive Director)
Vice chairman:	Wen Ning (non-executive Director)
Members:	Lu Xiuli (non-executive Director), Li Sanxi (independent non-executive Director), Mok Kam Sheung (independent non-executive Director)

Duties and Responsibilities

The Nomination and Remuneration Committee reports to the Board, reviews the human resources strategy and remuneration strategy of the Company, studies and makes recommendations to the Board on the selection procedures and criteria, candidates and remuneration packages for Directors and senior management.

The primary duties include (but not limited to): (1) making recommendations to the Board regarding the selection procedures and criteria for Directors and senior management and the structure and composition of the Board; (2) reviewing the qualifications of Directors and senior management in accordance with the selection procedures and criteria, and making recommendations to the Board; (3) regularly (at least annually) evaluating the reasonableness of the Company's (including but not limited to the Board's) structure, size and composition (including the skills, knowledge and experience), and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (4) making preliminary reviews on the candidates of Directors and senior management (including the Board Secretary) of the Company, and making recommendations to the Board; (5) nominating candidates for members of specialised committees (excluding this Committee) of the Board; (6) proposing the remuneration policy and proposals of Directors, Supervisors and senior management, and making recommendations to the Board; (7) considering salaries paid by comparable companies, time commitment and responsibilities required and terms of employment elsewhere in the Group; (8) examining and approving compensation payable to executive Directors and senior management due to their loss or termination of office or appointment; (9) examining and approving compensation arrangements relating to dismissal or removal of Directors due to misconduct; (10) ensuring that no Directors or any of his/her associates are involved in deciding his/her own remuneration; (11) considering the evaluation plans and remuneration packages of senior management of the Company, evaluating their performance and work, and submitting to the Board for approval; (12) examining the primary remuneration system, the evaluation plans for the results of operation of the Company and major subsidiaries, and making recommendations to the Board; and (13) other matters authorised by the Board.

Summary of the Work Undertaken

During the Reporting Period, the Nomination and Remuneration Committee held a total of five meetings, considered and approved 9 resolutions, and discussed one item.

Attendance records of the meetings were as follows:

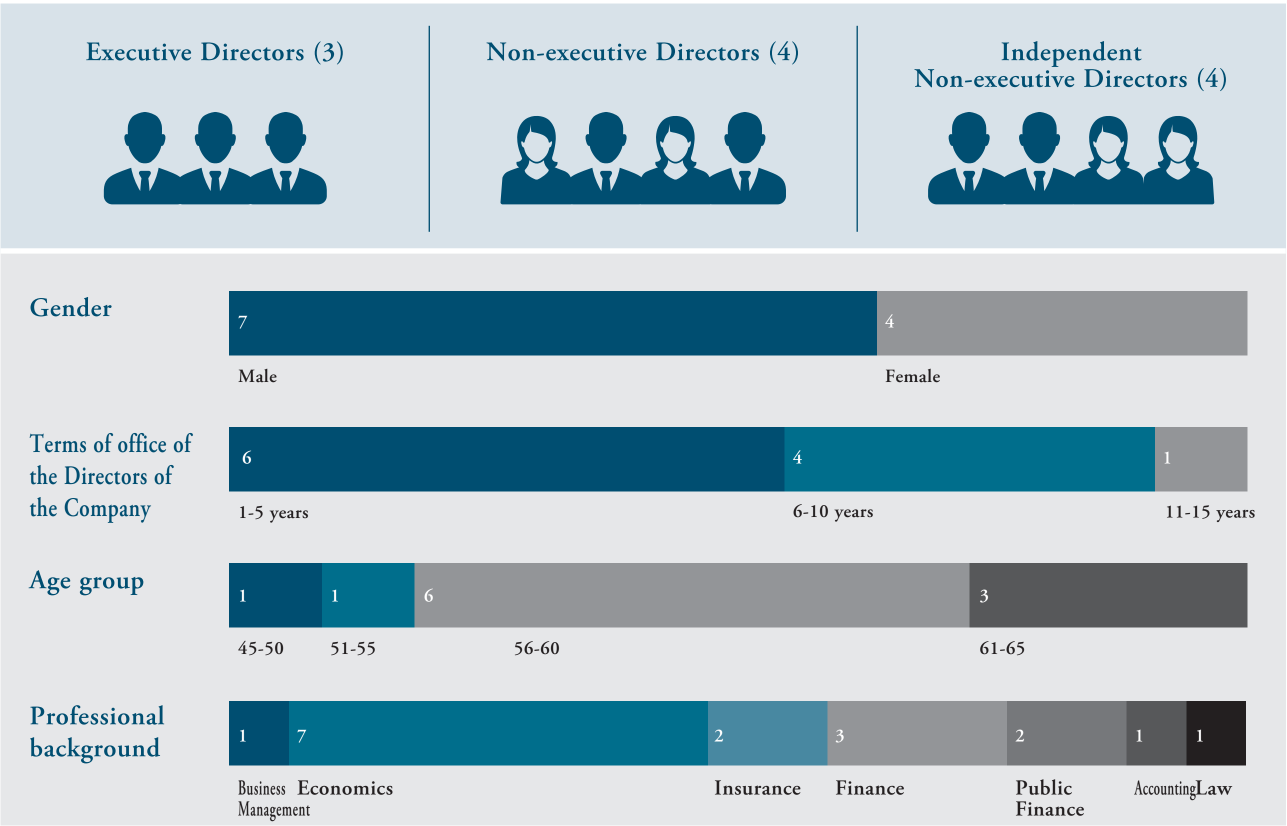
Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Hao Yansu	5/5	100	0/5	0
Wen Ning	5/5	100	0/5	0
Lu Xiuli	5/5	100	0/5	0
Li Sanxi	5/5	100	0/5	0
Mok Kam Sheung	5/5	100	0/5	0

During the Reporting Period, the Nomination and Remuneration Committee discussed and studied matters including the 2019 aggregate settlement for salaries of China Re Group, the amendments to enterprise annuity scheme, the 2020 operating results appraisal plan, the remuneration for Directors, Supervisors and senior management and renewal of liability insurance for Directors, Supervisors and senior management, which further pushed forward the comprehensive incentive and disciplinary system of the Company and continued to improve its effectiveness.

According to the provisions of laws and regulations, normative documents, regulatory requirements and the Articles of Association, election of Director candidates shall first go through preliminary review by the Nomination and Remuneration Committee who shall then make nomination to the Board, and the Board shall propose the candidates to the shareholders' general meeting of the Company for election by way of resolutions. Members of the Board shall finally be elected by the shareholders' general meeting of the Company. The Nomination and Remuneration Committee mainly considers the education background, professional experience of the candidates and their capability to contribute to the Company as the selection and recommendation criteria, with taking into consideration the Board diversity policy.

Pursuant to the Corporate Governance Code, the Board continued to implement the Board diversity policy. The Company is committed to maintaining the highest level of corporate governance and the diversity of Board members is an essential component of maintaining good corporate governance. The Company does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Board considers that the diversity in opinions and perspectives is beneficial to the Company and can be achieved through the consideration of factors in various aspects such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age. Notwithstanding the above, the appointments of the members of the Board will always adhere to the principle of meritocracy, taking into account objective factors and considering the Company's business model and specific needs from time to time as well as the benefits of diversity to the Board. The members of the Board are from diverse educational and professional backgrounds and have extensive experience and expertise in the insurance and finance industry, risk management, financial state-owned assets regulation, financial auditing and legal fields; In addition, the Board comprises members of different genders. The Nomination and Remuneration Committee is of the opinion that the composition of the Board during the Reporting Period had been in compliance with the Board diversity policy.



Risk Management Committee

Composition
As at the end of the Reporting Period, the Risk Management Committee comprised five Directors, including two executive Directors, two non-executive Directors and one independent non-executive Director.

Chairlady:	Jiang Bo (independent non-executive Director)
Vice chairlady:	Lu Xiuli (non-executive Director)
Members:	He Chunlei (executive Director), Ren Xiaobing (executive Director), Liu Xiaopeng (non-executive Director)

Note: Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as a member of the Risk Management Committee.

Duties and Responsibilities
The Risk Management Committee is responsible for having a comprehensive understanding of various major risks and their management and supervising the effectiveness of the risk management system.

The primary duties include (but not limited to): (1) reviewing the Company's risk strategies and risk management procedures, and monitoring and evaluating their implementation and effectiveness; (2) reviewing the Company's risk management policies and internal control systems, and monitoring and evaluating their implementation and effectiveness; monitoring and evaluating the subsidiaries' risk management policies and internal control systems and their implementation and effectiveness. The reviewing matters of the Committee include but not limited to: (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's overall ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and the internal control systems; (iii) the extent and frequency of communication of monitoring results to the Board (or the committees under the Board) which enables it to assess the overall control of the Company and the effectiveness of its risk management; and (iv) significant control failures or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's overall financial performance or condition; (3) reviewing, monitoring and evaluating the organisational structure, department-setting and duties, working procedures and effectiveness of risk management, and making recommendations as to improving the Company's risk management and control; (4) considering the overall objectives, risk appetite, risk tolerance and risk management policies in respect of the solvency risk management of the Company; (5) addressing major differences or issues regarding risk management system operation or risk management matters; (6) monitoring and evaluating the senior management's efforts on risk control in respect of market and operation; (7) monitoring the effectiveness of the Company's risk management system (including but not limited to ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget in respect of the Company's accounting, internal audit and financial reporting); (8) comprehensively understanding various major risks the Company faced and their management, reviewing risk assessment report on a regular basis, considering the risk assessment in respect of material decision-making and the solutions for major risks, assessing the Company's overall risk profile and risk management on a regular basis, and ensuring the Company's disclosure in a statement about how it complies with the code provisions for risk management and internal control in its corporate governance report during the reporting period in accordance with the requirements of the Hong Kong Listing Rules; and (9) other matters as authorised by the Board.

Summary of the Work Undertaken

During the Reporting Period, the Risk Management Committee held a total of five meetings, and considered and approved 10 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Jiang Bo	5/5	100	0/5	0
Lu Xiuli	5/5	100	0/5	0
He Chunlei	5/5	100	0/5	0
Ren Xiaobing	5/5	100	0/5	0
Liu Xiaopeng	5/5	100	0/5	0

During the Reporting Period, the Risk Management Committee studied the risk appetite for the year 2020, the interim and annual reports for risk oriented solvency, the internal control assessment report for the year 2019, the risk assessment report, the consolidated management and other matters of the Group, which facilitated the improvement of the Group's risk management system and continuously improved the Group's risk management capabilities.

Related-Party Transactions Control Committee

Composition

As at the end of the Reporting Period, the Related-Party Transactions Control Committee comprised five Directors, including one non-executive Director and four independent non-executive Directors.

Chairman: Hao Yansu (independent non-executive Director)

Vice chairman: Liu Xiaopeng (non-executive Director)

Members: Li Sanxi (independent non-executive Director), Mok Kam Sheung (independent non-executive Director), Jiang Bo (independent non-executive Director)

Duties and Responsibilities

The primary duties of the Related-Party Transactions Control Committee include: (1) identifying the related parties of the Company, and the updates and maintenance of the informative archives of related parties which shall be updated at least once every half year; (2) performing a preliminary review of significant related-party transactions that shall be approved by the shareholders' general meeting and the Board, and expressing written opinions on the compliance, fairness, necessity of significant related-party transactions and whether they are harmful to the interests of the Company and insurance consumers; (3) accepting filings of general related-party transactions; (4) considering and submitting a special report on the Company's overall related-party transactions for the year to the Board; (5) coordinating management of information disclosure for related-party transactions; and (6) other matters as authorised by the Board.

Summary of the Work Undertaken

During the Reporting Period, the Related-Party Transactions Control Committee held a total of six meetings, and considered and approved nine resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Hao Yansu	6/6	100	0/6	0
Liu Xiaopeng	6/6	100	0/6	0
Li Sanxi	6/6	100	0/6	0
Mok Kam Sheung	6/6	100	0/6	0
Jiang Bo	6/6	100	0/6	0

During the Reporting Period, the Related-Party Transactions Control Committee considered the revision of the Measures on the Administration of Related-Party Transactions of the Company, significant related-party transactions, the report on the overall related-party transactions and, report on the evaluation of internal transactions for the year 2019, and updated the list of related parties and other matters, which ensured that the related-party transactions of the Group were in compliance with laws and regulations.

Risk Management and Internal Control

The Company believes that good risk management and internal control plays an important role in the operation of the Company. The Board is ultimately responsible for the risk management, internal control and compliance management of the Company and is committed to the establishment and constant improvement of effective risk management and internal control systems.

Main Features of Risk Management and Internal Control System

The Board is responsible for guidance over the establishment of the overall risk management and internal control management system of the Company, conducting regular research and assessment on the soundness, reasonableness and effectiveness of risk management and internal control, considering and approving the organisational structure of risk management and internal control, basic management systems and material risk treatment of the Company, as well as considering and approving the annual risk assessment report and internal control assessment report of the Company.

The Risk Management Committee is established under the Board to assist the Board in reviewing, monitoring and assessing material risk management matters of the Company such as risk strategies and risk management procedures, risk management policies and internal control system, risk management organisation methods and risk control performances. The Audit Committee is established under the Board to monitor the implementation of the Company's internal control and management system, and examine and assess the compliance and effectiveness of significant operational activities of the Company. The functional departments, including business, finance and investment departments of the Company are primarily responsible for the risk management and internal control system. The specialised departments, such as risk management and internal control and compliance departments, are responsible for the coordinated planning, organisation and implementation of risk management, internal control and compliance before and during the process. Risk assessment and internal control and compliance assessment work were carried out by the specialised departments on an annual basis. The internal audit department is responsible for monitoring and auditing the performance in risk management and internal control and compliance.

Technologies and Implementation of Risk Management

During the Reporting Period, the Company implemented the following measures to identify, evaluate and manage material risks: (1) The Company operated and managed risk appetite system. The Company's risk appetite system comprises risk appetite, risk tolerance and risk limits, which has been closely integrated with the business plan to play a role in guidance and constraints to business operations. Through the implementation of risk control plans and related indicators monitoring, reporting and dynamic management processes, the continuous functioning of risk appetite is assured. (2) The Company continued deepening the construction of the C-ROSS system. Since the official implementation of the C-ROSS system, the Company has carried out a number of works to deepen the construction of C-ROSS, including but not limited to the followings: (i) Solvency was regularly analysed and specific management measures were accordingly adopted, and the impact of major business activities over its solvency was assessed before conducting such business activities to ensure adequate solvency; (ii) The Company improved its risk management capability through promoting the sound establishment and effective implementation of the Company's various risk management policies, while establishing and optimising the risk management information system to protect the Company's business development; (iii) The Company actively participated in the study for the C-ROSS Phase II project to set the foundation for the implementation of related rules in the Company. (3) The Company regularly identified, monitored and analyzed all types of major risks. The Company used various risk indicators, economic scenario generator, catastrophe models, and economic capital models together with stress testing and scenario analysis and other tools, and adopted a method of combination of qualitative and quantitative to analyse risk profile, monitor and assess risks, and prepare reports and analysis for major risk events. The Company also managed the retained risks through risk control plan. When risk exposure broke through relevant requirements, internal procedures were triggered, and the Company managed risks beyond its risk tolerance through retrocession or reinsurance arrangement, etc. (4) The Company maintained its rating management system. The Company received ratings from S&P Global Ratings and A.M. Best, and applied rating methods and models in its daily operation and management. The Company sought to meet the requirements of such ratings while improving its operation management and risk management. Before conducting major business activities, the Company also fully assessed the impact of such activities over its ratings, so as to prevent and mitigate significant potential risks timely.

Establishment and Sound Operation of Internal Control System

During the Reporting Period, the Company implemented the following measures to continuously enhance internal management effectiveness: (1) The Company carried out internal control management activities in accordance with systems such as the management rules for internal control and through using internal control matrix, internal control management information system and other tools to perform routine follow-up evaluation in respect of major regulatory requirements, changes in internal policies as well as major decisions in operation or management to dynamically identify the changes of risk factors in internal control, and took responding measures in a timely manner. (2) The Company carried out internal control evaluation on a regular basis and arranged subsidiaries to carry out self-examination of internal control and compliance on key areas. For internal control weak areas identified, the Company facilitated timely rectification. (3) The Company dynamically adjusted and optimised the authorisation system, improved the important authorisation documents, and clearly identified the approval authority and decision-making process on all levels. (4) The Company continuously strengthened the establishment of rules and regulations, facilitated its subsidiaries to launch review on rules and regulations, and conducted review and assessment on existing regulations as well as supplemented the Regulations Control List of the Group Company, so as to enhance the instructiveness of rules and regulations, and effectively serve and support Company's strategies and Group management. (5) The Company improved the assessment system for its subsidiaries' internal control and compliance, and further strengthened the management of internal control and compliance. (6) The Company promoted the philosophy and knowledge of internal control through various methods such as internal and external trainings, advocacy of rules and daily face-to-face communication which enhanced the awareness of internal control among the employees. (7) The Company organised financial personnel, internal control management personnel and internal audit personnel to receive relevant professional trainings and provided sufficient training budget, so as to continuously improve the professional skills and comprehensive capability of these personnel.

Procedures for Handling and Disclosing Inside Information and Internal Control Measures

The procedures and internal control measures for the identifying, handling, and disclosing inside information by the Company include: (1) formulating and implementing relevant supporting systems, including the Provisional Measures Governing Information Disclosure of China Reinsurance (Group) Corporation, by the Board, and gradually establishing comprehensive process of reporting, identifying, and disclosing inside information to ensure that the disclosure of inside information is on a timely basis and in compliance, (2) by means of training and advocating, fully informing relevant staffs, including members of the Board, the Board of Supervisors, and the management, of the obligations on information disclosure as stipulated under the Hong Kong Securities and Futures Commission's Guidelines on Disclosure of Inside Information and Hong Kong Listing Rules, and (3) dispatching data to specific personnel on a need-to-know basis, putting emphasis on the prohibition of unauthorised use of confidential or inside information, and conducting the confidential work preceding the disclosure of insider information if necessary.

Evaluation of Effectiveness of Risk Management and Internal Control System

According to the Guidelines on Risk Management of Insurance Companies (Bao Jian Fa [2007] No. 23) and the Guidelines for Supervision on Consolidation of Accounts of Insurance Groups (Bao Jian Fa [2014] No. 96), the Company comprehensively analysed and evaluated its risk management system in 2020. The evaluation involved various types of risks faced by the Company. The emphasis was on the evaluation of the implementation of risk management framework, management mechanisms of various types of risk and risk management process in all types of risk management. The evaluation found that the risk management system of the Company is well operated. The Board and the management approved of the effectiveness of the risk management system.

In accordance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and related guidelines, Basic Rules for the Internal Control of Insurance Companies (Bao Jian Fa [2010] No. 69) and the requirements of the Hong Kong Listing Rules, in light of the actual situations of the Company's internal control system, the Company carried out internal control assessment for 2020, and reviewed the design and operational effectiveness of the internal control systems of the Company and its subsidiaries covering all important aspects including financial control, operational control and compliance control. The Company focused on major business matters, high-risk areas and the Company's capabilities in response to changes of internal and external environments through comprehensive use of individual interviews, walk-through tests, material reviews and special seminars, etc.

The Board and the management have confirmed that control systems are sufficient and effective. Due to the limitations of the internal control and the technical means for internal control assessment, there might still be risks and deficiencies. The Company will continue to optimise its internal control system and strive to assure legal compliance of operation, asset security as well as authenticity and completeness of the financial reports and related information to ensure the fulfilment of its strategic objectives.

BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors adhered to the requirements of the PRC Company Law and the Articles of Association, earnestly performed its duties of supervision, enhanced the focus on significant events of the Company and the supervision over the performance of the respective duties by the Directors and senior management, carried out relevant financial supervision and inspection and made proposals with respect to the deepening of implementation of strategies and the prevention of investment risks to the management in order to effectively protect the interests of the Company, shareholders and employees.

Composition

During the Reporting Period, the Board of Supervisors comprised five members, including:

Supervisors:	Zhang Hong (Chairman), Zhu Yong (shareholder representative Supervisor), Zeng Cheng (shareholder representative Supervisor), Qin Yueguang (employee representative Supervisor), Li Jingye (employee representative Supervisor)

Note: Due to work rearrangement, Mr. Zhang Hong ceased to serve as the chairman of the Board of Supervisors, a Supervisor and the chairman of the Performance Supervision and Inspection Committee of the Board of Supervisors since July 2020.

Employee representative Supervisors are elected through elections at staff representative assembly, and non-employee representative Supervisors are elected through elections at the shareholders' general meetings. The term of office of Supervisors is three years and Supervisors may serve consecutive terms if re-elected.

CORPORATE GOVERNANCE REPORT

Duties and Responsibilities

The Board of Supervisors shall be responsible to the shareholders' general meeting, supervise the Company's financial position and compliance, as well as supervise performance of duties and responsibilities by the Directors and senior management and other relevant circumstances.

The primary duties of the Board of Supervisors include (but not limited to): (1) reporting its work to the shareholders' general meeting; (2) monitoring and examining the Company's financials; (3) supervising the conduct of the Directors and senior management in their performance of duties and proposing the removal of Directors and senior management who have contravened any of the PRC laws, administrative regulations, regulatory requirements, the Articles of Association or resolutions of the shareholders' general meeting; (4) demanding rectification from Directors or any senior management when the acts of such persons are harmful to the Company's interest; (5) proposing to convene an extraordinary general meeting and convening and presiding over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting; (6) proposing resolutions at the shareholders' general meeting; (7) representing the Company in negotiations with a Director and bringing an action against a Director or senior management pursuant to the PRC Company Law and the Articles of Association; (8) formulating the rules of procedure of the Board of Supervisors and the working rules of specialised committees under the Board of Supervisors; (9) reviewing financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board to the shareholders' general meeting; if there is any doubt, engaging certified public accountants and practicing auditors in the name of the Company to review such financial information; (10) nominating independent Directors; and (11) exercising other duties specified under the PRC laws, administrative regulations, regulatory requirements or the requirements of Articles of Association and authorised by shareholders' general meetings.

Summary of the Work Undertaken

During the Reporting Period, the Board of Supervisors held five meetings in total, considered and studied nine resolutions and received nine reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held two meetings; the Financial Supervision and Inspection Committee held one meeting.

Attendance records of the meetings of the Board of Supervisors are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Zhang Hong	3/3	100	0/3	0
Zhu Yong	5/5	100	0/5	0
Zeng Cheng	5/5	100	0/5	0
Qin Yueguang	5/5	100	0/5	0
Li Jingye	5/5	100	0/5	0

Please refer to the section "Report of the Board of Supervisors" in this annual report for the work of the Board of Supervisors for the year 2020.

CORPORATE GOVERNANCE REPORT

DUTIES AND RESPONSIBILITIES OF THE SENIOR MANAGEMENT

According to the Articles of Association, senior management refers to the Company's President, Vice President, Chief Financial Officer, Board Secretary and other management staffs confirmed by the Board. Senior management is responsible for the Company's operation and management, organisation and implementation of the Board resolutions, implementation of the operation and investment plan approved by the Board, preparation of plans for the establishment of the internal management structure and basic management system as well as formulation of special rules and regulations. The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to entering into any significant transactions by the management. During the Reporting Period, based on the development strategies of the Company, the senior management actively conducted various operation and management work and effectively implemented the operation plan and financial budget approved by the Board, leading to stable and healthy development of all business segments.

JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun, as a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, during the Reporting Period, the Company also engaged Ms. Ng Sau Mei, an associate director of TMF Hong Kong Limited, as a joint company secretary of the Company to assist Ms. Zhu Xiaoyun to perform her duties as a joint company secretary of the Company. The primary contact person of Ms. Ng Sau Mei in the Company is Ms. Zhu Xiaoyun.

During the Reporting Period, Ms. Zhu Xiaoyun and Ms. Ng Sau Mei had undertaken no less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

AUDITORS' FEES

During the Reporting Period, the Company appointed PricewaterhouseCoopers ZhongTian LLP, PricewaterhouseCoopers and their organizational members to provide audit and non-audit services. The Group shall pay RMB10.5451 million as the service fee for audit and review of financial statements, and the Company shall pay RMB1.8810 million as the consultancy service fee for the Digital China Re 2.0 strategic planning consultancy service project.

ARTICLES OF ASSOCIATION

During the Reporting Period, there is no amendment to the Articles of Association made by the Company.

DIVIDEND POLICY

On 21 July 2016, the Board of the Company considered and approved the Resolution on the Dividend Policy of China Reinsurance (Group) Corporation, agreeing that the Company will formulate the profit distribution plan of the Company in accordance with the statutory and regulatory requirements for insurance companies in the PRC imposed by regulatory authorities (including the statutory solvency requirements of the insurance regulatory authority in the PRC and statutory and regulatory restrictions on payment of dividends of the Company), interests and desires of the shareholders of the Company, the financial position (including operating results and cash flows) of the Group, the business development needs and plans of the Group for future development and other factors that the Company deems relevant. In consideration of the above factors and subject to the laws, regulations and regulatory requirements in effect at that time, the Company shall distribute dividends once a year and the profits distributed in form of cash shall be no less than 30% of the consolidated net profit attributable to the equity shareholders of the Company realised for the year. For details of the dividend policy of the Company, please refer to the Company's announcement dated 21 July 2016.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company is committed to establishing and maintaining its good relationship with its investors, in strict compliance with the relevant provisions of full disclosure of information to investors, and enhancing communication with investors via different channels, actively and efficiently providing investors with services to enhance positive interaction and information exchanges between investors and the Company. With enhanced understanding and trust of the Company by investors and the open and transparent market image of the Company, the Company can spread its value actively to the market.

In 2020, the Company strove to overcome the impact of the pandemic and actively maintained positive interactions with the market. Throughout the year, the Company held nearly 70 various investor-relation events including results announcements, investor days, participation in summits held by investment banks and reception for investor research etc., meeting with more than 3,000 institutional investors and analysts with an increase of 87% year-on-year. At the same time, the Company launched a program specific for investor relations on its WeChat official account, which provided one-click access to core information such as the Company's announcements, financial data and stock performance etc., so as to help investors understand the operational condition of the Company in a timely manner and ensure their right to know.

The Company has designated the Office of the Board as the investor relations department with contacts including telephone number and email address. Please refer to the "Investor Relations" section on the website of the Company (www.chinare.com.cn) for detailed contact information. The section is specially designed to provide regularly updated information of the Company.

COMPLIANCE WITH SANCTIONS RELATED UNDERTAKINGS

We undertook to the Hong Kong Stock Exchange that we would not use the proceeds from the global offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctions targets. In addition, we have no present intention to undertake any future business that would cause the Group, the Hong Kong Stock Exchange, Hong Kong Securities Clearing Company Limited, HKSCC Nominees Limited or the shareholders to violate or become a target of sanctions laws of the United States, the European Union, the United Nations or Hong Kong. If we believe that the transactions the Group entered into in the sanctioned countries would expose the Group or shareholders and investors to risks of being sanctioned, the Company will publish such announcements as appropriate and in accordance with the Hong Kong Listing Rules and the SFO (the "Sanctions Related Undertakings"). During the Reporting Period, we were in strict compliance with its sanctions risk management policy to prohibit the conducting of any business that may cause the Group and relevant stakeholders to be subject to sanctions, and arranged trainings on the sanctions risk management. The Directors of the Company have confirmed that we have complied with the Sanctions Related Undertakings and will continue to do so in future daily operation. In the view that the sanction policies may keep adjusting, we will adjust the scale of business in due course subject to the sanction laws in the United States, the European Union, the United Nations or Hong Kong and the sanction risks of the Group and the stakeholders in order to achieve better returns for the shareholders and investors.

REPORT OF THE BOARD OF DIRECTORS

The Board presents its Report of the Board of Directors of the Company for the year ended 31 December 2020, together with the audited financial statements of the Group for the year ended 31 December 2020.

BUSINESS REVIEW

Principal Business

We are currently the only domestic reinsurance group in the PRC and mainly conduct P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses through our subsidiaries.

Business Review and Analysis of Key Financial Indicators

Please refer to the section headed "Management Discussion and Analysis" in this annual report.

Environmental Policies and Performance of the Company

China Re Group respects and values the legitimate interests of all employees, and strives to create a workplace with equity for employees. We advocate the concept of going green and environmental protection and attach great importance to enhancing employees' awareness of energy-saving and environmental protection, and are committed to providing our employees with a safe and comfortable working environment. The Group accelerates the transformation to low-carbon operation by implementing "Digital China Re" Strategy and provides quantitative tools for climate risk and environment risk with the help of catastrophe models and catastrophe risk management technology. We has also made significant progress in aspects of business development promoted by new technologies such as cloud computing, blockchain, artificial intelligence, big data and green office as well as enhancement of client information security. We stick to the principles of openness, fairness, justness, honesty and effective procurement, and prefer to purchase energy-saving and environmentally-friendly products. In responding to climate changes, the consumption of water, electricity, coal, gas and other energy is reduced by strengthening the management of energy saving and consumption reduction in office areas. The Group encourages the use of videoconferences and teleconferences and the reduction of the usage of company vehicles and business trips in order to lower carbon emission and energy consumption arising from business travel. In addition, the Group has established a sound safety management system and organised safety supervision, inspection, promotion and training activities to enhance employees' awareness of safety. We prohibit smoking at all workplaces and emphasise waste sorting and disposal to create a healthy and safe working environment. The Company is preparing the Corporate Social Responsibility Report in accordance with the requirements of Appendix 27 of the Hong Kong Listing Rules and will publish it on the website of the Hong Kong Stock Exchange and the Company in due course.

Compliance with Relevant Laws and Regulations

As a joint-stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Hong Kong Stock Exchange, the Company is subject to the regulation of the PRC Company Law, the PRC Insurance Law, as well as the Hong Kong Listing Rules, the SFO and other relevant domestic and overseas laws and regulations.

The Company is subject to the following main regulatory requirements:

The insurance regulatory authority and other government departments in the PRC may conduct on-site or off-site inspections or investigations on compliance with the PRC laws and regulations in respect of our state-owned asset management, financial condition and business operation, solvency margin, tax payment, foreign exchange management, and labour and social welfare from time to time.

Under the Measures for the Administration of Insurance Group Companies (Provisional) and the Administrative Regulations for Insurance Companies, the insurance regulatory authority in China conducts both on-site and off-site inspections on insurance institutions for supervision and management. The on-site inspections on insurance institutions by the insurance regulatory authority in China may focus on the corporate management level, administrative examination and approval, filing and reporting, reserves, solvency margin, use of funds, business operations and financial condition, transactions with insurance intermediaries, information system construction, appointments of directors, supervisors and senior management and other matters which the insurance regulatory authority in China considers material.

Meanwhile, as a company listed on the Main Board of the Hong Kong Stock Exchange, the Company is therefore subject to the Hong Kong Listing Rules and shall comply with relevant rules under the SFO, including but not limited to the following obligations: maintaining a register of interests and short positions in shares and a register of interests and short positions in shares held by Directors, Supervisors and chief executive, disclosing inside information, etc.

The Group has implemented internal controls to ensure compliance with such laws and regulations. As of the end of the Reporting Period, as far as we were aware, there was no legal and/or regulatory procedure or dispute which, in the opinion of the Directors, may have a material adverse effect on our business, financial condition, and operating results or prospects.

Principal Risks and Uncertainties

Our business involves P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses, etc. Although we have good risk management and control capabilities and all along uphold the concept of sustainable and stable operation, there are still a number of risks and uncertainties involved in our business that are beyond our control. We believe the principal risks we may face in future include: insurance risk, market risk, credit risk, operational risk, strategic risk, reputation risk and liquidity risk. The future uncertainties include:

1. As the global economic outlook faces challenges with a complicated international environment, the uncertainties in underwriting and investment businesses have increased;

2. The COVID-19 pandemic continues to spread globally, increasing the uncertainty of business operation;

3. The frequent occurrence of domestic and overseas catastrophic events in recent years have increased the uncertainty of business operation.

Non-adjusting Post Balance Sheet Date Events

Details are set out in Note 61 to the financial statements.

Future Business Development of the Group

The Group determined its "One-Three-Five" strategy of "One Core, Three Breakthroughs and Five Progresses". "One Core" refers to taking reinsurance as a core. "Three Breakthroughs" refers to making breakthroughs in the aspects of innovation, synergy and fission. And "Five Progresses" refers to making progresses in scale, layout, technology, structure and culture. Through the three strategic fulcrums of "platform operation, technology advancement and globalisation", the Group aims to become a comprehensive reinsurance group with reinsurance as the core business in the immediate and medium term, and gradually moves towards a financial and insurance group featured in reinsurance in the long run with a commitment to providing long-term and competitive returns to shareholders.

REPORT OF THE BOARD OF DIRECTORS

RESULTS AND PROFIT DISTRIBUTION

The Group's profit for the year ended 31 December 2020 and the financial performance of the Group as at that date are set out on pages 140 to 280 in this annual report.

Final Dividend

The Board recommends the payment of a final dividend for the year ended 31 December 2020 of RMB0.041 per share (tax inclusive), totalling approximately RMB1,742 million (the "2020 Final Dividend"). The 2020 Final Dividend is subject to the approval of shareholders of the Company at the 2020 annual general meeting, and is expected to be paid to the shareholders on Friday, 20 August 2021 whose names appear on the register of members of the Company as at Tuesday, 6 July 2021 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the interbank foreign exchange market for the last five business days up to and including the date of the 2020 annual general meeting published by China Foreign Exchange Trade System as authorised by the People's Bank of China.

The above profit distribution scheme will not result in a lower indicator of the Company's relevant solvency adequacy ratio than the regulatory requirements.

Withholding and Payment of Income Tax on the Dividends Paid to Shareholders

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the 2020 Final Dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between mainland China and Hong Kong (Macau). In this regard, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on the dividends for the individual holders of H shares:

- For individual holders of H shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual holders of H shares in the distribution of the dividend.

If individual holders of H shares consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, a letter of entrustment and all application and relevant proving materials showing that they are residents of a country (region) which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities which will proceed with the subsequent tax related treatments. If individual holders of H shares do not provide the Company with the relevant proving materials, they could go through the relevant procedures on their own or by attorney in accordance with the relevant provisions stipulated in the tax treaties. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning the Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897 號)).

The cash dividends for the investors of H shares of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as individual investors. The H share companies will not withhold and pay the income tax of dividends received by domestic enterprise investors from investing in H share companies through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and those domestic enterprise investors shall declare and pay the relevant tax themselves.

The record date and the date of distribution of cash dividends and other time arrangements for the investors of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be the same as those for the holders of H shares.

Should the holders of H shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for the relevant tax impact in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares.

REPORT OF THE BOARD OF DIRECTORS

SHARE CAPITAL

During the Reporting Period, there was no change in the total share capital of the Company. At the end of the Reporting Period, the total number of share capital of the Company was 42,479,808,085 shares. Details are as follows:

No.	Name of shareholder	Class of shares	Number of shares	Percentage of total share capital (%)
1	Central Huijin Investment Ltd.	Domestic shares	30,397,852,350	71.56
2	HKSCC Nominees Limited	H shares	6,664,782,030	15.69
3	Ministry of Finance of the PRC	Domestic shares	4,862,285,131	11.45
4	National Council for Social Security Fund	Domestic shares	540,253,904	1.27
5	Other H shareholders	H shares	14,634,670	0.03
Total			42,479,808,085	100

Note: 1. The information disclosed above was the information shown on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The shares of the Company held by HKSCC Nominees Limited are on behalf of its clients and do not include the shares held by other H shareholders.

PUBLIC FLOAT

The Company applied for and has been granted by the Hong Kong Stock Exchange a waiver at the time of listing regarding the lower percentage of public float. Based on the information that was publicly available to the Company as at the Latest Practicable Date and within the knowledge of the Directors, from the Listing Date to the Latest Practicable Date, the Company's public float was 15.72%, maintaining a sufficient public float as approved by the Hong Kong Stock Exchange and required under the Hong Kong Listing Rules. For details of the above waiver, please refer to the section headed "Waivers from Compliance with the Listing Rules – Public Float" in the Prospectus of the Company.

REPORT OF THE BOARD OF DIRECTORS

DISTRIBUTABLE RESERVES

As of the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders was RMB4,564 million. Details are set out in Note 60 to the financial statements.

BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

During the Reporting Period, changes in the buildings, equipment and investment properties of the Group are set out in Note 34 and Note 33 to the financial statements, respectively.

On 15 December 2018, China Continent Insurance acquired a property. For details, please refer to the section headed "Management Discussion and Analysis".

Save as disclosed above, as at the end of the Reporting Period, the Group did not own any other properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5%.

RETIREMENT BENEFITS

The Group provides retirement benefits to employees, including enterprise annuity and defined benefit retirement plan. In 2020, the enterprise annuity contribution amounted to approximately RMB85.82 million and its defined benefit retirement plan contribution was approximately RMB5.27 million. Total annual enterprise annuity contribution shall be provided at a certain percentage of the total annual employee salaries, and defined benefit retirement plan contribution will be paid from the accrued defined benefit retirement liabilities of the Group. Provided that employees are dismissed or break laws or regulations, unvested enterprise annuity contributions will be transferred back to the Company's enterprise annuity. The amount of forfeited contributions used to reduce the existing level of contributions is not material. During the Reporting Period, the Group's obligations under the defined benefit plans were calculated by independent actuaries, Beijing Branch of Towers Watson Management Consulting (Shenzhen) Co., Ltd. and Barnett Waddingham LLP. Details are set out in Notes 3(2)(f) and Note 48 to the financial statements.

REMUNERATION OF SENIOR MANAGEMENT[1]

During the Reporting Period, details of the remuneration of Directors and Supervisors are set out in Note 14 to the financial statements. The range of remuneration of non-director senior management in the Group is set out as follows:

Range of remuneration	Number of individuals
RMB0-RMB500,000	0
RMB500,001-RMB1,000,000	1
RMB1,000,001-RMB1,500,000	0
RMB1,500,001-RMB2,000,000	0
RMB2,000,001-RMB2,500,000	1
RMB2,500,001-RMB3,000,000	0
RMB3,000,001-RMB3,500,000	0
RMB3,500,001-RMB4,000,000	1

HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest-paid individuals of the Group during the Reporting Period are set out in Note 15 to the financial statements. The amount of remuneration of the five highest paid individuals for 2020 is on a pre-tax basis. The five individuals are all employees of an overseas insurance agency Chaucer, which was newly acquired by the Group in 2018. Their remunerations have been determined in accordance with local market practices and governed by related internal systems. At the same time, the amount of remuneration has included a special retention bonus implemented by the Group aimed at maintaining the stability of the core team of Chaucer.

Note: 1. The remuneration standards for the Chairman, executive Directors, Chairman of the Board of Supervisors and senior management of the Company are determined in accordance with the relevant requirements of the Ministry of Finance and the Group Company. As of the Latest Practicable Date, the remuneration standards for the above personnel for 2020 had not been finally determined, and such remuneration data were estimated figures. The remuneration of senior management is determined based on their actual term of office.

REPORT OF THE BOARD OF DIRECTORS

MAJOR CLIENTS

The information on the proportion from major clients of the insurance business of the Group during the Reporting Period is set out below:

	Percentage of insurance income of the Group (%)
Largest insurance client	6.12
Top five insurance clients in total	26.93

Since the top five clients of the Group are financial and insurance institutions, shareholders of the Company, namely the Ministry of Finance and Central Huijin, hold interests in certain institutions. None of the Directors, their close associates or any other shareholder who, as far as the Directors are aware, holds 5% or more share capital of the Company has any interest in any of the above clients.

RELATIONSHIP WITH CLIENTS

The Group is of the view that the benign relationship with clients is very important. During the Reporting Period, there was no material dispute between the Group and clients.

RELATIONSHIP WITH EMPLOYEES

The Group builds a comprehensive training system as well as a scientific and reasonable remuneration incentive system. The Group sets up multiple channels for employees to develop themselves, attaches great importance to physical and mental health of employees and harmony of their families, so as to improve their happiness index.

MAJOR SUBSIDIARIES

As at the end of the Reporting Period, the Company directly controlled eight major subsidiaries, namely China Re P&C, China Re Life, China Continent Insurance, China Re AMC, Huatai Insurance Agency, China Re UK, China Re Underwriting Agency Limited and China Re Hong Kong Company Limited. Details are set out in Note 31(1) to the financial statements.

PRE-EMPTIVE RIGHT

During the Reporting Period, the shareholders of the Company had no pre-emptive right pursuant to the relevant laws of the PRC and the Articles of Association.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ISSUANCE OF DEBENTURES

In order to broaden the sources of foreign exchange funds and optimise asset allocation, China Re Group successfully issued notes with aggregate principal amounts of US$800 million and US$700 million (the "Notes") through China Reinsurance Finance Corporation Limited, respectively on 9 March 2017 and 30 June 2017. The two tranches of Notes were consolidated into a single series. The interest rate was 3.375% per annum payable semi-annually on 9 March and 9 September each year. The maturity date of the Notes is 9 March 2022, unless earlier redeemed in accordance with the terms thereof.

On 17 August 2018, China Re P&C successfully issued the capital supplementary bonds with a total principal amount of RMB4,000 million publicly in the National Interbank Bond Market. The capital supplementary bonds are ten-year fixed-rate bonds, with an annual coupon rate of 4.97% for the first five years, and China Re P&C has conditional redemption rights at the end of the fifth year. In the event that China Re P&C does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.97% for the remaining five years.

On 29 November 2018, China Re Life successfully issued the capital supplementary bonds with a total principal amount of RMB5,000 million publicly in the National Interbank Bond Market. The capital supplementary bonds are ten-year fixed-rate bonds, with an annual coupon rate of 4.80% for the first five years, and China Re Life has conditional redemption rights at the end of the fifth year. In the event that China Re Life does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.80% for the remaining five years.

On 8 December 2020, China Re P&C successfully issued the capital supplementary bonds with a total principal amount of RMB4,000 million publicly in the National Interbank Bond Market. The capital supplementary bonds are ten-year fixed-rate bonds, with an annual coupon rate of 4.40% for the first five years, and China Re P&C has conditional redemption rights at the end of the fifth year. In the event that China Re P&C does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.40% for the remaining five years.

The funds raised by the issuance of the capital supplementary bonds will be used to supplement the capital of China Re P&C and China Re Life in accordance with the applicable laws and regulatory approvals so as to improve their solvency, create conditions for the sound business development of China Re P&C and China Re Life business, and support the sustainable and steady development of their business.

REPORT OF THE BOARD OF DIRECTORS

CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB39.22 million in aggregate.

DIRECTORS

During the Reporting Period and as at the Latest Practicable Date, the Directors were as follows:

Executive Directors

Mr. Yuan Linjiang (Chairman)
Mr. He Chunlei (Vice Chairman)
Mr. Ren Xiaobing (ceased to serve as a Director since February 2021)

Non-executive Directors

Ms. Lu Xiuli
Mr. Wen Ning
Ms. Wang Xiaoya
Mr. Liu Xiaopeng

Independent Non-executive Directors

Mr. Hao Yansu
Mr. Li Sanxi
Ms. Mok Kam Sheung
Ms. Jiang Bo

REPORT OF THE BOARD OF DIRECTORS

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with the Directors and Supervisors. During the Reporting Period, none of the Directors or Supervisors entered into any service contract with the Company or its subsidiaries which could not be terminated within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the Reporting Period, none of the Directors, Supervisors or their connected entities had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Company, to which the Company or any of its subsidiaries was a party.

PERMITTED INDEMNITY

Subject to the relevant statutes, every Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) upon the listing of H shares which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions upon the listing of H shares, or are required to be recorded in the register required to be kept under Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, none of the Company or its subsidiaries had entered into any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

During the Reporting Period, there were no relationships in respect of finance, business, or family among the Directors, Supervisors and senior management of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Hong Kong Listing Rules.

SHARE INCENTIVE SCHEME FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Company had not formulated or implemented any share incentive scheme for the Directors, Supervisors and senior management.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

As at the end of the Reporting Period, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were, either directly or indirectly, interested in 5% or more of the nominal value of any class of share capital.

Name of shareholders	Nature of interest and capacity	Class	Number of shares	Approximate percentage of interests of the Company (%)	Approximate percentage of relevant class of shares of the Company (%)
Central Huijin Investment Ltd.	Beneficial owner	Domestic share	30,397,852,350 (Long position)	71.56	84.91
Ministry of Finance of the PRC	Beneficial owner	Domestic share	4,862,285,131 (Long position)	11.45	13.58
Great Wall Pan Asia International Investment Co., Ltd.	Beneficial owner	H share	431,050,000 (Long position)	1.01	6.45

Notes: 1. The information disclosed above was the information shown on the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

2. According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

3. Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.

Save as disclosed above, as at the end of the Reporting Period, so far as the Directors were aware, no other person (other than the Directors, Supervisors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which are required to be disclosed or recorded in the register of the Company to be kept under Section 336 of the SFO.

REPORT OF THE BOARD OF DIRECTORS

ADMINISTRATION AND MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into any administration and management contracts with respect to the entire or principal business of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the audited financial statements of the Group for the year ended 31 December 2020.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the section headed “Corporate Governance Report” in this annual report.

AUDITORS

On 20 June 2016, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as the domestic and overseas auditors of the Group, respectively, and were re-appointed at the 2016 annual general meeting, the 2017 annual general meeting, the 2018 annual general meeting and the 2019 annual general meeting for four consecutive years with a term till the conclusion of the 2020 annual general meeting. The Group did not change its auditors in the past four years.

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers.

By order of the Board
China Reinsurance (Group) Corporation

Yuan Linjiang
Chairman

Beijing, the PRC
29 March 2021

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, all members of the Board of Supervisors had diligently and prudently performed their duties, pragmatically and efficiently carried out supervision in accordance with the relevant requirements of the PRC Company Law, the Articles of Association and other laws and regulations, regulatory requirements, internal rules and regulations of the Company, actively and effectively protected the interests of shareholders and the Company and played an effective role in constructive supervision, in order to help and serve the implementation of the "One-Three-Five" strategy of China Re Group.

MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIALISED COMMITTEES

During the Reporting Period, the Board of Supervisors held five meetings, considered nine proposals and received nine reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held two meetings and considered three proposals; the Financial Supervision and Inspection Committee under the Board of Supervisors held one meeting and considered two proposals. All Supervisors and members of the specialised committees attended all the meetings above.

On 20 March 2020, the seventh (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which two resolutions, including the Resolution on the Report of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2019, were considered and unanimously approved.

On 30 March 2020, the eighth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which three resolutions, including the Resolution on the Final Financial Accounts Report of China Reinsurance (Group) Corporation for the Year 2019, were considered and unanimously approved.

On 24 April 2020, the ninth meeting of the fourth session of the Board of Supervisors was convened, during which three resolutions, including the Resolution on the Report of the Assessment of Duty Performance by the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2019, were considered and unanimously approved, and seven reports, including the Report on Operation Plan of China Reinsurance (Group) Corporation for the Year 2020, were received.

On 13 July 2020, the tenth (extraordinary) meeting of the fourth session of the Board of Supervisors received the Report of Mr. Zhang Hong's Resignation as the Chairman, Supervisor and Related Position of the Fourth Session of the Board of Supervisors of China Reinsurance (Group) Corporation.

On 28 December 2020, the eleventh (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which the Resolution on the Work Scheme of the Supervision and Inspection of Performance Remuneration and Business Expenses of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2020 was considered and unanimously approved, and the Special Audit Report on Related-Party Transactions, Anti-Money Laundering and Anti-Insurance Fraud of China Reinsurance (Group) Corporation for the Year 2019 was received.

REPORT OF THE BOARD OF SUPERVISORS

PERFORMANCE MONITORING

Through attending shareholders' general meetings, the meetings of the Board and its specialised committees, members of the Board of Supervisors continuously paid attention to the Group's overall operation and management and related results, closely monitored the financial and internal control risks of the Group and supervised the performance of duties by Directors and senior management. The Board of Supervisors believes that the Directors and senior management of the Company performed their duties diligently and are in compliance with the Articles of Association.

In accordance with the requirements of the Articles of Association and in conjunction with the requirements of shareholders, the Board of Supervisors organised the assessment of duty performance for the year 2019 and issued an assessment opinion report. In accordance with the relevant working system requirements, the Board of Supervisors organised and completed the supervision and inspection on performance remuneration and business expenses for the year 2019 and issued the related working report.

FINANCIAL MONITORING

During the Reporting Period, the Board of Supervisors continued to carry out monitoring on the consolidated and segment financial conditions of the Group, paid attention to tendency issues and abnormal situations, carefully reviewed the annual final accounts report, strengthened the communication with external auditors in respect of annual financial report audit and interim financial report review, reminding them of the key issues of auditing, and put forward specified recommendation.

SUPERVISION WORKS ON INTERNAL RISK CONTROL AND OTHER AREAS

During the Reporting Period, the Board of Supervisors received reports on the meetings of the Board of Supervisors or held special communication meetings to understand the Group's work in risk management, internal control compliance, related-party transactions, internal audit and other areas. It especially exchanged opinions on the planning and preparation of the "Ten-Four-Five" strategy of China Re Group, the operation and management of overseas P&C reinsurance business and the integration with Chaucer, the review of shareholding of fixed income assets, the credit risk management and other matters, and provided opinions and suggestions on the related works.

REPORT OF THE BOARD OF SUPERVISORS

PERFORMANCE OF DUTIES BY THE SUPERVISORS

During the Reporting Period, all Supervisors actively performed their supervisory duties, attended all meetings of the Board of Supervisors and its specialised committees, and prudently expressed their opinions and participated in the voting. The Supervisors actively participated in the supervision and inspection work organised by the Board of Supervisors. The Supervisors also actively participated in the internal and external training activities of the Company and continuously improved their performance ability and business level. The employee representative Supervisors participated in the employee representative assembly of the Company and presented annual reports on their works. The Board of Supervisors believes that all Supervisors performed their duties in accordance with the PRC Company Law, the Articles of Association and other laws and regulations, regulatory requirements, internal rules and regulations of the Company and have achieved fruitful results in all supervision works.

By order of the Board of Supervisors
China Reinsurance (Group) Corporation

Beijing, the PRC
29 March 2021

Embedded Value

Independent Auditor' s Report

Financial Statements and Notes

EMBEDDED VALUE

Deloitte. 德勤

To the Directors of China Reinsurance (Group) Corporation

Dear Sirs,

Independent Actuarial Consultants' Report on Embedded Value of China Reinsurance (Group) Corporation

China Reinsurance (Group) Corporation (the "Group Company", the "Company") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to quantify and report on embedded value of the Group Company's and its subsidiaries' ("China Re Group", the "Group") life and health reinsurance business, covering the life and health reinsurance business of the Group Company and all business of China Life Reinsurance Company Limited ("China Re Life") and China Reinsurance (Hong Kong) Company Limited ("China Re HK")("the Covered Business") as at 31 December 2020. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Consulting", "we").

The report summarises the scope of work carried out by Deloitte Consulting, basis of report, reliance and limitations, valuation methodologies and results.

Scope of Work

The scope of our work is summarised as follows:

- Quantifying embedded value of China Re Group as at 31 December 2020;

- Quantifying value of one year's new business underwritten by the Group during the 12 months prior to 31 December 2020;

- Reviewing the assumptions used for embedded value and value of one year's new business valuation as at 31 December 2020;

- Performing sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;

- Performing movement analysis of embedded value from 31 December 2019 to 31 December 2020.

EMBEDDED VALUE

Basis of Report, Reliance and Limitation

This report has been prepared by Deloitte Consulting solely for the information and use of China Reinsurance (Group) Corporation for the purpose set out in the introduction of this report, including the valuation and reporting under the requirements of "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" published by the China Association of Actuaries and industry practice for publicly listed companies in Hong Kong. Accordingly, we accept no responsibility or liability to any other party.

In performing our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided verbally and in writing by, or on behalf of, China Re Group for periods up to 31 December 2020.

The calculation of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions cannot be controlled by China Re Group. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

On behalf of
Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

Eric Lu
FIAA, FCAA

Yu Jiang
FSA, FCAA

EMBEDDED VALUE

1. Definitions and Methodology

1.1 Definitions

A number of specific terminologies are used in this report. They are defined as follows:

- Embedded Value ("EV"): this is the sum of the adjusted net worth and value of in-force business less the cost of required capital as at the valuation date;

- Adjusted Net Worth ("ANW"): this is the fair value of assets attributable to shareholders in excess of liabilities of the Covered Business as at the valuation date;

- Value of In-force Business ("VIF"): this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- Cost of Required Capital ("CoC"): this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- Value of One Year's New Business ("1-year VNB"): this is equal to the present value as at the policy issue dates of the future cash flows attributable to shareholders from the business accepted during the 12 months prior to the valuation date and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of the business accepted.

1.2 Methodology

Based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" issued by the China Association of Actuaries ("CAA") in November 2016 and industry practice for publicly listed companies in Hong Kong, we determined the embedded value and the value of one year's new business.

In this report, embedded value of China Re Group is defined as the sum of adjusted net worth of the Group and VIF of the Covered Business after the cost of required capital.

Since the Group does not hold 100% of all companies within it. ANW has excluded minority interests. As China Re Life and China Re HK are 100% owned by the Group, all of those VIF are included in the reported EV valuation results.

The adjusted net worth at the valuation date is defined as the sum of below two items:

- Net asset value of China Re Group on a consolidated basis with allowance for the reserve difference between PRC GAAP basis and EV basis for the Covered Business;

- The asset value adjustments, which reflect the after-tax difference of market value and book value for certain relevant assets, together with the relevant adjustments to liabilities.

Value of in-force business after the cost of required capital is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date, less the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value). The calculation of cost of required capital should take into account the after-tax investment earnings on the assets backing such required capital.

Value of one year's new business after the cost of required capital is the present value as at the policy issue dates of the future cash flows attributable to shareholders from the business accepted during the 12 months prior to the valuation date and the corresponding assets, less the amount of capital supporting the corresponding new business required from shareholders at the policy issue date and the present value of future movements of such capital (end of period value less start of period value). The renewal for short-term reinsurance business with policy term of underlying policies less than or equal to one year is not included in the new business.

EMBEDDED VALUE

2. Results Summary

The embedded value and value of one year's new business results as at 31 December 2020 and the corresponding results as at prior valuation date are summarised as below:

Table 2.1 EV as at 31 December 2020 and 31 December 2019

Unit: in RMB millions

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

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

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

Table 2.2 1-year VNB for the 12 months up to 31 December 2020 and 31 December 2019

Unit: in RMB millions

Valuation Date	31 Dec 2020	31 Dec 2019
Value of One Year's New Business of the life and health reinsurance business		
Value of One Year's New Business before CoC	**3,286**	2,865
Cost of Required Capital	**(940)**	(647)
Value of One Year's New Business after CoC	**2,347**	2,219

3. Assumptions

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

3.1 Risk Discount Rate

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

3.2 Investment Return Rates

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

Table 3.2.1 Assumption of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2020

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

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

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

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

4. Sensitivity

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

Table 4.1 Sensitivity test results of VIF and 1-year VNB as at 31 December 2020

Unit: in RMB millions

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

EMBEDDED VALUE

5. Movement Analysis

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

Table 5.1 Movement analysis of EV from 31 December 2019 to 31 December 2020

Unit: in RMB millions

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

No.	Item	Amount	Details
13	EV of other business of the Group as at 31 December 2019	70,731	
14	Profit from other business in the year of 2020	4,093	
15	Impact of market value adjustments and other adjustments	(197)	Changes from asset market value adjustments and other adjustments
16	Others	(14)	
17	Capital injection and shareholder dividend payment	(1,014)	Capital injection to subsidiaries, dividend paid to the Group Company by subsidiaries and dividend paid to shareholders by China Re Group
18	EV of other business of the Group as at 31 December 2020	73,600	
19	EV of the Group as at 31 December 2020	106,606	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Reinsurance (Group) Corporation
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited
The consolidated financial statements of China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 140 to 280, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Significant insurance risk test – reinsurance contracts
- Valuation of insurance contract liabilities – long-term life and health reinsurance contract liabilities
- Valuation of insurance contract liabilities – claim reserves
- Valuation of level 3 financial instruments

Key Audit Matter	How our audit addressed the Key Audit Matter
Significant insurance risk test – reinsurance contracts	
Refer to notes 2(26), 3(1)(a), 5 and 44 to the consolidated financial statements. The Group performed significant insurance risk test for its assumed reinsurance contracts to determine the classification of these contracts and the corresponding accounting treatment. When performing the quantitative test, the Group uses certain actuarial assumptions, such as loss ratio, mortality and morbidity rates, and the mean and standard deviation of the loss distribution. The Group determines such assumptions based on its historical experiences and estimation on future development trends for its insurance products. For the year ended 31 December 2020, the gross written premiums for reinsurance contracts that passed the testing of significant insurance risk was RMB108.73 billion, representing 64.6% of the Group's total income. On the other hand, the contracts that did not pass the testing of significant insurance risk were recognised as investment contract liabilities and were measured at amortised cost of RMB23.99 billion, representing 6.8% of the Group's total liabilities as at year end. We focused on this area because the development of assumptions requires the use of significant management judgement.	We, with the assistance of our own actuarial experts, performed the audit procedures listed below. We obtained an understanding of the Group's policies and procedures of significant insurance risk test by performing inquiries of management and inspection of supporting documentation. On a sample basis, we checked the appropriateness of the actuarial assumptions, including loss ratio, mortality and morbidity rates, and the mean and standard deviation of the loss distribution, applied by the management by comparing them to the Group's historical data. We also recalculated the Group's computation of the significant insurance risk test and checked the classification of the selected contracts according to the test result. Based on our audit procedures performed above, we found no material exception.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities – long-term life and health reinsurance contract liabilities	
Refer to notes 3(2)(a) and 45 to the consolidated financial statements. As at 31 December 2020, the Group had significant long-term life and health reinsurance contract liabilities of RMB106.27 billion, representing 30.3% of the Group's total liabilities. The valuation of long-term life and health reinsurance contract liabilities is determined using complex models which were set up based on the terms of the Group's reinsurance contracts. The main actuarial assumptions adopted in the valuation models include discount rates, mortality and morbidity rates assumptions. The determination of assumptions used at the balance sheet date requires the use of management judgement and it involves significant uncertainty of future events and hence we focused our work in this area.	We obtained an understanding of the management's internal control and assessment process of long-term life and health reinsurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias and fraud. We, with the assistance of our own actuarial experts, performed the audit procedures listed below. We evaluated the design and operating effectiveness of key internal controls over the calculation of long-term life and health reinsurance contract liabilities, including testing controls in place to determine the assumptions adopted over the calculation. We assessed the Group's methodology for calculating long-term life and health reinsurance contract liabilities against recognised actuarial practices. We assessed the reasonableness of key assumptions including discount rates, mortality and morbidity rates assumptions used in the valuation models by comparing them to the Group's historical experiences. On a sample basis, we assessed the appropriateness of actuarial models by independently modelling selected contracts. Based on our audit procedures performed, we found no material exception.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities – claim reserves	
Refer to notes 3(2)(a) and 45 to the consolidated financial statements. As at 31 December 2020, the Group had significant claim reserves of RMB78.75 billion, representing 22.5% of the Group's total liabilities. The valuation of claim reserves is determined using complex models which were set up based on the terms of the Group's insurance contracts. The main assumption in measuring the claim reserves is developed using the Group's experience of historical claims, which can be used to project the trend of future claims and hence ultimate claim costs. Accordingly, management extrapolates the amount of paid and incurred losses, average costs per claim and claim number of primary insurance contracts, based on the observed development of earlier years to develop the expected loss ratios for estimating the claim reserves. The determination of the main assumption on future claims requires the use of management judgement and it involves significant uncertainty of future events and hence we focused our work in this area.	We obtained an understanding of the management's internal control and assessment process of claim reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias and fraud. We, with the assistance of our own actuarial experts, performed the audit procedures listed below. We evaluated the design and operating effectiveness of key internal controls over the calculation of claim reserves, including testing controls in place to determine the assumptions adopted over the calculation. For major lines of business, we assessed the reasonableness of the key assumptions, such as ultimate loss ratio and risk factor, which were used in the valuation models by comparing them to the Group's historical data. For the selected lines of business, we also compared the Group's computation of claim reserves with an estimated range of valuation result independently developed by us. We evaluated the overall reasonableness of the claim reserves by performing the comparison of the actual experiences to previously expected results and assessed the adequacy of the estimated liability as at year end. Based on our audit procedures performed, we found no material exception.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of level 3 financial instruments	
Refer to note 3(2)(b) and 55 to the consolidated financial statements. The investments are classified as level 3 in the fair value hierarchy as their fair values are measured using valuation methodologies with significant unobservable inputs. The Group held material investments in level 3 financial instruments with a combined carrying value of RMB14.14 billion representing 3.1% of the Group total assets as at the balance sheet date. We focused on the valuation of these investments due to the significant management's judgements involved in the valuation methodologies with significant unobservable inputs, including the discount rate for credit risk, the discount for lack of marketability, and valuation multiples of comparable companies.	We obtained an understanding of the management's internal control and assessment process of the valuation of level 3 financial instruments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias and fraud. We, with the assistance of our own valuation experts, performed the audit procedures listed below. We evaluated the design and operating effectiveness of key internal controls over the valuation of level 3 financial instruments, including testing controls in place to determine the valuation methodologies and assumptions adopted over the valuation. We evaluated the management's valuation methodologies by comparing them to industry practice and commonly used valuation methodologies. We checked the appropriateness of the significant unobservable inputs, including the discount rate for credit risk, the discount for lack of marketability, and valuation multiples of comparable companies. Based on our audit procedures performed, we found no material exception.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Gross written premiums	5	161,573,844	144,972,748
Less: Premiums ceded to reinsurers and retrocessionaires	5	(12,103,874)	(10,149,709)
Net written premiums	5	149,469,970	134,823,039
Changes in unearned premium reserves	6	(3,387,576)	(7,080,011)
Net premiums earned		146,082,394	127,743,028
Reinsurance commission income		2,664,943	1,566,556
Investment income	7	15,688,533	11,316,405
Exchange gains/(losses), net		98,062	(2,150)
Other income	8	3,661,183	2,010,352
Total income		168,195,115	142,634,191

The accompanying notes on pages 149 to 280 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Total income		168,195,115	142,634,191
Claims and policyholders' benefits	9	(116,661,419)	(95,380,235)
– Claims incurred		(66,347,190)	(55,735,168)
– Life and health reinsurance death and other benefits paid		(25,836,951)	(32,639,256)
– Changes in long-term life and health reinsurance contract liabilities		(24,477,278)	(7,005,811)
Handling charges and commissions	10	(24,911,677)	(20,815,698)
Finance costs	11	(1,748,652)	(1,539,536)
Other operating and administrative expenses	12	(19,672,679)	(18,971,166)
Total benefits, claims and expenses		(162,994,427)	(136,706,635)
Share of profits of associates		2,097,055	2,140,117
Profit before tax	13	7,297,743	8,067,673
Income tax	16	(1,373,909)	(1,422,359)
Profit for the year		5,923,834	6,645,314
Attributable to:			
Equity shareholders of the parent		5,710,531	6,049,345
Non-controlling interests		213,303	595,969
Profit for the year		5,923,834	6,645,314
Earnings per share (in RMB)	18		
– Basic		0.13	0.14
– Diluted		0.13	0.14

The accompanying notes on pages 149 to 280 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Profit for the year		5,923,834	6,645,314
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	48	(13,865)	42,119
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, after tax		(59,178)	156,047
Available-for-sale financial assets, after tax		2,775,586	4,476,116
Exchange differences on translation of financial statements of foreign operations		(404,286)	34,354
Other comprehensive income for the year after tax	19	2,298,257	4,708,636
Total comprehensive income for the year		8,222,091	11,353,950
Attributable to:			
Equity shareholders of the parent		7,887,213	10,358,694
Non-controlling interests		334,878	995,256
Total comprehensive income for the year		8,222,091	11,353,950

The accompanying notes on pages 149 to 280 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Assets			
Cash and short-term time deposits	20	13,872,362	20,262,473
Financial assets at fair value through profit or loss	21	11,177,435	11,856,246
Derivative financial assets	22	246,287	411,129
Financial assets held under resale agreements	23	4,615,600	2,981,215
Premiums receivable	24	16,638,399	14,755,963
Reinsurance debtors	25	48,706,040	55,939,565
Investment contracts receivable	26	7,112,873	3,433,251
Reinsurers' share of insurance contract liabilities	45	19,724,423	18,173,603
Reinsurers' share of policy loans		563,501	503,744
Time deposits	27	19,904,638	3,907,342
Available-for-sale financial assets	28	163,649,766	117,402,385
Held-to-maturity investments	29	32,199,780	34,593,283
Investments classified as loans and receivables	30	41,236,325	43,726,769
Statutory deposits	32	18,044,502	15,723,184
Investment properties	33	6,477,825	7,891,771
Property and equipment	34	4,254,004	3,007,394
Right-of-use assets	35	1,333,175	1,176,562
Intangible assets	36	2,242,293	2,267,111
Investments in associates	37	25,758,482	24,061,529
Goodwill	38	1,606,768	1,635,695
Deferred tax assets	39	1,582,929	1,314,116
Other assets	40	12,629,665	11,614,058
Total assets		453,577,072	396,638,388

The accompanying notes on pages 149 to 280 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Liabilities and equity			
Liabilities			
Short-term borrowings	41	208,101	732,349
Financial liabilities at fair value through profit or loss		214,579	–
Derivative financial liabilities	22	172,014	–
Securities sold under agreements to repurchase	42	29,403,318	21,487,751
Reinsurance payables	43	16,284,145	17,947,144
Income tax payable		1,696,458	1,353,982
Policyholders' deposits		4,719,779	2,839,974
Investment contract liabilities	44	23,990,655	22,066,813
Insurance contract liabilities	45	229,496,289	191,637,068
Notes and bonds payable	46	22,748,255	19,390,012
Long-term borrowings	47	3,577,375	3,821,130
Lease liabilities	35	1,253,917	1,117,491
Deferred tax liabilities	39	1,291,583	1,860,121
Other liabilities	48	15,619,750	15,406,564
Total liabilities		350,676,218	299,660,399
Equity			
Share capital	49	42,479,808	42,479,808
Reserves	50	26,072,298	22,957,818
Retained profits	50	24,476,359	21,698,666
Total equity attributable to equity shareholders of the parent		93,028,465	87,136,292
Non-controlling interests		9,872,389	9,841,697
Total equity		102,900,854	96,977,989
Total liabilities and equity		453,577,072	396,638,388

Approved and authorized for issue by the Board of Directors on 29 March 2021.

Yuan Linjiang
Director

He Chunlei
Director

Tian Meipan
Chief Actuary

The accompanying notes on pages 149 to 280 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
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	19	–	–	–	–	–	(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		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

The accompanying notes on pages 149 to 280 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2018		42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	154,428	(26,702)	18,254,471	78,281,201	8,972,616	87,253,817
Impact of change in accounting policy in associates	2(4)	–	–	–	–	–	–	145,192	–	(332,575)	(187,383)	(34,918)	(222,301)
Restated total equity as at 1 January 2019		42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	299,620	(26,702)	17,921,896	78,093,818	8,937,698	87,031,516
Profit for the year		–	–	–	–	–	–	–	–	6,049,345	6,049,345	595,969	6,645,314
Other comprehensive income	19	–	–	–	–	–	42,119	4,232,876	34,354	–	4,309,349	399,287	4,708,636
Total comprehensive income		–	–	–	–	–	42,119	4,232,876	34,354	6,049,345	10,358,694	995,256	11,353,950
Appropriations to surplus reserve		–	–	266,505	–	–	–	–	–	(266,505)	–	–	–
Appropriations to general risk reserve		–	–	–	689,196	–	–	–	–	(689,196)	–	–	–
Distributions to shareholders of the parent		–	–	–	–	–	–	–	–	(1,316,874)	(1,316,874)	–	(1,316,874)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(91,620)	(91,620)
Others		–	654	–	–	–	–	–	–	–	654	363	1,017
As at 31 December 2019		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

The accompanying notes on pages 149 to 280 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Operating activities			
Cash generated from operations	52(a)	35,519,561	17,851,342
Income tax paid		(2,278,364)	(966,987)
Net cash flows generated from operating activities		33,241,197	16,884,355
Investing activities			
Interests received		8,022,761	8,016,011
Dividends received		2,276,542	2,384,497
Purchases of property and equipment, investment properties and intangible assets		(897,409)	(2,178,729)
Proceeds from disposals of property and equipment, investment properties and intangible assets		25,737	(4,596)
Acquisition of subsidiary, net of cash and cash equivalent acquired		–	(274,809)
Purchases of investments		(209,292,244)	(135,185,920)
Proceeds from disposals of investments		152,166,500	112,640,032
Disposals of associates		1,527,867	134,215
Investments in associates		(1,171,010)	(102,625)
Net cash flows used in investing activities		(47,341,256)	(14,571,924)

The accompanying notes on pages 149 to 280 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Financing activities			
Changes in third party investors' interests of consolidated structured entities, net		40,001	2,470
Proceeds from notes and bonds payable		4,000,000	–
Proceeds from bank borrowings		369,875	419,566
Repayment of borrowings		(767,333)	(110,527)
Interests paid		(1,573,080)	(1,647,502)
Cash paid for lease liabilities		(469,216)	(361,748)
Dividends paid to equity shareholders of the parent		(1,861,398)	(1,315,560)
Dividends paid by subsidiaries to non-controlling interests		(303,823)	(91,620)
Net proceeds from securities sold under agreements to repurchase		8,521,734	7,077,497
Net cash flows generated from financing activities		7,956,760	3,972,576
Net (decrease)/increase in cash and cash equivalents		(6,143,299)	6,285,007
Cash and cash equivalents at the beginning of the year		21,267,582	14,701,860
Effect of foreign exchange rate changes		(287,234)	280,715
Cash and cash equivalents at the end of the year	52(b)	14,837,049	21,267,582

The accompanying notes on pages 149 to 280 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 (see Note 2(14) and Note2(15)).

— reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods (see Note 2(27)).

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

(a) The overlay approach: all companies that issue insurance contracts have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and

(b) The deferral approach: companies whose activities are predominantly connected with insurance have an optional temporary exemption from applying IFRS 9 until 2023. Entities that defer the application of IFRS 9 will continue to apply IAS 39 Financial Instruments: Recognition and Measurement.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial Instruments (continued)

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

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

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

The Group concludes that the Group's operation activities are predominantly connected with insurance. The Group decides to apply the temporary exemption for IFRS 9. The disclosures about the Group's temporary exemption from IFRS 9 are disclosed in Note 53. The Group's major associates, China Everbright Bank Company Limited ("CEB"), applied IFRS 9 from 1 January 2018. The Group decides not to adopt uniform accounting policies for associates in group level.

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

IFRS 17, Insurance Contracts

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in accounting estimates

In determining insurance contract liabilities, assumptions such as discount rate, mortality and morbidity, surrender rate, and expense assumptions are applied to long term life and health reinsurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group changed the above assumptions based on current information available as at 31 December 2020 (mainly the risk free discount rate and morbidity rate) and updated estimate for future cash flows, with the corresponding impact on insurance contract liabilities taken into the current year's statement of profit or loss. As a result of such changes in assumptions, long term life and health reinsurance contracts liabilities were increased by RMB1,164 million as at 31 December 2020 and the profit before tax for the year ended 31 December 2020 was decreased by RMB1,164 million.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity where it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary excluding structured entities not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(14)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(9) if applicable).

For each managed syndicate on which the Group participates, only the relevant proportion of the transactions, assets and liabilities of those Lloyd's syndicates are reflected in the consolidated financial statements. As at 31 December 2020, the Group provided 100% of the capital for Syndicate 2088 and Syndicate 1084, and provided 57% of the capital for Syndicate 1176, and therefore relevant proportion of the transactions, assets and liabilities of those Lloyd's syndicates have been included in the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(8) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager. If an asset manager is the agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority; rights held by other parties; remuneration to which it is entitled; and exposure to variability of returns from its involvement with structured entities. The Group will make reassessment when the factors change.

(9) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment provisions relating to the investment (see Notes 2 (24)(b)). Any excess over cost at acquisition-date, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

Where the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Group, except for financial instruments for which the associates have applied IFRS 9, as permitted by the Amendments to IFRS 4.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(14)).

(10) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Goodwill

Goodwill represents the excess of

(a) The aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment provisions. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(24)(b)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(12) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term time deposits, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(13) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates or at the rates that approximate the spot exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(13) Translation of foreign currencies (continued)

The functional currencies of certain foreign operations are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period and their income statements are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(14) Investments in debt and equity instruments

The Group's policies for investments in debt and equity instruments, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity instruments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets. Cost includes transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading and those designated at fair value through profit or loss are classified as financial assets at fair value through profit or loss. Any transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. Dividends or interest earned on these investments are recognised in accordance with the policies set out in Note 2(30)(c) and Note 2(30)(b).

Debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(24)(a)).

Debt instruments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, debt instruments classified as loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses (see Note 2(24)(a)).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Investments in debt and equity instruments (continued)

Investments which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from equity securities and interest income from debt securities calculated using the effective interest rate method are recognised in profit or loss in accordance with the policies set out in Note 2(30)(c) and Note 2(30)(b). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(24)(a)), the cumulative gain or loss recognised in equity is reclassified to profit or loss.

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

(15) Derivatives and hedging activities

The Group uses derivatives to hedge its exposure on risks. The Group adopts hedge accounting for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Group records the relationship between the hedging instrument and the hedged item as well as its risk management objectives and the strategy of executing the hedging transaction at the beginning of the transaction. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

(i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss. The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Derivatives and hedging activities (continued)

(ii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate at each balance sheet date that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 % to 125 % for the hedge to be deemed effective.

(16) Financial assets held under resale agreements and securities sold under agreements to repurchase

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Securities sold under agreements to repurchase are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under agreements to repurchase in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under agreements to repurchase continue to be recognised in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest rate method and is included in interest income and interest expenses, respectively.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(17) Reinsurance debtors and other receivables

Reinsurance debtors represent receivables from reinsurance contracts.

Reinsurance debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts (see Note 2(24)(a)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(18) Policyholders' deposits, investment contract liabilities, reinsurance and other payables

Obligations under contracts that do not transfer significant insurance risk are accounted for as investment contracts. Reinsurance payables are primarily premiums, benefits and claims payable for outward reinsurance contracts. Policyholders' deposits are the payments received in advance by the Group which represent amounts, including interest, collected from contracts not yet effective as renewal payment as at the end of the reporting period.

Policyholders' deposits, investment contract liabilities, reinsurance and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(19) Offsetting of financial instruments

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

(20) Investment properties

The Group's investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

An investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of investment properties is 15 to 35 years.

The residual value, the useful life and the depreciation method are reviewed at least at end of the reporting period to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(20) Investment properties (continued)

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

(21) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see Note 2(24)(b)). The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	15 – 35 years
Machinery and equipment	3 – 11 years
Motor vehicles	5 – 8 years
Office and electronic equipment	3 – 8 years
Leasehold improvement	shorter of lease terms and useful life

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses (see Note 2(24)(b)), and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Intangible assets (other than goodwill)

Intangible assets are mainly the value of business acquired, Syndicate capacity, distribution channel, purchased software and etc.

(a) Value of business acquired ("VOBA")

Insurance contract liabilities for insurance business arising from business combination are recognised at the carrying amount. The difference between its carrying value and fair value, calculated as the present value of future profits arising from the enforceable insurance business at the acquisition date, is recorded as VOBA. The calculation of discounted future profits is based on the estimation at the acquisition date using the actuarial assumptions, as well as the cost of capital at the acquisition date and a risk-adjusted discount rate.

VOBA is recognised as an intangible asset on the consolidated statements of financial position, and amortised over the remaining contract periods of the acquired policies.

During the liability adequacy test, the recoverability of VOBA is reviewed based on the actual experience of enforceable business and the updated key assumptions. VOBA is derecognised when underlying insurance contracts are terminated or commuted.

(b) Syndicate capacity

Syndicate capacity is arising from business combination, recognised as an intangible asset on the consolidated statements of financial position. Syndicate capacity represents the capacity of Lloyd's Syndicates allowing the Company to write insurance business in the Lloyd's market globally and to realise profits from that business. The continuing value of the underwriting capacity is reviewed for impairment annually by reference to the expected future profit streams to be earned from the syndicate, with any impairment in value being charged to the statement of profit or loss. It is deemed to have indefinite useful lives and are therefore not subject to amortization and is stated at cost less any impairment loss (see Note 2(24)(b)).

(c) Distribution channel

Distribution channel is arising from business combination, recognised as an intangible asset on the consolidated statements of financial position. Distribution channel represents a network of retail and wholesale brokers worldwide, including specialty and regional brokerages, which allow the Group to form closer relationships with clients and aids business retention. Distribution channel is initially recognised at fair value at the acquisition date and is subsequently measured at cost less accumulated amortisation and impairment provision. It is amortised on a straight-line basis over their estimated useful lives from 10 to 15 years.

(d) Software

Purchased software is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(24)(b)). Software are finite life assets and amortised on a straight-line basis over the assets' estimated useful lives from 3 to 10 years.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(23) Share capital

Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(24) Impairment of assets

(a) **Impairment of financial assets**
The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that a financial asset is impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, including:

  (i) the market price of the equity securities was more than 50% below their cost at the reporting date; or

  (ii) the market price of the equity securities which were held for less than one year was more than 20% below their cost for a period of at least six months at the reporting date; or

  (iii) the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Investments classified as held-to-maturity and loans and receivables, reinsurance debtors and other receivables
The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

Available-for-sale financial assets
Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Impairment of assets (continued)

(b) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment;
- right-of-use assets;
- investment properties;
- intangible assets;
- investments in subsidiaries and associates; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(25) Insurance contracts

Insurance contracts are those contracts under which the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event ("the insured event") adversely affects the policyholder or other beneficiary. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract.

The Group's insurance contracts comprise primary insurance contracts and reinsurance contracts.

(26) Testing the significance of insurance risk

For contracts that contain both insurance risks and non-insurance risks, and where insurance risks and non-insurance risks can be distinguished and measured separately, the insurance risks and non-insurance risks should be unbundled. Insurance risk components should be treated as insurance contracts while other risk components should be treated as non-insurance contracts. When the insurance risk components and other risk components cannot be distinguished, or could be distinguished but not be measured separately, the entire contract should be treated as an insurance contract if the insurance risk is significant, otherwise it should be treated as a non-insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts.

For reinsurance contracts, the Group uses the contract (or facultative insurance policy) as a basic unit for the risk significance test. Tests can be combined for small business contracts or facultative insurance policies. If it is specified in the terms of a contract that its payment responsibility changes according to another contract's claim amount, those contracts should be combined for risk significance test. For primary property and casualty insurance contracts, the Group uses the product as a risk significance test unit. If the test results show that insurance accident specified in the contract may result in significant additional benefits paid by the Group, the contract is recognised as a significant risk contract, except for those with no commercial substance. The additional benefits above-mentioned refer to the amount the Group pays when an accident occurs in excess of the amount the Group pays when an accident does not occur. A contract has no commercial substance if it has no identifiable impacts on either the Group or its counter-party's economic interests.

The Group's other contracts that do not meet the definition of an insurance contract ("investment contract") should be recognised and measured according to relevant accounting policies for financial assets or liabilities.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characteristics and actual claim payments.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life and health insurance contract reserves. The Group measures the insurance contract reserves at the end of the reporting period.

When the Group calculates the insurance contract reserves, it combines the insurance contracts with homogeneous insurance risks as one measuring unit.

The Group calculates the insurance contract reserves based on the future expected net cash flows arising from insurance contracts with consideration of the time value of money. Future cash inflows mainly include future insurance premium, future salvage and subrogation on incurred claims. Future cash outflows mainly include claims paid to the insurants, surrender payments, and expenses, etc. The reinsurance contracts also take the adjustable commission and profit commission into consideration. If the effect of time value of money is significant, the Group will discount the relative future cash flows. The Group determines the discount rate based on the available information at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the consolidated statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin. Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows. The Group determines risk margins of the long-term life insurance policyholders' reserves using the scenario comparison method. At inception of an insurance contract, any 'day-one' gain is not recognized in the consolidated statement of profit or loss, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any 'day-one' loss is recognized in the consolidated statement of profit or loss. The Group amortizes the residual margin on the basis of sum insured or cash value of policies during the whole insurance coverage period, and will not be adjusted for future change in assumptions.

The Group evaluates the cash flows of insurance contracts and related reinsurance contracts separately. Meanwhile, the Group calculates the corresponding reserves that shall be recovered from the reinsurer and retrocessionaire and recognises the corresponding insurance reserve receivable as an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities (continued)

Unearned premium reserves
The Group adopts the higher of the following as the unearned premium reserves for property and casualty, accident and short-term life and health insurance contracts:

(i) The result of applying 1/8 method, 1/24 method, 1/365 method or risk distribution method on the difference between written premiums and acquisition costs.

(ii) The discounted net future cash outflows including claim payments for unexpired risks, maintenance expenses, loss adjustment expenses, and corresponding risk margin. Risk margin is determined using the 75% percentile approach, with reference to the relevant industry benchmarks.

The acquisition costs of the Group's reinsurance contracts primarily include reinsurance commissions, and insurance supervision fees, etc. The acquisition costs of the Group's primary insurance contracts primarily include handling charges and commission expenses, taxes and surcharges, statutory insurance fund contributions, insurance supervision fees, and commissions paid to employees working as sales representatives.

The Group calculates the expected future net cash outflows over the entire insurance period to measure the unearned premium reserves.

Claim reserves
Claim reserves refer to the provision for incurred events of property and casualty, accident and short-term life and health insurance contracts insured by the Group as primary insurer or reinsurer, including case reserves, incurred but not reported ("IBNR") reserves and loss adjustment expense reserves.

Case reserves represent the reserves for incurred insurance accidents, which have been reported to the Group but not yet settled. As primary insurer, the Group adopts case-by-case loss estimating method and average cost per claim method to measure case reserves, based on the reasonable estimate of the ultimate settlement amount, with consideration of risk margin. In regard to reinsurance contracts, the Group measures case reserves based on the information provided by cedants.

IBNR reserves represent the reserves for incurred insurance events that have not been reported to the Group. Based on the nature and distribution of insurance risk, the pattern of historical claim development, and the latest available claim data, the Group adopts commonly accepted actuarial reserving methods such as the chain ladder methods, average cost per claim method, frequency-severity method, Bornhuetter-Ferguson method and expected loss ratio method to measure IBNR reserves, with consideration of the time value of money and risk margin.

Loss adjustment expense reserves represent reserves for claims related expenses such as settlement fees, legal cost, claim-surveying cost and claim handling staff's salary, on insurance accidents. The Group mainly uses the ratio allocation method to measure loss adjustment expense reserves.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities (continued)

Life and health insurance contract reserves

The Group measures long-term life and health insurance contract reserves on the basis of the best estimates of future payments that will be required to fulfil the contractual obligations. These payments refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash outflows are cash outflows incurred to fulfil contractual obligations, consisting of: (i) the guaranteed benefits based on contractual terms, including death claims, disability claims, medical benefits, survival benefits, maturity benefits, etc.; (ii) the non-guaranteed benefits, including policyholder dividends, etc.; and (iii) expenses incurred to manage insurance contracts or to process claims, including loss adjustment expenses, etc. The expected future cash inflows include cash inflows arising from the undertaking of insurance obligations, including premium and other fees.

Margin comprising risk margin and residual margin has been taken into consideration while computing the reserve of life and health insurance contracts. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. Residual margin is the margin for not recognising day-one gain and will be amortised over the life of the contracts. The subsequent measurement of residual margin is independent of the reserve related to best estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

The Group determines the assumptions for measuring the unexpired liability reserves on the basis of latest information obtained on the balance sheet date.

For the insurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of market interest with equivalent duration and equivalent risk to liability cash outflows. For the insurance contracts of which future returns are affected by the investment yields of corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of expected future investment returns rate of the corresponding investment portfolios.

Based on the historical experience and trend of future development, the Group determines the reasonable estimates as the assumptions, such as mortality rate, morbidity rate, lapse rate and expenses. For future expense which is sensitive to inflation, the Group considers the factors of inflation and the effects of the Group's expense controls to determine the expenses assumptions.

For insurance contracts with renewal rights, if the policyholder is likely to execute the renewal right without adjusting the premium rates, the Group takes the whole insurance period as the expected future net cash outflow period while measuring the reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities (continued)

Liability adequacy test

The Group performs liability adequacy tests for unearned premium reserves and reserves for long-term life and health insurance on the balance sheet date. If the result of adequacy test exceeds the carrying amount of the reserves, the carrying amounts of the reserves shall be increased to the adequacy test result. For insurance policies acquired from business combination, the VOBA should be written off first and the deficiencies in excess of VOBA should be treated as additional reserves. And if the related reserve is adequate, no adjustment is made.

(28) Reinsurance

Cedes reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing income from insurance contracts, the Group determines the amount of premium ceded and reinsurance commission income and recognize them through profit or loss according to reinsurance contracts. As for profit commission, the Group recognizes it as a reinsurance commission income through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be received from the reinsurers. When calculating unearned premium reserves, claim reserves and long-term life and health insurance contracts reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes insurance reserve receivable. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, insurance reserve receivable are reduced accordingly. In the meantime, the Group determines the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group determines the adjustment amount of premium ceded and reinsurance commission income according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of insurance reserve receivable is reversed accordingly.

The Group cedes insurance/reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded insurance/reinsurance contracts are presented or disclosed separately from the assets, liabilities, income and expenses arising from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

(29) Notes and bonds payable

Notes and bonds payable are initially recognised at fair value, net of transaction costs incurred. Notes and bonds payable are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the expected periods of the notes and bonds using the effective interest method.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(30) Revenue recognition

The Group's main revenue is recognized on the following bases:

(a) **Gross written premiums**

Gross written premiums in respect of primary property and casualty insurance contracts are recognised as revenue when the amount is determined, which is generally when the risk commences.

Gross written premiums in respect of reinsurance contracts reflect business written during the reporting period. Premiums written include an estimate for written premiums receivable of the current period and adjustments to estimates of premiums written in previous years at period end.

(b) **Interest income**

Interest income for interest bearing financial instruments, is recognized in the consolidated statement of profit or loss using the effective interest rate method for financial assets that are not classified as FVTPL and using the coupon rate for financial assets that are classified as FVTPL.

(c) **Dividend Income**

Dividend income is recognised when the right to receive dividend payment is established.

(d) **Other operating income**

Other business income mainly investment contract business income and sale of goods. The business income of an investment contract is recognized when the relevant economic benefits are likely to flow in and can be measured reliably in accordance with the accounting rules applicable to the relevant business. Revenue from the sale of goods is recognized when control of the goods has transferred. Control of goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(31) Employee benefits

(a) Short term employee benefits and defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(b) Defined benefit retirement plan obligation

The Group operates several defined benefit retirement plans.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Group measures the obligations under defined benefit pension plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discounts obligations under the defined benefit retirement plans to determine the present value of the defined benefit liability.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost recognised in the consolidated statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the consolidated statement of comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(32) Leases

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(32) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly in office and electronic equipment and small items of office furniture.

(33) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(33) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(34) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(35) Dividends

When the final cash dividends proposed by the directors have been approved by the shareholders and declared, they are recognised as a liability.

(36) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group;

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(36) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(37) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(1) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following critical accounting judgements:

(a) Significant insurance risk test

The Group performs significant insurance risk test at the time when a contract is recognised, and makes necessary review at the end of the reporting period.

The Group determines whether the reinsurance contracts transfer significant risk using the following methods and thresholds:

(i) Property and casualty reinsurance contracts

The Group considers property and casualty reinsurance policies with expected reinsurer deficit ("ERD") larger than 1% as reinsurance contracts. When calculating ERD of reinsurance policies, the Group selects appropriate loss distribution, based on its own historical claim experience and stochastic simulation method.

(ii) Life and health reinsurance contracts

When signing a reinsurance contract (or a facultative policy), the Group determines whether it transfers significant insurance risk based on qualitative assessment or quantitative analysis. In the case that a contract transfers significant insurance risk, it will be determined as a reinsurance contract; otherwise it will be determined as non-reinsurance contract.

When the Group performs significant risk test, for life and health reinsurance business, it considers whether the reinsurance contracts are reasonably self-evidenced. Contracts that are reasonably self-evident are determined as reinsurance contracts. Such conditions include: i) the business having apparent characteristics of transferring insurance risks, namely the ceding company transfers the primary insurance risk of primary insurance business to reinsurer; and ii) no apparent loss participation clauses such as loss compensation, loss distribution pro rata, etc. in place. Businesses that are considered reasonably self-evident need to be reviewed every year to ensure the reasonableness of these conditions. The Group uses scenario testing methods for significant risk test for those contracts not reasonably self-evidenced.

(b) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires management judgement. When making such judgement, the Group considers the length of the period over which the fair value is lower than cost and the magnitude of the decline in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(1) Critical accounting judgements in applying the Group's accounting policies (continued)

(c) Significant influence when less than 20% of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, but one or more of the following indicators are present:

– representation on the board of directors or equivalent governing body of the investee;

– participation in policy-making processes, including participation in decisions about dividends or other distributions;

– material transactions between the investor and the investee;

– interchange of managerial personnel; or

– provision of essential technical information.

An investee as accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset. The reasons for existence of significant influence over some investees, even though the voting power held by the Group is less than 20%, are disclosed in Note 37 to the financial statements.

(d) Determination of control over the structured entities

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgment based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are detailed below, which will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

(a) Insurance contract liabilities

(i) Property and casualty reinsurance contract reserves

- Risk margin

  According to the "Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises" (NO. 6 [2010]), issued by the former CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

  When measuring reserves for property and casualty reinsurance contracts, the risk margin has been calculated using the 75% percentile approach with reference to industry benchmarks.

- Discount rates

  When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Level of impact depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves. For reinsurance contracts underwritten by the Syndicates, Lloyd's underwriter and Chaucer Insurance Company Designated Activity Company, the Group determines the assumption of discount rate according to the risk-free yield curve published by "European Insurance and Occupational Pensions Authority", the assumption of discount rates for the Lloyd's Syndicates used as at 31 December 2020 is 1.5% to 1.9% (31 December 2019: -0.4% to 2.1%).

  For the other reinsurance contracts, the Group determines the assumption of discount rate according to the "Yield Curve of Insurance Contract Reserves" published by chinabond.com.cn, without considering liquidity risk premium, tax effect, credit risk premium and so on, the assumption of discount rates for the Group's other reinsurance business used as at 31 December 2020 is 2.6% to 2.9% (31 December 2019: 3.0% to 3.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(a) Insurance contract liabilities (continued)

(ii) Life and health reinsurance contract reserves

Life and health reinsurance contract reserves are determined by the reasonable estimation of future benefit, expense, premium as well as the risk margin. Assumptions adopted when making reasonable estimations such as mortality rate, morbidity rate, lapse rate, discount rate and loss adjustment expenses are determined by the Group's historical experience and reasonable future expectation. The risk margin reflects the uncertainty of insurance liability brought by the cash flows uncertainty of future benefit, expense and premium.

- Discount rates

  For contracts wherein profit in the future is not impacted by the corresponding asset portfolio investment return, the Group uses the "Yield Curve of Insurance Contract Reserves" published by chinabond.com.cn and also considers the liquidity risk, taxation premium and counter-cyclical factors when determining the time value of money.

  The discount rates used as at 31 December 2020 are 3.2% to 6.3% (31 December 2019: 3.4% to 5.7%).

- The probability of insurance event

  The Group determines the probability of insurance event according to historical experience and the expectation in the future. For mortality and morbidity assumptions, the Group refers to "China Life Insurance Mortality Table" issued by the former CIRC and " China Life Insurance Morbidity Table" issued by China Banking and Insurance Regulatory Commission in addition to its historical experience. For other assumptions, the Group would mainly refer to its historical experience, the pricing assumption or the industry benchmarks.

- Expense and other assumptions

  The Group determines the expense assumption according to its historical experience and the future expectation. The Group would also consider inflation metrics to determine the expense assumption if the assumption is sensitive to inflationary pressures.

  The lapse rate and other assumptions for reserving are determined using the Group's reliable historical experience, current situations and future expectations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(a) Insurance contract liabilities (continued)

(iii) Primary property and casualty insurance contract reserves

- Risk margin
According to the "Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises" (NO. 6 [2010]), issued by the former CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

  The risk margin has been calculated using the 75% percentile approach by the Group, with reference to industry benchmarks.

- Discount rates
For insurance contracts underwritten by the Lloyd's Syndicates and Chaucer Insurance Company Designated Activity Company, the Group determines the time value of money according to the risk-free yield curve published by " European Insurance and Occupational Pensions Authority", the assumption of discount rates for the Lloyd's Syndicates used as at 31 December 2020 is 1.5% to 1.9% (31 December 2019: -0.4% to 2.1%).

  For the other insurance contracts, the Group adopts the "Yield Curve of Insurance Contract Reserves" issued by chinabond.com.cn when determining the time value of money, without considering liquidity risk premium, tax effect, credit risk premium and so on, the assumption of discount rates for the Group's other insurance business used as at 31 December 2020 is 2.8% to 3.0% (31 December 2019: 3.1% to 3.3%).

(b) Fair value of financial instruments

The Group invests primarily in debt investments, equity investments, time deposits, financial assets held under resale agreements and so on. The Group's significant accounting estimates and judgements regarding investments are related to the recognition of impairment of financial assets and the determination of the fair value. In assessing the impairment, the Group has considered various factors (see Note 2(24)(a)). The fair values of quoted investments are based on current bid prices. The fair value is the price at which two knowing parties transact willingly in a fair trade rather than under on compulsion or in liquidation.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(b) Fair value of financial instruments (continued)

The Group estimates the fair value of financial instruments using the following methods and assumptions:

- Debt investments, notes and bonds payable and long-term borrowing: usually, fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price for reference, fair value is determined by the observed recent transaction price, or comparable investment's recent market price. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques.

- Equity investments: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the equity investments whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

- Derivatives: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the derivatives whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

- Time deposits, investments classified as financial assets held under resale agreements, securities sold under agreements to repurchase, short-term borrowing: the book value on the consolidated statements of financial position approximates to fair value.

(c) Pipeline premium

Written premiums include pipeline premiums which represent future premiums receivable on in-force underlying insurance contracts. Pipeline premium estimates are typically based on the information provided by the cedant as well as the historical premium development pattern.

(d) Impairment of goodwill

The Group performs goodwill impairment test annually. The recoverable amount of an asset group or a set of asset groups including goodwill is the higher of its fair value less costs to disposal and its value-in-use, and the principal assumptions used are set out in Note 38 to the financial statements.

(e) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary deductible differences to the extent that it is probable that taxable profit will be available against which the used tax losses and temporary deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits as well as the applicable tax rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(e) Deferred tax assets (continued)

There are some uncertainties on the estimation of future taxable profit as it involves a number of estimations for future transactions, including whether the actuarial assumptions and experience are consistent, the performance of future investment market, as well as the impacts of any changes in corporate tax law.

(f) Retirement benefit liabilities

The Group measured certain employee retirement benefits using projected unit credit method, when these benefit plans met the definition of defined benefit plans as set out in Note 2(31)(b). Carrying value of these liabilities and the principal assumptions used in measuring these liabilities are set out in Note 48 to the financial statements.

(g) Impairment of held-to-maturity investments, investments classified as loans and receivables, reinsurance debtors and other receivables

When there is objective evidence that there is impairment in above investments and receivables, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the statement of profit or loss if the present value of expected future cash flows is less than the carrying amount of these assets. The Group mainly considers the financial situation and credit rating of the debtors and changes in the capital market.

Other than impairment for individual receivables, the Group also collectively assesses impairment for receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

(h) Impairment of non-current assets other than financial assets

The Group makes judgement on whether there is an indication that non-current assets other than financial assets may be impaired as at the end of the reporting period. When any such indication exists, the Group performs impairment testing for the asset or a group of assets and makes estimate of the recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The Group determines the recoverable amount according to the higher of the fair value less costs of disposal and the present value of expected future cash flows. Fair value less costs of disposals is determined with reference to the prices in sales agreements or observable market prices of similar assets in fair transactions. When using the present value of estimated future cash flows, management must use the estimated future cash flows of the asset or a group of assets, and select the appropriate discount rate to determine the present value of the future cash flows.

4 SEGMENT INFORMATION

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

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

- The property and casualty reinsurance segment, operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("China Re P&C "), etc. offers a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., and also includes the business operated by China Re UK Limited ("China Re UK"), and Chaucer Holdings Limited ("Chaucer"). Chaucer mainly includes China Re International Holdings Limited ("CRIH"), Chaucer Insurance Company Designated Activity Company ("CIC") and China Re Australia HoldCo Pty Ltd ("CRAH").

- The life and health reinsurance segment, operated by the Company and its subsidiary Company China Life Reinsurance Company Ltd. ("China Re Life"), offers a wide range of reinsurance products, such as life, health and accident insurance, etc.

- The primary property and casualty insurance segment, operated by the subsidiary of the Company China Continent Property and Casualty Insurance Company Ltd. ("China Continent Insurance"), offers a wide variety of insurance products and other businesses including motor, property and liability insurance, etc.

- The asset management segment, operated by the subsidiary of the Company, China Re Asset Management Company Ltd., ("China Re AMC"), offers asset management services and manages assets and liabilities related to notes issued in overseas.

- Other segments and activities primarily consist of the headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	2020						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	48,572,818	66,957,330	48,166,559	–	–	(2,122,863)	161,573,844
Less: Premiums ceded to reinsurers and retrocessionaires	(4,267,978)	(5,282,454)	(4,699,701)	–	–	2,146,259	(12,103,874)
Net written premiums	44,304,840	61,674,876	43,466,858	–	–	23,396	149,469,970
Changes in unearned premium reserves	(1,422,516)	(1,000,964)	(968,663)	–	–	4,567	(3,387,576)
Net premiums earned	42,882,324	60,673,912	42,498,195	–	–	27,963	146,082,394
Reinsurance commission income	541,301	1,280,275	1,617,052	–	–	(773,685)	2,664,943
Investment income (Note)	3,620,699	7,337,566	3,181,218	1,171,862	2,243,811	(1,866,623)	15,688,533
Exchange gains/(losses), net	66,921	231,889	(134,504)	41,770	(83,143)	(24,871)	98,062
Other income	126,393	2,830,972	208,770	585,398	497,601	(587,951)	3,661,183
Total income	47,237,638	72,354,614	47,370,731	1,799,030	2,658,269	(3,225,167)	168,195,115
– External income	45,440,299	72,218,370	48,520,123	1,308,959	707,364	–	168,195,115
– Inter-segment income	1,797,339	136,244	(1,149,392)	490,071	1,950,905	(3,225,167)	–
Claims and policyholders' benefits	(27,897,238)	(62,413,290)	(26,349,588)	–	–	(1,303)	(116,661,419)
– Claims incurred	(27,897,238)	(12,099,061)	(26,349,588)	–	–	(1,303)	(66,347,190)
– Life and health reinsurance death and other benefits paid	–	(25,836,951)	–	–	–	–	(25,836,951)
– Changes in long-term life and health reinsurance contract liabilities	–	(24,477,278)	–	–	–	–	(24,477,278)
Handling charges and commissions	(14,735,086)	(4,875,821)	(6,071,452)	–	–	770,682	(24,911,677)
Finance costs	(604,195)	(532,608)	(197,735)	(378,415)	(35,699)	–	(1,748,652)
Other operating and administrative expenses	(2,100,936)	(2,259,540)	(14,145,568)	(528,805)	(1,246,175)	608,345	(19,672,679)
Total benefits, claims and expenses	(45,337,455)	(70,081,259)	(46,764,343)	(907,220)	(1,281,874)	1,377,724	(162,994,427)
Share of profits of associates	167,559	1,113,446	129,404	11,191	897,379	(221,924)	2,097,055
Profit before tax	2,067,742	3,386,801	735,792	903,001	2,273,774	(2,069,367)	7,297,743
Income tax	(262,266)	(773,829)	(142,668)	(119,215)	(75,931)	–	(1,373,909)
Profit for the year	1,805,476	2,612,972	593,124	783,786	2,197,843	(2,069,367)	5,923,834

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	2019						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	42,679,010	55,526,191	48,730,011	–	–	(1,962,464)	144,972,748
Less: Premiums ceded to reinsurers and retrocessionaires	(4,134,363)	(3,961,136)	(4,017,533)	–	–	1,963,323	(10,149,709)
Net written premiums	38,544,647	51,565,055	44,712,478	–	–	859	134,823,039
Changes in unearned premium reserves	(1,581,670)	(926,165)	(4,569,548)	–	–	(2,628)	(7,080,011)
Net premiums earned	36,962,977	50,638,890	40,142,930	–	–	(1,769)	127,743,028
Reinsurance commission income	359,449	568,047	1,431,367	–	–	(792,307)	1,566,556
Investment income (Note)	2,644,890	4,616,969	2,159,999	1,192,527	2,196,154	(1,494,134)	11,316,405
Exchange (losses)/gains, net	(76,615)	(54,000)	27,871	54,696	22,230	23,668	(2,150)
Other income	171,394	417,444	953,482	566,066	479,492	(577,526)	2,010,352
Total income	40,062,095	56,187,350	44,715,649	1,813,289	2,697,876	(2,842,068)	142,634,191
– External income	38,326,834	56,144,314	45,712,512	1,343,323	1,107,208	–	142,634,191
– Inter-segment income	1,735,261	43,036	(996,863)	469,966	1,590,668	(2,842,068)	–
Claims and policyholders' benefits	(22,878,892)	(49,801,284)	(22,702,866)	–	–	2,807	(95,380,235)
– Claims incurred	(22,878,892)	(10,156,217)	(22,702,866)	–	–	2,807	(55,735,168)
– Life and health reinsurance death and other benefits paid	–	(32,639,256)	–	–	–	–	(32,639,256)
– Changes in long-term life and health reinsurance contract liabilities	–	(7,005,811)	–	–	–	–	(7,005,811)
Handling charges and commissions	(13,446,665)	(2,329,432)	(5,834,191)	–	–	794,590	(20,815,698)
Finance costs	(569,098)	(375,692)	(189,488)	(377,411)	(27,847)	–	(1,539,536)
Other operating and administrative expenses	(1,963,526)	(1,732,909)	(14,078,637)	(474,405)	(1,299,032)	577,343	(18,971,166)
Total benefits, claims and expenses	(38,858,181)	(54,239,317)	(42,805,182)	(851,816)	(1,326,879)	1,374,740	(136,706,635)
Share of profits of associates	242,171	1,129,191	163,046	4,696	865,205	(264,192)	2,140,117
Profit before tax	1,446,085	3,077,224	2,073,513	966,169	2,236,202	(1,731,520)	8,067,673
Income tax	(129,013)	(652,057)	(392,032)	(77,326)	(171,931)	–	(1,422,359)
Profit for the year	1,317,072	2,425,167	1,681,481	888,843	2,064,271	(1,731,520)	6,645,314

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	2020						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	120,713,757	211,301,494	84,660,943	15,360,928	61,600,295	(40,060,345)	453,577,072
Segment liabilities	(94,514,804)	(185,648,425)	(57,361,882)	(11,081,346)	(9,251,868)	7,182,107	(350,676,218)
Other segment information							
Capital expenditures	(25,689)	(30,699)	(579,733)	(4,400)	(32,955)	–	(673,476)
Depreciation and amortisation	(161,016)	(122,927)	(813,047)	(18,548)	(100,978)	–	(1,216,516)
Interest income	2,318,433	4,763,463	1,724,364	150,569	601,571	(14,634)	9,543,766
Financial assets impairment loss charges	(261,456)	(784,758)	(146,036)	–	(98,119)	–	(1,290,369)
Impairment loss charges in associates	–	–	–	–	(269,387)	–	(269,387)
Other impairment loss charges	(52,560)	–	(264,518)	(31,184)	(680)	–	(348,942)

	2019						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	108,933,054	170,871,692	79,894,268	14,207,029	60,259,916	(37,527,571)	396,638,388
Segment liabilities	(85,516,224)	(147,085,869)	(52,678,481)	(11,043,884)	(8,280,547)	4,944,606	(299,660,399)
Other segment information							
Capital expenditures	(91,313)	(110,614)	(3,641,811)	(10,603)	(50,000)	–	(3,904,341)
Depreciation and amortisation	(265,020)	(113,008)	(674,337)	(20,059)	(92,630)	–	(1,165,054)
Interest income	2,343,276	3,811,423	1,766,186	124,642	662,166	(14,588)	8,693,105
Financial assets impairment loss charges	(98,045)	(386,273)	(33,413)	–	(72,829)	–	(590,560)
Other impairment loss charges	(3,516)	–	(135,037)	–	(1,523)	–	(140,076)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

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

(b) Premiums ceded to reinsurers and retrocessionaires

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

(c) Net written premiums

	2020	2019
Net written premiums	149,469,970	134,823,039

6 CHANGES IN UNEARNED PREMIUM RESERVES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME

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

(a) Interest, dividend and rental income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME (continued)

(a) Interest, dividend and rental income (continued)

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

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

(b) Realised gains/(losses)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME (continued)

(c) Unrealised gains/(losses)

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

(d) Impairment losses on financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER INCOME

	2020	2019
Fee income from investment contracts and insurance related business	3,195,021	718,571
Commission income arising from the tax collection of motor vehicles and vessels	62,334	70,805
Management fee income	130,375	95,884
Gains arising from the disposal of property and equipment	1,639	51,355
Sale of goods	102,573	804,441
Others	169,241	269,296
Total	3,661,183	2,010,352

9 CLAIMS AND POLICYHOLDERS' BENEFITS

	2020		
	Gross	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	125,399,139	(8,737,720)	116,661,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

9 CLAIMS AND POLICYHOLDERS' BENEFITS (continued)

	2019		
	Gross	Ceded	Net
Claims incurred	63,903,884	(8,168,716)	55,735,168
– Short-term life and health reinsurance	13,673,939	(3,544,244)	10,129,695
– Property and casualty reinsurance	23,250,000	(2,571,160)	20,678,840
– Primary property and casualty insurance	26,979,945	(2,053,312)	24,926,633
Life and health reinsurance death and other benefits paid	33,108,391	(469,135)	32,639,256
Changes in long-term life and health reinsurance contract liabilities	6,651,623	354,188	7,005,811
Total	103,663,898	(8,283,663)	95,380,235

10 HANDLING CHARGES AND COMMISSIONS

	2020	2019
Long-term life and health reinsurance	822,396	(67,465)
Short-term life and health reinsurance	4,015,613	2,380,797
Property and casualty reinsurance	12,865,224	11,591,574
Primary property and casualty insurance	7,208,444	6,910,792
Total	24,911,677	20,815,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

11 FINANCE COSTS

	2020	2019
Interest expenses		
Securities sold under agreements to repurchase	663,176	457,277
Notes and bonds payable	825,075	809,864
Long-term borrowings	209,394	220,040
Short-term borrowings	9,404	15,973
Lease liabilities	41,603	36,382
Total	1,748,652	1,539,536

12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2020	2019
Employee costs	5,505,262	5,564,641
Advertising and promotion expenses	3,649,569	3,681,944
Outsourcing costs	3,509,056	2,736,965
Official and travel expenses	1,042,424	1,066,423
Interest expenses of policyholders' deposits and investment contracts	1,182,111	1,101,947
Rental expenses (note)	153,311	197,585
Depreciation and amortisation	1,018,588	1,108,466
Insurance guarantee fund	343,125	330,495
Taxes and surcharges	557,960	538,395
Impairment losses charges	348,942	140,076
Cost of sales of goods	89,879	783,649
Traffic accident rescue expense	109,842	114,665
Bank settlement fee	113,360	119,357
Asset management fee	420,649	77,006
Others	1,628,601	1,409,552
Total	19,672,679	18,971,166

Note: The current rental expenses are accounted for short-term leases and low-value leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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13 PROFIT BEFORE TAX

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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14 DIRECTORS' AND SUPERVISORS' REMUNERATION

The total compensation package for these directors, and supervisors for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the relevant PRC authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's 2020 consolidated financial statements. The final compensation will be disclosed when determined.

	2020							
	Fees	Salaries	Discretionary Bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director/ supervisor	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors								
Mr. Yuan Linjiang	–	331	334	98	49	–	–	812
Mr. He Chunlei	–	331	334	96	48	–	–	809
Mr. Ren Xiaobing (i)	–	298	313	96	49	–	–	756
Non-executive directors								
Ms. Lu Xiuli	–	–	–	–	–	–	–	–
Mr. Wen Ning	–	–	–	–	–	–	–	–
Ms. Wang Xiaoya	–	–	–	–	–	–	–	–
Mr. Liu Xiaopeng	–	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. Hao Yansu	250	–	–	–	–	–	–	250
Mr. Li Sanxi	250	–	–	–	–	–	–	250
Ms. Mok Kam Sheung	250	–	–	–	–	–	–	250
Ms. Jiang Bo	250	–	–	–	–	–	–	250
Supervisors								
Mr. Zhang Hong (ii)	–	–	–	–	–	–	–	–
Mr. Zhu Yong	–	–	–	–	–	–	–	–
Mr. Zeng Cheng	–	–	–	–	–	–	–	–
Mr. Qin Yueguang	–	–	–	–	–	–	–	–
Mr. Li Jingye	–	–	–	–	–	–	–	–
Total	1,000	960	981	290	146	–	–	3,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(i) Mr. Ren Xiaobing ceased to serve as an executive Director of the Company on 25 February 2021.

(ii) Mr. Zhang Hong ceased to serve as the Chairman of the Board of Supervisors and Supervisor of the Company on 13 July 2020.

	2019							
	Fees	Salaries	Discretionary Bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director/ supervisor	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors								
Mr. Yuan Linjiang	–	331	334	102	95	–	–	862
Mr. He Chunlei	–	331	334	102	93	–	–	860
Mr. Ren Xiaobing	–	298	313	102	95	–	–	808
Non-executive directors								
Ms. Lu Xiuli	–	–	–	–	–	–	–	–
Mr. Wen Ning (i)	–	–	–	–	–	–	–	–
Mr. Shen Shuhai (ii)	–	–	–	–	–	–	–	–
Ms. Wang Xiaoya (iii)	–	–	–	–	–	–	–	–
Mr. Liu Xiaopeng (iv)	–	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. Hao Yansu	250	–	–	–	–	–	–	250
Mr. Li Sanxi	250	–	–	–	–	–	–	250
Ms. Mok Kam Sheung	250	–	–	–	–	–	–	250
Ms. Jiang Bo	250	–	–	–	–	–	–	250
Supervisors								
Mr. Zhang Hong	–	248	250	76	56	–	–	630
Mr. Zhu Yong	–	–	–	–	–	–	–	–
Mr. Zeng Cheng	–	–	–	–	–	–	–	–
Mr. Qin Yueguang	–	–	–	–	–	–	–	–
Mr. Li Jingye	–	–	–	–	–	–	–	–
Total	1,000	1,208	1,231	382	339	–	–	4,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(i) On 14 May 2019, Mr. Wen Ning was elected as a Non-executive Director of the Company.

(ii) Mr. Shen Shuhai was retired as a Non-executive Director of the Company since 14 May 2019.

(iii) On 7 August 2019, Ms. Wang Xiaoya was elected as a Non-executive Director of the Company.

(iv) On 21 November 2019, Mr. Liu Xiaopeng was elected as a Non-executive Director of the Company.

The compensation amounts disclosed above for these directors and supervisors for the year ended 31 December 2019 were restated based on the finalised amounts determined during 2020.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

	2020	2019
Salaries, allowances and benefits in kind	13,568	13,353
Discretionary bonuses	25,508	40,420
Employer's contribution to a retirement benefit scheme	1,792	1,767
Total	40,868	55,540

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose remuneration fell within the following bands is as follows:

	2020	2019
RMB 5,500,001 to RMB6,000,000	2	–
RMB 6,500,001 to RMB7,000,000	2	–
RMB 7,500,001 to RMB8,000,000	–	1
RMB 8,000,001 to RMB8,500,000	–	1
RMB 9,000,001 to RMB9,500,000	–	1
RMB 9,500,001 to RMB10,000,000	–	1
RMB 15,500,001 to RMB16,000,000	1	–
RMB 20,000,001 to RMB21,000,000	–	1
Total	5	5

The above emoluments are pre tax. In 2020, the five individuals with the highest emoluments are employed by the overseas insurance subsidiary Chaucer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

16 INCOME TAX

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

17 DIVIDENDS

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

18 EARNINGS PER SHARE

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

19 OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX

	2020	2019
Items that may not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	(18,070)	50,079
Income tax	4,205	(7,960)
Sub-total	(13,865)	42,119
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of associates	(79,501)	166,974
Income tax	20,323	(10,927)
Sub-total	(59,178)	156,047
Gains arising from changes in fair value of available-for-sale financial assets	7,692,623	5,577,557
Less: Reclassification adjustments for amounts transferred to profit or loss		
– Gains on disposal	(4,582,442)	(261,634)
– Impairment losses	299,731	464,167
Income tax	(634,326)	(1,303,974)
Sub-total	2,775,586	4,476,116
Exchange differences on translation of financial statements of overseas subsidiaries	(404,286)	34,354
Total	2,298,257	4,708,636
Attributable to:		
Equity shareholders of the Company	2,176,682	4,309,349
Non-controlling interests	121,575	399,287
Total	2,298,257	4,708,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

20 CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2020	31 December 2019
Cash at banks and on hand	8,747,666	6,536,321
Time deposits with original maturity of no more than three months	1,591,006	11,840,982
Other monetary deposits	3,533,690	1,885,170
Total	13,872,362	20,262,473

As at 31 December 2020, cash and short-term time deposits of RMB3,650,913 thousand (31 December 2019: RMB1,976,106 thousand) were restricted from use, which are mainly trading deposits and securities settlement deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Listed		
Fixed maturity investment		
Financial bonds	18,634	–
Corporate bonds	4,107,100	2,040,006
Equity securities		
Investment funds	1,577,701	1,444,296
Stocks	543,871	720,246
Sub-total	6,247,306	4,204,548
Unlisted		
Fixed maturity investment		
Government bonds	–	291,253
Equity securities		
Investment funds	1,336,562	3,457,687
Embedded derivatives	–	39,800
Structured notes (note)	3,593,567	3,862,958
Sub-total	4,930,129	7,651,698
Total	11,177,435	11,856,246

Note: The structured notes are issued by closed-end funds of which the underlying assets are offshore dollar debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

22 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are mainly for the Group to hedge in the foreign exchange market. The Group actively manage foreign exchange risk through hedging with external counterparties and ensure that the net risk taken by the Group is within the acceptable risk level. Derivative financial instruments, except for those designated as effective hedging instruments are classified as held for trading purposes. Financial derivatives classified as held for trading purposes include derivatives used for trading purposes as well as used for risk management purposes but does not meet the hedging accounting applicable requirements.

The contract notional amount and fair value of derivative financial instruments is as follows. The contract notional amount of derivative financial instruments is only the basis of comparing fair value of assets or liabilities recognised in balance sheet. It does not reflect the future cash flow or present fair value, therefore cannot reflect the risk faced by the Group. Hedging instruments are derivative financial instruments meeting the hedge accounting applicable requirements. Non hedging instruments are those that do not meet the hedge accounting applicable requirements.

	31 December 2020		
	Nominal amount	Assets	Liabilities
Fair value hedge			
– Currency swap (a)	4,629,330	246,287	(172,014)
Index Futures	94,665	–	–
Treasury Futures	8,994	–	–
Total	4,732,989	246,287	(172,014)

	31 December 2019		
	Nominal amount	Assets	Liabilities
Fair value hedge			
– Currency swap (a)	4,508,476	411,129	–
Total	4,508,476	411,129	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Derivatives designated as hedging instruments

Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in foreign exchange rates by using foreign currency forward contracts. Hedged item include equity investments classified as available-for-sale financial assets.

Net profit/(loss) derived from fair value hedge is as follows:

	2020	2019
Hedging Instruments	(426,551)	91,894
Hedged item	426,551	(91,894)

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2020 and 2019.

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements of the Group contain only securities held under resale agreements, with details as follows:

	31 December 2020	31 December 2019
Securities – bonds traded in		
Stock exchange	3,145,600	2,643,400
Inter-bank market	1,470,000	337,815
Total	4,615,600	2,981,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

24 PREMIUMS RECEIVABLE

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

(a) Aging analysis

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

(b) Impairment provision of premiums receivable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

25 REINSURANCE DEBTORS

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

(a) Aging analysis

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

(b) Impairment provision of reinsurance debtors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

26 INVESTMENT CONTRACTS RECEIVABLE

	31 December 2020	31 December 2019
Investment contracts receivable	7,112,873	3,433,251
Less: impairment provision	–	–
Investment contracts receivable, net	7,112,873	3,433,251
Within 3 months (inclusive)	7,112,873	3,433,251
Total	7,112,873	3,433,251
Less: impairment provision	–	–
Net	7,112,873	3,433,251

Investment contracts receivable represents receivable from cedants arising from reinsurance contracts which do not meet the definition of an insurance contract.

27 TIME DEPOSITS

	31 December 2020	31 December 2019
Within 3 months (inclusive)	1,165,871	306,960
3 months to 1 year (inclusive)	9,729,946	3,286,453
1 year to 2 year (inclusive)	308,821	–
2 to 3 years (inclusive)	3,000,000	313,929
4 to 5 years (inclusive)	5,700,000	–
Total	19,904,638	3,907,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

28 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2020	31 December 2019
Listed		
Fixed maturity investment		
Government bonds	4,430,371	2,517,482
Financial bonds	51,131	516,639
Corporate bonds	50,987,706	23,952,984
Assets backed securities	318,987	164,407
Equity securities		
Investment funds	1,190,723	1,194,825
Stocks	27,480,170	17,868,420
Perpetual bonds	2,052,304	194,947
Sub-total	86,511,392	46,409,704
Unlisted		
Fixed maturity investment		
Government bonds	6,140,130	6,038,930
Financial bonds	17,656,331	18,239,791
Corporate bonds	27,024,540	24,710,488
Subordinated bonds	474,898	757,074
Other fixed maturity investment	1,121,746	1,695,216
Equity securities		
Investment funds	16,114,444	11,605,699
Unlisted equity investments	6,626,624	6,539,846
Equity investment plans	462,770	1,352,182
Products from insurance asset managers	1,516,891	53,455
Sub-total	77,138,374	70,992,681
Total	163,649,766	117,402,385
Including: Impairment provision	(588,225)	(688,195)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 HELD-TO-MATURITY INVESTMENTS

	31 December 2020	31 December 2019
Listed		
Government bonds	729,583	12,738
Corporate bonds	10,180,263	11,593,422
Sub-total	10,909,846	11,606,160
Unlisted		
Government bonds	181,824	111,254
Financial bonds	1,474,725	966,692
Corporate bonds	12,465,626	13,432,448
Subordinated bonds	7,167,759	8,476,729
Sub-total	21,289,934	22,987,123
Total	32,199,780	34,593,283

As at 31 December 2020, there was no impairment incurred on held-to-maturity investments (31 December 2019: Nil).

30 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2020	31 December 2019
Debt investment plans	10,489,999	10,694,791
Trust schemes	11,966,252	11,666,591
Asset backed plans	1,645,000	2,871,517
Loans	18,252,105	18,420,263
Subordinated debts	–	200,000
Less: impairment provision	(1,117,031)	(126,393)
Total	41,236,325	43,726,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION

(1) Particulars of the Company's primary subsidiaries as at 31 December 2020 are as follows:

Name	Place of Incorporation/ registration	Registered share capital or paid-in capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
China Re P&C	Beijing	Registered share capital of RMB11,482,250,000	100.00%	–	Property and casualty reinsurance, China
China Re Life	Beijing	Registered share capital of RMB8,170,000,000	100.00%	–	Life and health reinsurance, China
China Continent Insurance	Shanghai	Registered share capital of RMB15,115,918,986	64.30%	–	Primary property and casualty insurance, China
China Re AMC	Beijing	Registered share capital of RMB1,500,000,000	70.00%	26.43%	Management of insurance investments, China
Huatai Insurance Agency and Consultant Service Limited ("Huatai Insurance Agency")	Beijing	Registered share capital of RMB50,000,000	52.50%	–	Insurance brokerage, risk evaluation and management, China
China Re UK Limited	London	Paid-in capital of GBP 300,000	100.00%	–	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited	London	Paid-in capital of GBP 18,000,000	100.00%	–	Underwriting agency, UK
China Re Hong Kong Company Limited	Hong Kong	Paid-in capital of USD350,000,000	100.00%	–	Investment Holding, HK
China Re Asset Management (Hong Kong) Company Limited	Hong Kong	Paid-in capital of HKD100,000,000	–	96.43%	Investment management,HK
China Continent Insurance E-commerce Co.Ltd	Ningbo	Registered share capital of RMB1,200,000,000	–	64.30%	E-commerce, China

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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31 SCOPE OF CONSOLIDATION (continued)

(1) Particulars of the Company's primary subsidiaries as at 31 December 2020 are as follows: (continued)

Name	Place of Incorporation/ registration	Registered share capital or paid-in capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
China Continent Insurance Agent Co. Ltd	Shanghai	Registered share capital of RMB150,000,000	–	64.30%	Insurance brokerage, China
China Re Catastrophe Risk Management Company Ltd	Chongqing	Registered share capital of RMB100,000,000	–	70.00%	Risk advisory, management consulting, China
China Re International Company Limited	London	Paid-in capital of USD320,000,000	–	100.00%	Investment Holding, UK
CRIH	London	Paid-in capital of USD475,919,560	–	100.00%	Investment Holding, UK
Chaucer	London	Paid-in capital of GBP 139,296,892	–	100.00%	Property and casualty reinsurance, Primary property and casualty insurance, UK
China Reinsurance (Hong Kong) Company Limited	Hong Kong	Paid-in capital of HKD2,000,000,000	–	100.00%	Life and annuity reinsurance, HK
CIC	Dublin	Paid-in capital of USD1,000,001	–	100.00%	Specialty insurance, Ireland
CRAH	Sydney	Paid-in capital of AUD 16,574,495	–	100.00%	Insurance agent, broker services, Australia
China Reinsurance Finance Corporation Limited	British Virgin Islands	Paid-in capital of HKD60,000,000	–	96.43%	Bond Issue and Investment, HK

Note: As at 31 December 2020, all the Company's primary subsidiaries registered in mainland China are companies with limited liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION (continued)

(2) As at 31 December 2020, the Company consolidated the following structured entities:

Name	Paid-in capital	Attributable equity interest	Principal activities
China Re Zhongzai Alternative Equity Fund	RMB 1,260,674,761	100.00%	Investment in private equity
China Re Ruiqi Asset Management Product	RMB 737,217,170	100.00%	Investment in debt/debt investment plan
China Re Ruiqi 2nd Asset Management Product	RMB 7,200,750	100.00%	Investment in debt
China Re Ruiqi 3rd Asset Management Product	RMB 1,006,987,380	100.00%	Investment in debt/equity
China Re Ruiqi 5th Asset Management Product	RMB 493,000,025	91.92%	Investment in debt/equity
China Re Ruiqi 6th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Ruiqi 7th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Ruiqi 8th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Ruiqi 9th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Ruiqi 10th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Ruiqi 11th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Ruiqi 12th Asset Management Product	RMB 3,000,025	100.00%	Investment in debt
China Re Value Growth Asset Management Product	RMB 30,000,250	100.00%	Investment in equity
China Re Healthy Life Asset Management Product	RMB 30,000,250	100.00%	Investment in equity
China Re Hong Kong Stock Connect Program	RMB 30,000,250	100.00%	Investment in equity
China Re Industry Prosperity and Hedge Asset Management Product	RMB 30,000,250	100.00%	Investment in equity
China Re Bairong Shimao Mall Debt Investment Plans	RMB 7,460,000,000	91.11%	Investment in loans
China Re Subway Sixteen Equity Investment Plans	RMB 7,000,000,000	65.00%	Investment in loans

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION (continued)

(2) As at 31 December 2020, the Company consolidated the following structured entities: (continued)

Name	Paid-in capital	Attributable equity interest	Principal activities
China Re Fangzheng Hangzhou Real Estate Debt Investment Plans	RMB 500,000,000	100.00%	Investment in loans
China Re Tianjin Zhongjia Ecology District Real Estate Debt Investment Plans	RMB 1,394,000,000	64.56%	Investment in loans
China Re Zhongye Hengqin Real Estate Debt Investment Plans	RMB 1,000,000,000	57.00%	Investment in loans
Huaxin Trust Haorui No. 36 Hongdao Trust Investment Plans	RMB 214,549,357	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Xining Trust Investment Plans	RMB 220,557,484	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Tongtian Trust Investment Plans	RMB 222,653,232	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Guangde Trust Investment Plans	RMB 240,344,932	100.00%	Investment in loans

32 STATUTORY DEPOSITS

In accordance with relevant provision of Insurance Law of the PRC, the Company, China Re P&C, China Re Life and China Continent Insurance should place certain portion of its issued capital as restricted statutory deposits, respectively.

Details of the Group's statutory deposits are as follows:

	31 December 2020	31 December 2019
The Company	9,521,318	8,500,000
China Re P&C	2,400,000	2,300,000
China Re Life	3,100,000	1,850,000
China Continent Insurance	3,023,184	3,073,184
Total	18,044,502	15,723,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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33 INVESTMENT PROPERTIES

	Buildings
Cost	
Balance at 1 January 2019	5,058,081
Additions during the year	3,001,546
Balance at 31 December 2019	8,059,627
Additions during the year	108,802
Transfers to Property and Equipment	(1,304,473)
Balance at 31 December 2020	6,863,956
Less: Accumulated depreciation	
Balance at 1 January 2019	(3,656)
Charge for the year	(164,200)
Balance at 31 December 2019	(167,856)
Charge for the year	(255,398)
Transfers to Property and Equipment	37,123
Balance at 31 December 2020	(386,131)
Carrying amount	
Balance at 31 December 2020	6,477,825
Balance at 31 December 2019	7,891,771

The fair values of the investment properties were estimated by the Group, based on valuation performed by JLL (Beijing) Real Estate Appraisal & Consultancy Co., Ltd., independent valuer. It falls under level 3 in the fair value hierarchy. As at 31 December 2020, the fair value of investment properties was RMB7,591 million (31 December 2019: RMB9,058 million).

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34 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction In progress	Leasehold improvement	Total
Cost							
Balance at 1 January 2019	2,673,167	86,333	312,371	816,057	235,613	375,509	4,499,050
Acquisition of subsidiaries	–	–	–	6,696	–	–	6,696
Additions during the year	76,833	14,200	21,112	147,858	232,779	77,416	570,198
Transfers upon completion	263,654	–	–	7,707	(271,361)	–	–
Disposals during the year	–	(3,975)	(22,821)	(65,927)	–	–	(92,723)
Balance at 31 December 2019	3,013,654	96,558	310,662	912,391	197,031	452,925	4,983,221
Additions during the year	–	7,570	23,651	176,134	39,215	59,472	306,042
Transfers from investment properties	–	–	–	–	1,267,350	–	1,267,350
Transfers upon completion	9,298	5,333	–	4,896	(19,527)	–	–
Disposals during the year	–	(7,550)	(26,449)	(50,350)	–	(264)	(84,613)
Balance at 31 December 2020	**3,022,952**	**101,911**	**307,864**	**1,043,071**	**1,484,069**	**512,133**	**6,472,000**
Less: Accumulated depreciation							
Balance at 1 January 2019	(713,118)	(56,784)	(194,323)	(511,913)	–	(243,961)	(1,720,099)
Charge for the year	(111,252)	(8,611)	(33,447)	(95,522)	–	(63,416)	(312,248)
Written back on disposals	–	3,008	19,222	34,290	–	–	56,520
Balance at 31 December 2019	(824,370)	(62,387)	(208,548)	(573,145)	–	(307,377)	(1,975,827)
Charge for the year	(100,112)	(9,292)	(28,961)	(110,194)	–	(67,441)	(316,000)
Written back on disposals	–	5,491	24,732	43,608	–	–	73,831
Balance at 31 December 2020	**(924,482)**	**(66,188)**	**(212,777)**	**(639,731)**	**–**	**(374,818)**	**(2,217,996)**
Carrying amount							
Balance at 31 December 2020	**2,098,470**	**35,723**	**95,087**	**403,340**	**1,484,069**	**137,315**	**4,254,004**
Balance at 31 December 2019	2,189,284	34,171	102,114	339,246	197,031	145,548	3,007,394

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34 PROPERTY AND EQUIPMENT (continued)

As at 31 December 2020, the Group was in the process of completing the ownership documentation of certain buildings with a net carrying value of RMB75 million (31 December 2019 RMB502 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned buildings.

35 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2020	31 December 2019
Right-of-use assets		
Buildings	1,326,507	1,166,650
Equipment	543	386
Vehicles	861	1,765
Others	5,264	7,761
Total	1,333,175	1,176,562
Lease liabilities	1,253,917	1,117,491

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2020	31 December 2019
Depreciation charge of right-of-use assets		
Buildings	448,715	397,196
Equipment	219	121
Vehicles	904	693
Others	1,559	1,340
Total	451,397	399,350
Interest expense on lease liabilities	41,603	36,382
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	153,311	197,585
Total cash outflow for lease	597,920	534,448

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36 INTANGIBLE ASSETS

	VOBA	Syndicate capacity	Distribution channel	Trademark	Software	Total
Cost						
Balance at 1 January 2019	565,278	934,291	602,493	–	801,936	2,903,998
Acquisition of subsidiaries	–	–	11,860	3,488	4,119	19,467
Additions during the year and exchanges differences	2,391	15,383	9,920	–	304,903	332,597
Disposals during the year	–	–	–	–	(68)	(68)
Balance at 31 December 2019	567,669	949,674	624,273	3,488	1,110,890	3,255,994
Additions during the year and exchanges differences	(9,549)	(61,436)	(51,478)	10,867	293,637	182,041
Disposals during the year	–	–	–	–	(13,814)	(13,814)
Balance at 31 December 2020	558,120	888,238	572,795	14,355	1,390,713	3,424,221
Less: Accumulated amortisation						
Balance at 1 January 2019	(357,105)	–	–	–	(342,590)	(699,695)
Charge for the year	(126,495)	–	(46,903)	(262)	(115,596)	(289,256)
Disposals for the year	–	–	–	–	68	68
Balance at 31 December 2019	(483,600)	–	(46,903)	(262)	(458,118)	(988,883)
Charge for the year	(15,119)	–	(40,003)	(1,280)	(137,319)	(193,721)
Disposals for the year	–	–	–	–	676	676
Balance at 31 December 2020	(498,719)	–	(86,906)	(1,542)	(594,761)	(1,181,928)
Carrying amount						
Balance at 31 December 2020	59,401	888,238	485,889	12,813	795,952	2,242,293
Balance at 31 December 2019	84,069	949,674	577,370	3,226	652,772	2,267,111

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36 INTANGIBLE ASSETS (continued)

The Group performs impairment assessment over Syndicate capacity on an annual basis. Syndicate capacity was recognised from the business combination of CRIH along with the goodwill which are recognised as the same cash-generating units (CGUs). The recoverable amount of CGUs was determined based on the value-in-use ('VIU') method. This CGU did not need to charge the impairment provision. Key assumptions used in the impairment assessment include:

	2020	2019
Risk adjusted discount rate	9.5%	9.0%
Sustainable growth rate	2.0%	2.5%

37 INVESTMENTS IN ASSOCIATES

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

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

Name of associate	Place of incorporation and business	Registered capital (in RMB millions)	Principal activities
China Everbright Bank Company Limited ("CEB")	China	54,032	Commercial banking

	Proportion of ownership interest		
	Group's effective interest	Held by the Company	Held by a subsidiary
31 December 2020	4.29%	1.46%	2.83%
31 December 2019	4.42%	1.50%	2.92%

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37 INVESTMENTS IN ASSOCIATES (continued)

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

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

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

As 31 December 2020, the fair value of the Group's investment in CEB was below the carrying amount. As a result, the Group performed an impairment test on the carrying amount, which confirmed that there was no impairment at 31 December 2020 as the recoverable amount as determined by a VIU calculation was higher than the carrying value.

	As At 31 December 2020 (RMB in millions)		
	VIU	Carrying value	Fair value
CEB	16,432	14,741	6,382

The impairment test was performed by comparing the recoverable amount of CEB, determined by a VIU calculation, with its carrying amount. The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36. Significant management judgement is required in arriving at the best estimate.

Management used a number of assumptions in our VIU calculation:

	2020	2019
Discount rate	11.0%	10.6%
Sustainable growth rate	2.8%	3.0%
Capital adequacy ratio	11.5%	11.5%

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37 INVESTMENTS IN ASSOCIATES (continued)

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

The following table sets out the key financial statements of the Group's major associate adjusted for fair value adjustments at the time of acquisition and the differences in adopting accounting policies of the Group.

	CEB (in RMB millions)	
	2020	2019
Gross amounts of the associate		
Operating income	142,700	132,939
Profit before tax	45,497	45,163
Net profit (i)	37,824	37,354
Other comprehensive income (i)	(1,344)	1,082
Total comprehensive income (i)	36,480	38,436
Total assets	5,368,110	4,733,431
Total liabilities	4,913,112	4,347,377
Net assets (ii)	343,106	313,634
Non-controlling interests	1,549	1,072
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate (ii)	343,106	313,634
Group's effective interest	4.29%	4.42%
Group's share of net assets of the associate	14,741	13,873
Carrying amount in the financial statements	14,741	13,873
Dividends received from the associate for the year	496	374

(i) Amount attributable to shareholders of the associate.

(ii) Amount attributable to preferred shareholders of the associate and goodwill are not included.

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37 INVESTMENTS IN ASSOCIATES (continued)

(b) Particulars of other associates accounted for using the equity method are summarised as follows:

	2020	2019
Aggregate carrying amount of investments	11,017,953	10,188,636
Aggregate amount of share of:		
– Net profit	417,577	466,594
– Other comprehensive income	(19,964)	252,910
– Change in capital reserve	(654)	654
Total	396,959	720,158

38 GOODWILL

	31 December 2020	31 December 2019
Cost		
– China Re P&C	650,529	650,529
– China Re Life	463,630	463,630
– China Continent Insurance	74,379	74,379
– CRIH	395,957	423,343
– CRAH	19,119	20,442
– CIC	3,154	3,372
Total	1,606,768	1,635,695
Less: impairment provision	–	–
Carrying amount	1,606,768	1,635,695

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38 GOODWILL (continued)

When assessing the impairment of goodwill, the main valuation techniques used to determine the recoverable amount of the groups of assets (or groups of cash-generating units) is the VIU method and fair value less cost of disposal. The Group uses VIU method to conduct goodwill impairment test for China Re P&C, China Continent Insurance, CRIH and CIC. The Group uses fair value less cost of disposal to conduct goodwill impairment test for China Re Life. Expected future cash flows use in the VIU method are based on their Group's five years business plans, and cash flows beyond five years are extrapolated using a steady growth rate and terminal value. Key assumptions used include:

	2020	2019
Risk adjusted discount rate	9.5%-11.0%	9.0%-11.0%
Investment yield	4.5%-6.0%	4.5%-6.0%
Sustainable growth rate	2.0%-2.5%	2.0%-2.5%

39 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities

	31 December 2020	31 December 2019
Deferred tax assets	1,582,929	1,314,116
Deferred tax liabilities	(1,291,583)	(1,860,121)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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39 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred tax assets and deferred tax liabilities

		2020		
	Balance at 31 December 2019	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at 31 December 2020
Available-for-sale financial assets	(1,281,187)	–	(634,326)	(1,915,513)
Financial assets at fair value through profit or loss	(86,278)	56,881	–	(29,397)
Impairment provisions	325,667	296,433	–	622,100
Reserves	2,252,593	1,220,862	–	3,473,455
Investment in associates	(2,067,705)	(291,235)	62,081	(2,296,859)
Payables to employees	293,989	10,371	4,205	308,565
Others	16,916	163,489	(51,410)	128,995
Total	(546,005)	1,456,801	(619,450)	291,346

		2019		
	Balance at 31 December 2018	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at 31 December 2019
Available-for-sale financial assets	22,787	–	(1,303,974)	(1,281,187)
Financial assets at fair value through profit or loss	(49,181)	(37,097)	–	(86,278)
Impairment provisions	313,822	11,845	–	325,667
Reserves	1,516,176	736,417	–	2,252,593
Investment in associates	(1,654,746)	(402,032)	(10,927)	(2,067,705)
Payables to employees	272,398	29,551	(7,960)	293,989
Others	(14,444)	87,968	(56,608)	16,916
Total	406,812	426,652	(1,379,469)	(546,005)

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39 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred tax assets and deferred tax liabilities (continued)

The estimated schedule of recoverability of deferred tax assets and liabilities is shown as follows:

	31 December 2020	31 December 2019
To be recovered within 12 months (inclusive)	1,313,531	935,258
To be recovered after more than 12 months	(1,022,185)	(1,481,263)
Total	291,346	(546,005)

40 OTHER ASSETS

	31 December 2020	31 December 2019
Investment contract assets	457,092	1,618,216
Subscription prepayment for securities and securities clearance receivable	1,109,313	72,952
Interest receivables	4,270,168	4,256,083
Deposits retained by other parties	3,123,302	1,761,772
Handling charges prepaid	103,292	227,814
Claims prepaid	897,983	735,627
Deferred expenses	67,861	46,882
Tax prepaid	606,441	649,272
Overseas deposits	1,008,651	951,889
Prepayment	161,919	224,493
Others	936,226	1,090,497
Total	12,742,248	11,635,497
Less: impairment provision	(112,583)	(21,439)
Net	12,629,665	11,614,058

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41 SHORT-TERM BORROWINGS

	31 December 2020	31 December 2019
Short-term borrowings	208,101	732,349
Total	208,101	732,349

As at 31 December 2020, the Group holds an unsecured short-term borrowings of GBP 20 million (31 December 2019: GBP 75 million) with a coupon rate of Libor plus 1.85%, which will be repayable within one year; and unsecured short-term borrowings of RMB25.11 million and RMB4.87 million with a coupon rate of 4.25%, which will be repayable within half year.

42 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2020	31 December 2019
Securities sold under agreements to repurchase		
– Stock exchange	21,625,415	15,720,600
– Inter-bank market	7,777,903	5,767,151
Total	29,403,318	21,487,751

As at 31 December 2020, the carrying amount of RMB42,284 million bonds (31 December 2019: RMB26,421 million) are deposited in the collateral pool. Securities sold under agreements to repurchase are generally repurchased within 3 months from the date the securities are sold.

43 REINSURANCE PAYABLES

	31 December 2020	31 December 2019
Reinsurance payables	16,284,145	17,947,144

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43 REINSURANCE PAYABLES (continued)

(a) Aging analysis

	31 December 2020	31 December 2019
Within 3 months (inclusive)	10,060,308	13,795,038
3 months to 1 year (inclusive)	4,479,574	3,037,649
1 to 2 years (inclusive)	950,405	514,042
Over 2 years	793,858	600,415
Total	16,284,145	17,947,144

44 INVESTMENT CONTRACT LIABILITIES

	2020	2019
At the beginning of the year	22,066,813	15,809,209
Additions	24,101,208	9,805,379
Payments, surrenders, recaptures	(20,221,748)	(4,069,977)
Fees deducted	(2,431,448)	(107,554)
Interest credited	569,699	595,861
Exchange difference	(93,869)	33,895
At the end of the year	23,990,655	22,066,813

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45 INSURANCE CONTRACT LIABILITIES

	31 December 2020		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	106,270,972	(1,423,146)	104,847,826
Short-term life and health reinsurance contracts (b)			
– Claim reserves	13,671,962	(5,084,886)	8,587,076
– Unearned premium reserves	6,035,586	(386,104)	5,649,482
Property and casualty reinsurance contracts (c)			
– Claim reserves	42,300,749	(5,330,864)	36,969,885
– Unearned premium reserves	12,556,598	(806,701)	11,749,897
Primary property and casualty insurance contracts (d)			
– Claim reserves	22,778,760	(5,133,395)	17,645,365
– Unearned premium reserves	25,881,662	(1,559,327)	24,322,335
Total insurance contract liabilities	229,496,289	(19,724,423)	209,771,866

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	83,199,299	(1,629,477)	81,569,822
Short-term life and health reinsurance contracts (b)			
– Claim reserves	10,494,164	(4,437,254)	6,056,910
– Unearned premium reserves	5,005,912	(369,763)	4,636,149
Property and casualty reinsurance contracts (c)			
– Claim reserves	37,139,884	(5,075,507)	32,064,377
– Unearned premium reserves	11,614,965	(808,629)	10,806,336
Primary property and casualty insurance contracts (d)			
– Claim reserves	19,714,635	(4,481,176)	15,233,459
– Unearned premium reserves	24,468,209	(1,371,797)	23,096,412
Total insurance contract liabilities	191,637,068	(18,173,603)	173,463,465

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45 INSURANCE CONTRACT LIABILITIES (continued)

(a) Long-term life and health reinsurance contracts

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	76,329,229	(1,983,665)	74,345,564
Additions	41,959,117	(191,667)	41,767,450
Payments	(2,293,021)	477,752	(1,815,269)
Surrenders	(30,815,370)	(8,617)	(30,823,987)
Others	(1,980,656)	76,720	(1,903,936)
At 31 December 2019	83,199,299	(1,629,477)	81,569,822
Additions	49,619,452	(1,182,476)	48,436,976
Payments	(3,745,618)	851,917	(2,893,701)
Surrenders	(22,945,542)	2,292	(22,943,250)
Others	143,381	534,598	677,979
At 31 December 2020	106,270,972	(1,423,146)	104,847,826

(b) Short-term life and health reinsurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	6,844,034	(2,424,774)	4,419,260
Claims incurred	13,673,939	(3,544,244)	10,129,695
Claims paid	(10,023,809)	1,531,764	(8,492,045)
At 31 December 2019	10,494,164	(4,437,254)	6,056,910
Claims incurred	15,552,845	(3,514,942)	12,037,903
Claims paid	(12,375,047)	2,867,310	(9,507,737)
At 31 December 2020	13,671,962	(5,084,886)	8,587,076

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45 INSURANCE CONTRACT LIABILITIES (continued)

(b) Short-term life and health reinsurance contracts (continued)

(ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	4,047,348	(340,835)	3,706,513
Premiums written	17,183,861	(3,961,136)	13,222,725
Premiums earned	(16,225,297)	3,932,208	(12,293,089)
At 31 December 2019	5,005,912	(369,763)	4,636,149
Premiums written	20,864,594	(4,729,823)	16,134,771
Premiums earned	(19,834,920)	4,713,482	(15,121,438)
At 31 December 2020	6,035,586	(386,104)	5,649,482

(c) Property and casualty reinsurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	33,846,203	(4,226,966)	29,619,237
Claims incurred	23,250,000	(2,571,160)	20,678,840
Claims paid	(19,956,319)	1,722,619	(18,233,700)
At 31 December 2019	37,139,884	(5,075,507)	32,064,377
Claims incurred	26,864,149	(987,139)	25,877,010
Claims paid	(21,703,284)	731,782	(20,971,502)
At 31 December 2020	42,300,749	(5,330,864)	36,969,885

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45 INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty reinsurance contracts (continued)

(ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	10,018,068	(767,487)	9,250,581
Premiums written	36,454,640	(2,779,192)	33,675,448
Premiums earned	(34,857,743)	2,738,050	(32,119,693)
At 31 December 2019	11,614,965	(808,629)	10,806,336
Premiums written	41,898,087	(2,623,981)	39,274,106
Premiums earned	(40,956,454)	2,625,909	(38,330,545)
At 31 December 2020	12,556,598	(806,701)	11,749,897

(d) Primary property and casualty insurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	18,027,205	(3,890,104)	14,137,101
Claims incurred	26,979,945	(2,053,312)	24,926,633
Claims paid	(25,292,515)	1,462,240	(23,830,275)
At 31 December 2019	19,714,635	(4,481,176)	15,233,459
Claims incurred	32,020,038	(3,587,761)	28,432,277
Claims paid	(28,955,913)	2,935,542	(26,020,371)
At 31 December 2020	22,778,760	(5,133,395)	17,645,365

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45 INSURANCE CONTRACT LIABILITIES (continued)

(d) Primary property and casualty insurance contracts (continued)

(ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	19,619,303	(1,257,125)	18,362,178
Premiums written	53,028,045	(3,409,381)	49,618,664
Premiums earned	(48,179,139)	3,294,709	(44,884,430)
At 31 December 2019	24,468,209	(1,371,797)	23,096,412
Premiums written	52,846,059	(4,197,439)	48,648,620
Premiums earned	(51,432,606)	4,009,909	(47,422,697)
At 31 December 2020	25,881,662	(1,559,327)	24,322,335

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46 NOTES AND BONDS PAYABLE

	31 December 2020	31 December 2019
Bonds payable	12,996,801	8,995,671
Notes payable	9,751,454	10,394,341
Total	22,748,255	19,390,012

The following table indicates the balances of notes and corporate bonds issued by the Group as at the end of 2020:

Issuer	Type	Par value	Coupon rate	Issued year	Maturity
China Reinsurance Finance Corporation Limited	Notes	800 (in USD million)	3.375%	2017	2022
China Reinsurance Finance Corporation Limited	Notes	700 (in USD million)	3.375%	2017	2022
China Re P&C	Capital Supplementary bonds	4,000 (in RMB million)	First 5 years: 4.97% Next 5 years: 5.97% (if not redeemed)	2018	2028
China Re Life	Capital Supplementary bonds	5,000 (in RMB million)	First 5 years: 4.80% Next 5 years: 5.80% (if not redeemed)	2018	2028
China Re P&C	Capital Supplementary bonds	4,000 (in RMB million)	First 5 years: 4.40% Next 5 years: 5.40% (if not redeemed)	2020	2030

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47 LONG-TERM BORROWINGS

	31 December 2020	31 December 2019
Bank loans	3,577,375	3,821,130
Total	3,577,375	3,821,130

As at 31 December 2020, the Group holds a long-term borrowing of USD550 million (31 December 2019: USD550 million) with a coupon rate of 4.7%, final maturity date is 28 December 2023.

48 OTHER LIABILITIES

	31 December 2020	31 December 2019
Payable to third party investors of consolidated structured entities	4,225,474	4,800,834
Salaries and welfare payable	2,069,717	1,821,168
Premiums received in advance	1,736,791	2,220,195
Claims payable	437,549	350,875
Defined benefit obligation (1)	181,404	164,301
Unallocated cash	778,051	509,274
Insurance guarantee fund payable	85,798	127,621
Property and equipment payables	489,509	345,327
Deposits from cedants	1,003,354	665,696
Securities clearance payable	43,219	233,920
Handling charges and commissions payable	689,168	807,607
Taxes payable	396,601	238,137
Withholding vehicle and vessel use tax	301,904	267,105
Investment contracts payable	909,133	590,141
Others	2,272,078	2,264,363
Total	15,619,750	15,406,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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48 OTHER LIABILITIES (continued)

(1) Defined benefit pension plan obligation

The amount of defined benefit retirement plan obligation and its changes recognised in the financial statements are as follows:

	2020	2019
Opening balance	164,301	202,542
Cost of defined benefit retirement plans included in current profit or loss		
– Interest cost	9,230	8,851
Exchanges differences	(722)	530
Remeasurement effects recognised in other comprehensive income		
– Actuarial losses/(gains)	13,865	(42,119)
Benefits paid by the plans	(5,270)	(5,503)
Closing balance	181,404	164,301

China defined benefit retirement plan

The Group offers the following two defined benefit retirement plans as post-employment benefit to its retired and early retired staff:

(i) pension benefits for retired staff and pension benefits for early retired staff after they actually retire; and

(ii) medical allowances.

Significant actuarial assumptions utilised by the Group when estimating the present value of the obligation of China defined benefit retirement plan are as follows (presented in weighted average):

	2020	2019
Discount rate	3.50%	3.50%
Mortality rate	Note (i)	Note (i)
Expected average life	88	88
Annual growth rate of pension benefits	4%	4%
Annual growth rate of medical allowances	7%	7%

(i) The mortality rate used in 2020 is determined based on the China Life Insurance Mortality Table-CL5/CL6 (2010 – 2013) issued by the former CIRC in 2016 (2019: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

48 OTHER LIABILITIES (continued)

(1) Defined benefit pension plan obligation (continued)

Chaucer defined benefit pension retirement plan

Chaucer provides defined benefit pension retirement benefits to certain of its employees. The defined benefit pension retirement benefits provides employees with a fixed benefit based on the employee's length of service and the final retirement salary. The trustee holds and controls the funds of the defined benefit pension retirement benefits. As of 31 December 2001, the defined benefit pension plan was closed to new members and starting from 31 December 2016, and the plan stopped accruing for future salary increases.

Weighted-average assumptions used to determine Chaucer defined benefit pension retirement obligations are as follows:

	2020	2019
Discount rate	1.55%	2.00%
Rate of salary increases (ii)	N/A	N/A
Rate of 5% Retail Price Index ("RPI") pension increases	2.85%	2.95%
Rate of 2.5% RPI pension increases	2.00%	1.95%
Rate of 5% Consumer Price Index ("CPI") pension increases	2.30%	2.35%
RPI Inflation	2.90%	3.10%
CPI Inflation	2.30%	2.20%

(ii) Following the closure of Chaucer defined benefit pension retirement on 31 December 2016, a salary increase is no longer required.

The amounts of Chaucer defined benefit pension retirement obligations recognised in the balance sheet are as follows:

	2020	2019
Present value of defined benefit obligations	1,037,838	1,036,118
Fair value of scheme assets	(1,003,999)	(1,035,600)
Scheme deficit	33,839	518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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49 SHARE CAPITAL

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

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

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

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

50 RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Pursuant to the approval from the Ministry of Finance, the Company recognised assets appraisal surplus from restructuring as capital reserve.

(b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company.

(c) General risk reserve

In accordance with the relevant regulations, the general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance business. The Group's respective entities (China Re P&C, China Re Life, China Continent Insurance) would need to make appropriations to such reserve based on their respective profit or year-end risk assets as determined based on applicable financial regulations in the PRC, in their annual financial statements. This reserve is not available for profit distribution or transfer to capital.

(d) Catastrophic loss reserve

According to the relevant regulations of the PRC, which became effective from 1 January 2014, China Re P&C and China Continent Insurance are required to make appropriations to a reserve when the agricultural insurance records underwriting profits. This reserve cannot be used for dividend distribution, but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases writing agricultural insurance business.

According to the relevant regulations of the PRC, which became effective from 15 October 2020. The Group are required to make appropriations to a nuclear catastrophic reserve based on 75% of nuclear insurance business underwriting profits (if the annual net profit is less than 75% of the underwriting profit of nuclear insurance business, it will be fully accrued) when the comprehensive cost rate of the annual nuclear insurance business is less than 100%. This reserve cannot be used for dividend distribution or capital increase, but can be utilised when there are catastrophic losses.

(e) Retained profits

As at 31 December 2020, the consolidated retained profits attributable to equity shareholders of the Company included an appropriation of RMB3,574 million to surplus reserve made by subsidiaries (31 December 2019: RMB3,076 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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51 INTERESTS HELD IN UNCONSOLIDATED STRUCTURED ENTITIES

(a) Interests held in structured entities managed by third-party institutions

The Group invests in certain structured entities managed by third-party institutions. Such structured entities mainly include investment funds, asset backed securities, structured notes, equity investment plan, debt investment plan, and trust schemes. The Group does not consolidate these structured entities. The nature and purpose of these structured entities is to provide finance to public and private section infrastructure projects and structured transactions for institutions, etc. These structured entities are financed through the contracts. Third-party institutions raise funds via issuing investment products to investors.

As at 31 December, the carrying value of interests held by the Group in structured entities managed by third-party institutions through direct investments of the Group is set out below:

	31 December 2020		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	16,039,606	–	2,914,263
Structured notes	–	–	3,593,567
Debt investment plans	–	9,640,000	–
Trust schemes	–	11,966,252	–
Equity investment plans	462,770	–	–
Assets backed securities	318,987	–	–
Assets backed plans	–	1,645,000	–
Products from insurance asset managers	1,516,891	–	–
Other fixed maturity investment	1,021,746	–	–
Total	19,360,000	23,251,252	6,507,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

51 INTERESTS HELD IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)

(a) Interests held in structured entities managed by third-party institutions (continued)

	31 December 2019		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	11,625,121	–	4,901,983
Structured notes	–	–	3,862,958
Debt investment plans	–	10,208,000	–
Trust schemes	2,600	11,266,591	–
Equity investment plans	1,349,581	–	–
Assets backed securities	164,407	–	–
Assets backed plans	–	2,871,517	–
Products from insurance asset managers	52,385	–	–
Other fixed maturity investment	815,955	–	–
Total	14,010,049	24,346,108	8,764,941

Note: The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicity available.

The maximum loss exposures of the interests held in structured entities managed by third-party institutions are their carrying amounts at the end of the reporting period.

(b) Interests held in the unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group mainly include the asset management products and third-party entrusted asset management business products sponsored by the Group. The nature and purpose of these structured entities is to generate asset management fees by providing management services for investors. The structured entities raise funds via issuing investment products to investors. As at 31 December 2020, the balances of asset management products managed by the Group but unconsolidated in the financial statements amounted to RMB891 million (31 December 2019: RMB796 million), among which RMB0 million was held by the Group (31 December 2019: RMB1 million). The balance of debt investment plan managed by the Group but unconsolidated in the financial statements amounted to RMB2,400 million (31 December 2019: RMB2,000 million), among which RMB950 million was held by the Group (31 December 2019: RMB850 million). The asset management fee income from the unconsolidated structured entities managed by the Group is RMB8.9 million (31 December 2019: RMB2.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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52 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash generated from operations:

	2020	2019
Profit before tax	7,297,743	8,067,673
Adjustments for:		
Investment income	(15,688,533)	(11,316,405)
Exchange losses, net	(98,062)	2,150
Finance costs	1,748,652	1,539,536
Share of profits of associates	(2,097,055)	(2,140,117)
Impairment provisions charges	618,329	140,076
Depreciation of property and equipment	316,000	312,248
Depreciation of right-of-use assets	451,397	399,350
Depreciation of investment property	255,398	164,200
Amortisation of intangible assets	178,602	162,761
Gains/(losses) on disposal of property and equipment and intangible assets, net	1,141	(49,954)
Increase in insurance contract liabilities	40,646,095	21,984,308
Increase in investment contract liabilities and policyholders' deposits	3,803,647	7,151,012
Increase in reinsurer's share of insurance contract liabilities	(1,429,068)	(3,052,633)
Increase in premiums receivable	(1,882,436)	(3,700,287)
Increase/(Decrease) in reinsurance debtors	7,233,525	(6,291,299)
Decrease in investment contracts receivable	(3,679,622)	(601,386)
Decrease/(Increase) in reinsurance payables	(1,662,999)	5,017,619
Decrease in other assets	(116,061)	(1,063,053)
(Decrease)/Increase in other liabilities	(377,132)	1,125,543
Cash generated from operations	35,519,561	17,851,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

52 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Analysis of balances of cash and cash equivalents:

	2020	2019
Cash and short-term time deposits	13,872,362	20,262,473
Add: Financial assets held under resale agreements with original maturity of no more than three months	4,615,600	2,981,215
Less: Restricted cash at banks	(3,650,913)	(1,976,106)
Cash and cash equivalents at end of the year	14,837,049	21,267,582

(c) Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt for the current year.

	Borrowings	Notes and bonds payable	Securities sold under agreements to repurchase	Leases	Total
Balance as at 1 January 2020	(4,553,479)	(19,390,012)	(21,487,751)	(1,117,491)	(46,548,733)
Cash flows	397,458	(4,000,000)	(7,915,567)	469,216	(11,048,893)
Acquisition-leases	–	–	–	(605,642)	(605,642)
Foreign exchange adjustments	370,545	676,953	–	–	1,047,498
Other non-cash movements	–	(35,196)	–	–	(35,196)
Balance as at 31 December 2020	(3,785,476)	(22,748,255)	(29,403,318)	(1,253,917)	(57,190,966)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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53 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to IFRS 4 Amendments, the Company made the assessment based on the Group's financial position of 31 December 2015, concluding that the carrying amount of the Group's liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts was greater than 90 percent of its all liabilities. There had been no significant change in the activities of the Group since then that requires reassessment. Therefore, the Group's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from IFRS 9.

(a) The table below presents the fair value of the following groups of financial assets(i) under IFRS 9 as at 31 December 2020 and fair value changes for the 12 months ended 31 December 2020:

	Fair value as at 31 December 2020	**Fair value changes for the 12 months ended 2020**
Held for trading financial assets	11,177,435	315,861
Financial assets that are managed and whose performance are evaluated on a fair value basis	–	–
Other financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding ("SPPI")	173,415,630	(645,451)
– Financial assets with contractual terms that do not give rise on SPPI (ii)	66,002,418	5,083,705
Total	250,595,483	4,754,115

	Fair value as at 31 December 2019	Fair value changes for the 12 months ended 2019
Held for trading financial assets	11,856,246	930,959
Financial assets that are managed and whose performance are evaluated on a fair value basis	–	–
Other financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding ("SPPI")	155,565,304	865,885
– Financial assets with contractual terms that do not give rise on SPPI (ii)	43,306,841	5,669,224
Total	210,728,391	7,466,068

(i) Only including financial assets at fair value through profit or loss, investments classified at loans and receivables, available-for-sale financial assets and held-to-maturity financial assets.

(ii) It mainly includes stocks, investment funds, unlisted equity investment and products from insurance asset managers.

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53 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

(b) The table below presents the credit risk exposure (iii) for aforementioned financial assets with contractual terms that give rise on SPPI:

	As at 31 December 2020 Carrying amount (iv)	As at 31 December 2019 Carrying amount (iv)
Domestic		
Rating not required (v)	16,978,186	18,157,643
AAA	102,975,557	91,684,519
AA	11,730,329	23,916,647
A	300,000	745,074
BBB	2,039,318	2,265,000
BB or below	7,960,000	–
Non-rating	159,034	115,979
Subtotal	142,142,424	136,884,862
Overseas		
Rating not required (v)	–	–
AAA	4,653,621	5,196,517
AA	1,880,246	2,215,344
A	5,849,188	3,121,428
BBB	9,458,393	4,894,723
BB or below	1,231,542	260,567
Non-rating	455,818	–
Subtotal	23,528,808	15,688,579
Total	165,671,232	152,573,441

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53 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

(c) The table below presents the financial assets that are not considered to have low credit risk on the reporting date:

	As at 31 December 2020		As at 31 December 2019	
	Carrying amount (iv)	Fair value	Carrying amount (iv)	Fair value
Domestic	7,960,000	6,842,968	806,390	679,997
Overseas	426,023	426,023	260,567	379,933
Total	8,386,023	7,268,991	1,066,957	1,059,930

(iii) Credit risk ratings for domestic assets are provided by domestic qualified external rating agencies; if no domestic qualified external rating agency could provide credit risk ratings, the Company's internal rating is used; if there is no internal rating, it is classified as non-rating. Credit risk ratings for overseas assets are provided by overseas qualified external rating agencies.

(iv) For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

(v) It mainly includes governments bonds and policy financial bonds.

54 RISK MANAGEMENT

(1) Insurance risk

An insurance policy's risk lies in uncertainty of insured events and the corresponding paid loss. From the perspective of fundamental nature of each policy, the above risk occurs randomly, and the actual paid amount will differ from the estimated data based on statistical methods for each period. For those policy portfolios using probability theory for pricing and reserve estimation, the main risk the Group faces is that the actual payment exceeds the carrying amount of insurance liability, which will occur when the actual loss occurrence or severity exceeds expected values. Such risk is likely to occur in the following situations:

Occurrence risk – the possibility that the number of insured events will differ from that expected;

Severity risk – the possibility that the cost of the events will differ from that expected; or

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

Experience shows that the larger the insurance contracts portfolio of the same nature, the smaller the variability of expected results. In addition, a more diversified portfolio is less likely to be impacted by any sub-portfolio's change. The Group has already established insurance underwriting strategy to diversify underwriting risks, and has maintained a sufficient number of policies for different types of insurance risk. Therefore uncertainty of expected results will be reduced.

For the Group's property and casualty insurance and reinsurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. For the Group's health and accident reinsurance contracts, infectious diseases, huge lifestyle changes, natural disasters and accidents are all important factors that may increase the loss ratio, which may lead to earlier or more claims than expected. For the Group's life reinsurance contracts, the most important factor is that continuous improvement of medical standards and social conditions help to extend life expectancy. Furthermore, policyholders' terminating contracts, reducing and refusing to pay premiums also impact insurance risk, which means that insurance risk is affected by policyholders' behaviours and decisions.

According to the risk characters, the Group's different departments and subsidiaries manage corresponding insurance risk by determining insurance products' underwriting standards and strategy, and prescribing counterparty risk limits, reinsurance arrangements and claim processing. The Group's assumed insurance liability also incorporates international business underwritten by the former PICC (Group) Company, including asbestos, pollution, health hazard and other potential long-tail risks. Due to such high level of inherent uncertainty in the above business, consisting of relevant payment instability and insurance liability's cognisant uncertainty, the Group cannot completely rule out such significant loss possibilities such as if other reinsurance companies underwrite this kind of business. The Group reduces the uncertainty posted by such business through contacting with ceding companies actively and seeking to settle the liability.

The Group's insurance business mainly comes from Mainland China. The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance and reinsurance premium income in Note 5.

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business

When measuring insurance contract reserves, the risk margin has been considered and measured at the 75% percentile approach by the Group. The risk margin for claim reserves falls between 2.5% and 15%, while the risk margin for unearned premium reserves falls between 3.0% and 15%. If the Group's calculated risk margin falls above/below the chosen interval, the Group chooses the upper/lower limit as the risk margin.

When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Impact significance depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Sensitivity analysis

Changes of paid loss and other factors of property and casualty, short-term life and health insurance and reinsurance business may impact changes of assumptions and further unpaid claim estimates. If all other variables remain unchanged, a 1% increase in average claim cost will result in a decrease in profit before tax by RMB995 million for the years ended 31 December 2020 (31 December 2019: RMB894 million).

Several variables' sensitivity cannot be quantified, such as legal changes, uncertainty of loss estimation and so on. In addition, time delay exists among claims occurrence, reporting and closing.

Claim development tables

According to the characteristics of property and casualty, short-term life and health insurance and reinsurance business, the claim development information is disclosed based on accident year for primary insurance and underwriting year for reinsurance respectively:

(i) Primary insurance contracts (*)

Gross

	2015	2016	2017	2018	2019	2020	Total
Cumulated loss estimate							
Year ending	85,740,151	15,514,119	18,384,153	20,563,460	23,133,382	27,370,710	
1 year later	84,924,423	15,327,246	18,033,391	20,566,215	22,708,775		
2 years later	84,765,086	15,346,159	18,090,870	20,631,342			
3 years later	84,591,079	15,347,635	18,099,313				
4 years later	84,600,271	15,359,264					
5 years later	84,574,395						
Estimated cumulated claims	84,574,395	15,359,264	18,099,313	20,631,342	22,708,775	27,370,710	188,743,799
Less: Cumulated claims paid	84,448,827	15,294,876	17,889,247	20,012,578	20,611,389	16,781,268	175,038,185
Add: Adjustments in prior periods and unallocated loss adjustment expense ("ULAE"), discount and risk margin							1,111,802
Estimated unpaid claims							14,817,416

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Claim development tables (continued)

(i) Primary insurance contracts (*) (continued)

Net

	2015	2016	2017	2018	2019	2020	Total
Cumulated loss estimate							
Year ending	70,160,462	14,283,765	16,901,713	18,902,406	21,097,358	24,606,091	
1 year later	69,831,958	14,141,045	16,646,409	18,879,217	20,916,980		
2 years later	69,770,569	14,172,108	16,683,072	18,930,554			
3 years later	69,636,569	14,172,107	16,698,579				
4 years later	69,625,859	14,172,913					
5 years later	69,638,723						
Estimated cumulated claims	69,638,723	14,172,913	16,698,579	18,930,554	20,916,980	24,606,091	164,963,840
Less: Cumulated claims paid	69,548,561	14,128,944	16,532,298	18,444,917	19,115,352	15,657,365	153,427,437
Add: Adjustments in prior periods and ULAE, discount and risk margin							980,585
Estimated unpaid claims							12,516,988
Less: Estimated unpaid claims assumed by China Re Group							(633,078)
Gross estimated unpaid claims							13,150,066

(*) Primary insurance contracts presented include the assumed reinsurance business undertaken by China Continent Insurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Claim development tables (continued)

(ii) Reinsurance contracts

Gross

	2015	2016	2017	2018	2019	2020	Total
Cumulated loss estimate							
Year ending	255,074,447	20,918,990	22,248,638	27,710,670	33,626,600	37,049,759	
1 year later	254,997,616	21,945,487	24,700,481	31,534,418	37,251,264		
2 years later	251,363,875	21,232,446	23,940,972	31,792,528			
3 years later	250,311,527	20,591,752	22,971,528				
4 years later	252,521,606	20,242,019					
5 years later	251,481,424						
Estimated cumulated claims	251,481,424	20,242,019	22,971,528	31,792,528	37,251,264	37,049,759	400,788,522
Less: Cumulated claims paid	249,142,585	19,343,810	19,823,600	24,597,396	23,123,274	6,542,223	342,572,888
Unearned claims	4,828	1,984	14,092	45,574	331,341	15,498,747	15,896,566
Add: Risk margin, discount and ULAE	479,093	93,440	158,126	455,430	903,748	1,497,811	3,587,648
Estimated unpaid claims	2,813,104	989,665	3,291,962	7,604,988	14,700,397	16,506,600	45,906,716
Less: Estimated unpaid claims assumed by China Continent Insurance							1,059,238
Gross estimated unpaid claims							44,847,478

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Claim development tables (continued)

(ii) Reinsurance contracts (continued)

Net

	2015	2016	2017	2018	2019	2020	Total
Cumulated loss estimate							
Year ending	248,089,246	19,354,209	20,443,555	24,658,105	29,946,658	33,749,777	
1 year later	249,254,176	20,237,148	22,437,135	28,406,389	33,443,423		
2 years later	245,719,980	19,569,994	21,735,693	28,035,444			
3 years later	245,063,510	18,940,535	20,926,104				
4 years later	244,759,785	18,614,266					
5 years later	243,796,709						
Estimated cumulated claims	243,796,709	18,614,266	20,926,104	28,035,444	33,443,423	33,749,777	378,565,723
Less: Cumulated claims paid	240,320,449	17,865,253	18,007,699	21,683,368	21,134,790	5,443,006	324,454,565
Unearned claims	4,352	1,919	13,992	83,611	320,823	14,953,674	15,378,371
Add: Risk margin, discount and ULAE	(735,895)	35,319	92,821	301,322	757,452	1,170,594	1,621,613
Estimated unpaid claims	2,736,013	782,413	2,997,234	6,569,787	12,745,262	14,523,691	40,354,400
Less: Estimated unpaid claims assumed by China Continent Insurance							1,011,178
Gross estimated unpaid claims							39,343,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Claim development tables (continued)

(iii) CRIH Business

Gross

	2015	2016	2017	2018	2019	2020	Total
Cumulated loss estimate							
Year ending				3,714,720	3,299,411	3,333,553	
1 year later			6,512,331	6,183,734	5,481,119		
2 years later		4,983,939	7,186,791	5,980,445			
3 years later	15,591,131	4,940,476	6,795,481				
4 years later	14,384,754	4,693,102					
5 years later	13,701,044						
Estimated cumulated claims	13,701,044	4,693,102	6,795,481	5,980,445	5,481,119	3,333,553	39,984,744
Less: Cumulated claims paid	10,185,553	3,033,059	4,191,804	2,836,283	1,581,936	243,203	22,071,838
Add: Risk margin, discount and ULAE							1,173,671
Estimated unpaid claims							19,086,577

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Claim development tables (continued)

(iii) CRIH Business (continued)

Net

	2015	2016	2017	2018	2019	2020	Total
Cumulated loss estimate							
Year ending				1,830,464	1,805,935	2,374,179	
1 year later			3,103,331	3,271,173	3,311,986		
2 years later		3,683,523	3,577,165	3,181,660			
3 years later	11,425,550	3,721,497	3,427,241				
4 years later	10,720,288	3,309,209					
5 years later	9,978,512						
Estimated cumulated claims	9,978,512	3,309,209	3,427,241	3,181,660	3,311,986	2,374,179	25,582,787
Less: Cumulated claims paid	7,884,368	2,474,377	2,187,008	1,708,646	1,139,487	197,055	15,590,941
Add: Risk margin, discount and ULAE							717,192
Estimated unpaid claims							10,709,038

Note: The Company completed its acquisition of CRIH, a specialist underwriting group that operates through Lloyd's on 28 December 2018. The Company completed the acquisition of its subsidiary CIC on 14 February 2019. These amounts reflected statistics of CRIH and its subsidiary since the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(b) Assumptions and sensitivity analysis for life and health insurance contracts

Major assumptions
Life and health insurance contract reserve is determined by the Group's reasonable estimate of future payments, premiums and related expenses, as well as considering risk margin. Mortality rates, morbidity rates, lapse rates, discount rates and expense assumptions adopted in reasonable estimation are determined by latest experience study, current and future expectations. Uncertainty of liabilities arisen from the uncertainty of future cash flows including future claim payments, premium and related expenses, etc. are reflected through risk margin.

Residual margin related to life and health insurance contract reserve is amortised during the expected benefit period using assumptions as at policy inception.

Sensitivity analysis
Significant assumptions involved in reserve calculation include mortality rates, morbidity rates, lapse rates, and discount rate, etc.

	Changes in assumptions	Impact on profit before tax	
		2020	2019
Mortality/morbidity	+10%	(241,692)	(222,073)
Mortality/morbidity	-10%	249,034	239,249
Lapse rate	+10%	31,421	33,720
Lapse rate	-10%	(4,556)	14,940
Discount rate	+50bp	1,608,660	1,332,798
Discount rate	-50bp	(1,729,965)	(1,436,536)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios. The Group is exposed to credit risks primarily associated with commercial banks, investment in bonds, premiums receivable and reinsurance arrangements. Majority of the Group's financial assets are debt investments which include government bonds, financial bonds, corporate bonds, subordinated bonds, debt investment plan, trust schemes and wealth management products with high credit ratings and time deposits in state-owned commercial banks, etc. As at 31 December 2020, 100% (31 December 2019: 100%) of the financial institution bonds held by the Group either had a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2020, 84% (31 December 2019: 93%) of the corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The credit rating of domestic and foreign debt investment is provided by qualified external rating agencies at home and abroad; if there is no qualified external rating agency providing credit rating, the Group's internal rating is used. There is no public market rating for the government bonds and policy financial bonds with high credit quality, and the Group did not require rating for these assets. As at 31 December 2020, 62% (31 December 2019: 64%) of the debt investment plan were guaranteed by third parties or collateralized, 72% (31 December 2019: 92%) of the trust schemes were guaranteed by third parties and 100% (31 December 2019: 100%) of the asset backed securities are guaranteed by third parties. As at 31 December 2020, there was material breach for few debt investments held by the group. The total book balance for the debt investments were RMB 7,960 million. The Group had taken legal measures to preserve and recover the assets of the debt investments and the collateral. The Group performed impairment test about the debt investments based on the accounting standards, and recorded provision for impairment loss of RMB 1,117 million in Note 30.

(i) Credit risk exposure

The Group's maximum exposure to credit risk is the carrying amount of the financial assets in the consolidated statement of financial position. The maximum exposure to credit risk in respect of the financial guarantees of the Group as at 31 December 2020 is disclosed in Note 58.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(a) Credit risk (continued)

(ii) Aging analysis of financial assets

	2020					
		Financial assets not due but	Financial assets due but not impaired		Financial assets due	
	Not due	impaired	within 1 year	after 1 year	and impaired	Total
Cash and short-term time deposits	13,872,362	–	–	–	–	13,872,362
Financial assets at fair value through profit or loss fixed maturity	4,125,734	–	–	–	–	4,125,734
Financial assets held under resale agreements	4,615,600	–	–	–	–	4,615,600
Premiums receivable	15,254,106	–	1,264,873	119,420	549,933	17,188,332
Reinsurance debtors	43,409,931	–	2,943,641	971,805	1,551,185	48,876,562
Investment contracts receivable	7,112,873	–	–	–	–	7,112,873
Reinsurers' share of Policy loans	563,501	–	–	–	–	563,501
Time deposits	19,904,638	–	–	–	–	19,904,638
Available-for-sale fixed maturity investments	108,165,844	39,996	–	–	–	108,205,840
Held-to-maturity investments	32,199,780	–	–	–	–	32,199,780
Investments classified as loans and receivables	34,393,356	–	–	–	7,960,000	42,353,356
Statutory deposits	18,044,502	–	–	–	–	18,044,502
Other financial assets	10,402,215	–	384,514	5,440	112,583	10,904,752
Sub-total	312,064,442	39,996	4,593,028	1,096,665	10,173,701	327,967,832
Less: impairment provisions	–	(21,460)	–	–	(1,950,069)	(1,971,529)
Total	312,064,442	18,536	4,593,028	1,096,665	8,223,632	325,996,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(a) Credit risk (continued)

(ii) Aging analysis of financial assets (continued)

	2019					
		Financial assets not due but	Financial assets due but not impaired		Financial assets due	
	Not due	impaired	within 1 year	after 1 year	and impaired	Total
Cash and short-term time deposits	20,262,473	–	–	–	–	20,262,473
Financial assets at fair value through profit or loss fixed maturity	2,331,259	–	–	–	–	2,331,259
Financial assets held under resale agreements	2,981,215	–	–	–	–	2,981,215
Premiums receivable	13,734,202	–	1,012,819	8,942	346,371	15,102,334
Reinsurance debtors	52,427,120	–	1,020,753	639,296	1,983,874	56,071,043
Investment contracts receivable	3,433,251	–	–	–	–	3,433,251
Reinsurers' share of Policy loans	503,744	–	–	–	–	503,744
Time deposits	3,907,342	–	–	–	–	3,907,342
Available-for-sale fixed maturity investments	78,593,011	–	–	–	–	78,593,011
Held-to-maturity investments	34,593,283	–	–	–	–	34,593,283
Investments classified as loans and receivables	43,353,162	500,000	–	–	–	43,853,162
Statutory deposits	15,723,184	–	–	–	–	15,723,184
Other financial assets	9,950,554	–	3,589	320	21,439	9,975,902
Sub-total	281,793,800	500,000	2,037,161	648,558	2,351,684	287,331,203
Less: impairment provisions	–	(126,393)	–	–	(499,288)	(625,681)
Total	281,793,800	373,607	2,037,161	648,558	1,852,396	286,705,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (interest rate risk), foreign exchange rates (currency risk), and market prices (price risk).

The Group adopts various measures managing market risk, including sensitive analysis, Value-at-Risk ("VaR"), stress testing, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; setting acceptable risk tolerance level according to development goals; and tracking the risk control results dynamically to maintain market risk exposure within acceptable level.

(i) Interest rate risk

The Group's interest rate risk arises primarily from fixed maturity financial instruments mainly including cash and short-term time deposits, financial assets at fair value through profit or loss and available-for-sale financial assets. Generally financial instruments at fixed rates and at floating rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively.

Fair value interest rate risk

The sensitivity analysis below indicates the instantaneous change in the Group's profit before tax and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

	Interest rate change	Impact on equity 2020	Impact on equity 2019
Financial assets at fair value through profit or loss	+50bp	(43,698)	(29,521)
Financial assets at fair value through profit or loss	-50bp	44,892	30,352
Available-for-sale financial assets	+50bp	(1,682,485)	(964,292)
Available-for-sale financial assets	-50bp	1,717,224	973,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Fair value interest rate risk (continued)

	Interest rate change	Impact on profit before tax 2020	Impact on profit before tax 2019
Financial assets at fair value through profit or loss	+50bp	(43,698)	(29,521)
Financial assets at fair value through profit or loss	-50bp	44,892	30,352
Available-for-sale financial assets	+50bp	–	–
Available-for-sale financial assets	-50bp	–	–

Cash flow interest rate risk

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit before tax and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for each reporting date.

	Interest rate change	Impact on profit before tax/equity 2020	Impact on profit before tax/equity 2019
Floating interest rate debt securities	+50bp	1,049	4,964
Floating interest rate debt securities	-50bp	(1,049)	(4,964)
Floating interest rate debt investment plan	+50bp	1,500	3,000
Floating interest rate debt investment plan	-50bp	(1,500)	(3,000)
Floating interest rate deposits	+50bp	39,155	32,586
Floating interest rate deposits	-50bp	(39,155)	(32,586)

(ii) Currency risk

Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB, GBP/RMB and other currency to RMB exchange rates.

The following table summarises the Group's financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities etc. by major currency at the end of the reporting period, expressed in the RMB equivalent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

	2020						
	RMB	USD	HKD	GBP	EUR	Others	Total
Cash and short-term time deposits	7,083,395	4,150,941	1,314,562	322,992	549,619	450,853	13,872,362
Financial assets at fair value through profit or loss	4,957,348	5,341,303	878,784	–	–	–	11,177,435
Derivative financial assets	–	246,287	–	–	–	–	246,287
Financial assets held under resale agreements	4,615,600	–	–	–	–	–	4,615,600
Premiums receivable	14,224,269	1,377,275	11,663	336,227	218,531	470,434	16,638,399
Reinsurance debtors	39,854,933	6,178,265	81,300	242,397	423,609	1,925,536	48,706,040
Investment contracts receivable	7,112,873	–	–	–	–	–	7,112,873
Reinsurers' share of insurance contract liabilities	8,577,549	7,279,122	4,368	636,796	507,718	2,718,870	19,724,423
Reinsurers' share of policy loans	563,501	–	–	–	–	–	563,501
Time deposits	18,259,846	1,381,640	182,250	80,902	–	–	19,904,638
Available-for-sale financial assets	119,330,132	30,615,929	5,511,475	983,059	5,987,292	1,221,879	163,649,766
Held-to-maturity investments	32,199,780	–	–	–	–	–	32,199,780
Investments classified as loans and receivables	39,993,705	1,242,620	–	–	–	–	41,236,325
Statutory deposits	18,044,502	–	–	–	–	–	18,044,502
Other financial assets	8,708,314	352,589	111,817	333,070	117,326	1,169,053	10,792,169
Total	323,525,747	58,165,971	8,096,219	2,935,443	7,804,095	7,956,625	408,484,100
Short-term borrowings	29,990	–	–	178,111	–	–	208,101
Transaction financial liabilities	214,579	–	–	–	–	–	214,579
Derivative financial liability	–	172,014	–	–	–	–	172,014
Securities sold under agreements to repurchase	24,934,470	4,468,848	–	–	–	–	29,403,318
Reinsurance payables	11,934,620	2,458,889	42,650	241,425	491,739	1,114,822	16,284,145
Income tax payable	1,591,431	11,293	93,734	–	–	–	1,696,458
Policyholders' deposits	3,075,400	845,209	799,170	–	–	–	4,719,779
Investment contract liabilities	22,513,096	204,353	1,273,206	–	–	–	23,990,655
Insurance contract liabilities	175,952,470	34,192,754	7,249,909	3,589,274	1,582,267	6,929,615	229,496,289
Notes and bonds payable	12,996,801	9,751,454	–	–	–	–	22,748,255
Long-term borrowings	–	3,577,375	–	–	–	–	3,577,375
Lease liabilities	1,045,467	51	1,235	186,755	450	19,959	1,253,917
Other financial liabilities	11,498,247	791,128	353,427	427,181	197,938	615,038	13,882,959
Total	265,786,571	56,473,368	9,813,331	4,622,746	2,272,394	8,679,434	347,647,844

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
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54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

	2019						
	RMB	USD	HKD	GBP	EUR	Others	Total
Cash and short-term time deposits	8,354,715	7,821,712	2,643,405	371,542	433,661	637,438	20,262,473
Financial assets at fair value through profit or loss	5,157,324	5,976,552	649,088	–	–	73,282	11,856,246
Derivative financial instruments	–	411,129	–	–	–	–	411,129
Financial assets held under resale agreements	2,981,215	–	–	–	–	–	2,981,215
Premiums receivable	12,436,689	1,560,094	5,294	223,629	263,247	267,010	14,755,963
Reinsurance debtors	48,501,548	5,533,775	298,782	163,093	426,733	1,015,634	55,939,565
Investment contracts receivable	3,433,251	–	–	–	–	–	3,433,251
Reinsurers' share of insurance contract liabilities	8,667,425	6,605,014	416	550,618	398,149	1,951,981	18,173,603
Reinsurers' share of policy loans	503,744	–	–	–	–	–	503,744
Time deposits	3,030,200	794,711	–	82,431	–	–	3,907,342
Available-for-sale financial assets	89,734,473	15,016,210	4,541,941	894,287	5,464,134	1,751,340	117,402,385
Held-to-maturity investments	34,593,283	–	–	–	–	–	34,593,283
Investments classified as loans and receivables	42,065,645	1,661,124	–	–	–	–	43,726,769
Statutory deposits	15,723,184	–	–	–	–	–	15,723,184
Other financial assets	7,806,669	811,080	55,352	244,838	87,705	948,819	9,954,463
Total	282,989,365	46,191,401	8,194,278	2,530,438	7,073,629	6,645,504	353,624,615
Short-term borrowings	44,979	–	–	687,370	–	–	732,349
Securities sold under agreements to repurchase	21,487,751	–	–	–	–	–	21,487,751
Reinsurance payables	14,270,585	2,134,082	45,034	204,997	358,467	933,979	17,947,144
Income tax payable	1,318,372	–	35,282	328	–	–	1,353,982
Policyholders' deposits	1,988,127	433,994	417,853	–	–	–	2,839,974
Investment contract liabilities	20,431,308	223,319	1,412,186	–	–	–	22,066,813
Insurance contract liabilities	147,656,811	26,668,097	6,860,153	2,892,193	1,482,752	6,077,062	191,637,068
Notes and bonds payable	8,995,671	10,394,341	–	–	–	–	19,390,012
Long-term borrowings	–	3,821,130	–	–	–	–	3,821,130
Lease liabilities	1,039,468	–	9,716	66,452	–	1,855	1,117,491
Other financial liabilities	11,532,164	505,818	183,190	461,234	292,452	211,511	13,186,369
Total	228,765,236	44,180,781	8,963,414	4,312,574	2,133,671	7,224,407	295,580,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity of monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Changes in	Impact on profit before tax		Impact on equity	
Currency	exchange rate	2020	2019	2020	2019
USD	+5%	(90,918)	77,231	(90,918)	77,231
USD	-5%	90,918	(77,231)	90,918	(77,231)
HKD	+5%	(361,429)	(265,554)	(361,429)	(265,554)
HKD	-5%	361,429	265,554	361,429	265,554
GBP	+5%	(84,365)	(89,107)	(84,365)	(89,107)
GBP	-5%	84,365	89,107	84,365	89,107
EUR	+5%	(11,201)	(11,297)	(11,201)	(11,297)
EUR	-5%	11,201	11,297	11,201	11,297

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

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54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(iii) Price risk (continued)

The Group uses VaR to measure the expected loss in respect of equity price risk for stock and fund investments measured at fair value. The Group monitors the daily value fluctuation risk over a portent period of 1 day for going concern basis. Moreover, VaR is measured over a holding period of 250 trading days at a confidence level of 95% assumed under normal market condition.

Under normal market conditions, the impact on net equity of 1-day potential loss of equity investments such as stocks and investment funds is estimated using the VaR technique as follows (presented in negative value):

	2020	2019
Financial assets at fair value through profit or loss		
Equity shares	(14,685)	(15,820)
Investment funds	(6,923)	(3,960)
Sub-total	(21,608)	(19,780)
Available-for-sale financial assets		
Equity shares	(803,304)	(316,412)
Investment funds	(106,192)	(51,270)
Sub-total	(909,496)	(367,682)
Total	(931,104)	(387,462)

(c) Liquidity risk

Liquidity risk is the risk that the Group fails to obtain sufficient capital to pay off its matured liabilities. During normal operating activities, the Group reduces liquidity risk through matching the maturity date of investment assets with that of financial liabilities and insurance liabilities.

The Group's relevant departments and the asset management company are responsible for managing and monitoring daily liquidity risks, including analysis of liquidity ratio, establishment of short-term and long-term investment strategy and setting up of a liquidity warning system to ensure liquidity safety.

The tables below summarise the remaining contractual maturity profile of the financial assets and financial liabilities, the expected timing of insurance contract liabilities and reinsurers' share of insurance contract liabilities of the Group based on undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	31 December 2020					
	Within 1 year or undated	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	13,872,495	–	–	–	13,872,495	13,872,362
Debt securities carried at fair value through profit or loss	617,964	223,704	3,545,916	92,960	4,480,544	4,125,734
Equity securities carried at fair value through profit or loss	7,051,701	–	–	–	7,051,701	7,051,701
Derivative financial assets	246,287	–	–	–	246,287	246,287
Financial assets held under resale agreements	4,617,186	–	–	–	4,617,186	4,615,600
Premiums receivable	9,772,003	4,925,039	1,935,815	5,542	16,638,399	16,638,399
Reinsurance debtors	48,087,737	490,916	68,793	58,594	48,706,040	48,706,040
Investment contracts receivable	7,112,873	–	–	–	7,112,873	7,112,873
Reinsurers' share of insurance contract liabilities	2,968,497	5,019,429	4,552,051	21,559,337	34,099,314	19,724,423
Reinsurers' share of policy loans	563,501	–	–	–	563,501	563,501
Time deposits	11,378,284	551,236	9,496,551	–	21,426,071	19,904,638
Available-for-sale fixed maturity investments	14,193,605	20,309,667	48,389,606	58,700,222	141,593,100	108,205,840
Available-for-sale equity securities	55,443,929	–	–	–	55,443,929	55,443,926
Held-to-maturity investments	4,904,593	7,158,582	9,656,557	20,435,942	42,155,674	32,199,780
Investments classified as loans and receivables	14,127,961	4,378,897	20,738,667	14,598,360	53,843,885	41,236,325
Statutory deposits	716,203	3,264,519	15,998,940	–	19,979,662	18,044,502
Other financial assets	9,854,935	(9,921,658)	3,205,991	100,383,408	103,522,676	10,792,169
Total	205,529,754	36,400,331	117,588,887	215,834,365	575,353,337	408,484,100
Liabilities:						
Short-term borrowings	208,101	–	–	–	208,101	208,101
Derivative financial liabilities	172,014	–	–	–	172,014	172,014
Financial assets at fair value through profit or loss	214,579	–	–	–	214,579	214,579
Securities sold under agreements to repurchase	29,415,397	–	–	–	29,415,397	29,403,318
Reinsurance payables	15,097,224	784,437	316,023	86,461	16,284,145	16,284,145
Income tax payable	1,696,458	–	–	–	1,696,458	1,696,458
Policyholders' deposits	4,542,794	176,985	–	–	4,719,779	4,719,779
Investment contract liabilities	(14,402,587)	(21,117,796)	32,801,819	144,402,916	141,684,352	23,990,655
Insurance contract liabilities	81,201,298	44,757,573	78,914,780	65,261,925	270,135,576	229,496,289
Notes and bonds payable	820,717	10,567,312	2,024,400	15,666,400	29,078,829	22,748,255
Long-term borrowings	171,610	171,610	3,758,896	–	4,102,116	3,577,375
Lease liabilities	469,762	296,876	398,795	189,973	1,355,406	1,253,917
Other financial liabilities	15,032,231	256,189	1,269,443	4,176,360	20,734,223	13,882,959
Total	134,639,598	35,893,186	119,484,156	229,784,035	519,800,975	347,647,844

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54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	31 December 2019					
	Within 1 year or undated	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	20,290,565	–	–	–	20,290,565	20,262,473
Debt securities carried at fair value through profit or loss	457,275	335,512	420,062	1,177,393	2,390,242	2,331,259
Equity securities carried at fair value through profit or loss	9,524,987	–	–	–	9,524,987	9,524,987
Derivative financial assets	411,129	–	–	–	411,129	411,129
Financial assets held under resale agreements	2,981,800	–	–	–	2,981,800	2,981,215
Premiums receivable	8,336,681	4,367,523	2,043,663	8,096	14,755,963	14,755,963
Reinsurance debtors	54,532,891	1,211,783	136,939	57,952	55,939,565	55,939,565
Investment contracts receivable	3,433,251	–	–	–	3,433,251	3,433,251
Reinsurers' share of insurance contract liabilities	9,534,850	3,239,584	3,569,713	1,396,852	17,740,998	18,173,603
Reinsurers' share of policy loans	503,744	–	–	–	503,744	503,744
Time deposits	3,671,756	–	332,452	–	4,004,208	3,907,342
Available-for-sale fixed maturity investments	9,157,551	14,404,987	39,560,110	29,226,433	92,349,081	78,593,011
Available-for-sale equity securities	38,809,374	–	–	–	38,809,374	38,809,374
Held-to-maturity investments	3,930,024	5,829,403	14,474,767	20,820,797	45,054,991	34,593,283
Investments classified as loans and receivables	7,872,048	7,463,958	23,743,254	19,858,717	58,937,977	43,726,769
Statutory deposits	8,825,660	559,020	7,651,527	–	17,036,207	15,723,184
Other financial assets	2,910,598	(26,747,485)	(31,462,000)	855,807,161	800,508,274	9,668,969
Total	185,184,184	10,664,285	60,470,487	928,353,401	1,184,672,356	353,339,121
Liabilities:						
Short-term borrowings	732,349	–	–	–	732,349	732,349
Securities sold under agreements to repurchase	21,490,168	–	–	–	21,490,168	21,487,751
Reinsurance payables	16,555,668	609,290	595,537	186,649	17,947,144	17,947,144
Income tax payable	1,353,982	–	–	–	1,353,982	1,353,982
Policyholders' deposits	2,839,407	567	–	–	2,839,974	2,839,974
Investment contract liabilities	(9,195,683)	(8,818,421)	(26,531,984)	878,786,387	834,240,299	22,066,813
Insurance contract liabilities	71,135,579	23,442,233	75,628,842	49,875,138	220,081,792	191,637,068
Notes and bonds payable	586,041	791,970	12,223,870	11,115,200	24,717,081	19,390,012
Long-term borrowings	183,841	182,338	4,203,090	–	4,569,269	3,821,130
Lease liabilities	417,305	290,272	364,647	72,062	1,144,286	1,117,491
Other financial liabilities	8,833,535	805,422	1,492,987	4,684,049	15,815,993	13,186,369
Total	114,932,192	17,303,671	67,976,989	944,719,485	1,144,932,337	295,580,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

54 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

The amounts set forth in the tables above for financial assets, borrowings, notes and bonds payable, securities sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the undiscounted cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures.

55 FAIR VALUE MEASUREMENT

(1) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at 31 December 2020 on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

55 FAIR VALUE MEASUREMENT (continued)

(1) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
– Fixed maturity investment	4,125,734	3,594,064	531,670	–
– Equity securities	7,051,701	2,756,751	3,593,567	701,383
Available-for-sale financial assets				
– Fixed maturity investment	108,205,840	830,088	106,254,005	1,121,747
– Equity securities	55,443,926	39,939,744	3,043,660	12,460,522
Derivative financial assets	246,287	–	–	246,287
Total Assets	175,073,488	47,120,647	113,422,902	14,529,939
Liabilities				
Financial liabilities at fair value through profit or loss	(214,579)	–	–	(214,579)
Derivative financial liabilities	(172,014)	–	–	(172,014)
Total Liabilities	(386,593)	–	–	(386,593)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

55 FAIR VALUE MEASUREMENT (continued)

(1) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
– Fixed maturity investment	2,331,259	2,331,259	–	–
– Equity securities	9,524,987	4,002,234	4,738,260	784,493
Available-for-sale financial assets				
– Fixed maturity investment	78,593,011	1,720,458	76,040,380	832,173
– Equity securities	38,809,374	25,828,786	1,183,890	11,796,698
Derivative financial instruments	411,129	–	–	411,129
Total	129,669,760	33,882,737	81,962,530	13,824,493

Reconciliation of movements in Level 3 financial instruments measured at fair value

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial assets	Derivative financial liabilities	Financial liabilities at fair value through profit or loss
1 January 2020	784,493	12,628,871	411,129	–	–
Additions	–	2,427,772	–	–	–
Disposals	(34,120)	(1,248,719)	–	–	–
Transfer to Level 3	–	243,129			
Transfer out from Level 3	–	(1,390,260)	–	–	–
Gains/(losses) through profit or loss	(48,990)	448,636	(164,842)	(172,014)	(214,579)
Gains/(losses) through other comprehensive income	–	472,840	–	–	–
31 December 2020	701,383	13,582,269	246,287	(172,014)	(214,579)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

55 FAIR VALUE MEASUREMENT (continued)

(1) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial instruments
1 January 2019	919,735	12,382,015	175,403
Additions	29,899	489,002	–
Disposals	–	(543,954)	–
Transfers into Level 3	–	–	–
Transfer out from Level 3	–	(433,850)	–
Gains/(losses) through profit or loss	(165,141)	159,522	235,726
Gains/(losses) through other comprehensive income	–	576,136	–
31 December 2019	784,493	12,628,871	411,129

Valuation techniques and inputs used in Level 2 fair value measurements

As at 31 December 2020, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilise a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

Due to changes in availability of quoted prices in active markets, the Group transferred certain securities between Level 1 and Level 2. During the year ended 31 December 2020, the Group did not transfer securities from Level 1 and Level 2 (During the year ended 31 December 2019: Nil) and transferred certain securities of RMB375 million (During the year ended 31 December 2019: Nil) from Level 2 to Level 1.

During the year ended 31 December 2020, the Group did not transfer securities from Level 2 and Level 3 (During the year ended 31 December 2019: Nil) and transferred certain securities of RMB511 million (During the year ended 31 December 2019: RMB434 million) from Level 3 to Level 2. The transfer from Level 3 to Level 2 is due to changes in availability of quoted prices in active markets, which certain securities have been listed but limited for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

55 FAIR VALUE MEASUREMENT (continued)

(1) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

As at 31 December 2020 and 2019, significant unobservable inputs such as discount rate and discounts for lack of marketability were used in the valuation of primarily assets and liabilities at fair value classified as Level 3.

The table below presents information about the significant unobservable inputs used for primary assets and liabilities at fair value classified as Level 3 as at 31 December 2020 and 31 December 2019:

	Fair Value	Valuation techniques	Significant unobservable inputs	Range	Relationships between fair value and unobservable inputs
Equity securities	31 December 2020: 925,360 31 December 2019: 1,920,813	Discounted cash flow method	Discount rate	31 December 2020: 2.99%-4.91% 31 December 2019: 3.40%-5.72%	The higher of discount rate, the lower the fair value
	31 December 2020: 126,320 31 December 2019: 1,506,805	Comparable companies approach	Discounts for lack of marketability	31 December 2020: 14%-35% 31 December 2019: 7%-35%	The higher of discounts for lack of marketability, the lower the fair value
	31 December 2020: 11,135,093 31 December 2019: 8,835,845	Net asset value method	Net asset	N/A	N/A
Debt securities	31 December 2020: 809,883 31 December 2019: 815,955	Discounted cash flow method	Discount rate	31 December 2020: 5.03% 31 December 2019: 5.03%	The higher of discount rate, the lower the fair value
Derivative financial instruments	31 December 2020: 74,273 31 December 2019: 411,129	Discounted cash flow method	Discount rate	31 December 2020: -0.55%-0.24% 31 December 2019: -0.33%-1.92%	The higher of discount rate, the lower the fair value

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

55 FAIR VALUE MEASUREMENT (continued)

(2) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2020 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	31 December 2020		31 December 2020 The fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Held-to-maturity financial assets	32,199,780	33,666,791	–	33,666,791	–
Investment classified as loans and receivables	41,236,325	42,101,491	–	–	42,101,491
Liabilities					
Long-term borrowings	3,577,375	3,864,694	–	–	3,864,694
Notes and bonds payable	22,748,255	23,222,901	–	23,222,901	–

	31 December 2019		31 December 2019 The fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Held-to-maturity financial assets	34,593,283	36,499,013	–	36,499,013	–
Investment classified as loans and receivables	43,726,769	44,973,556	–	–	44,973,556
Liabilities					
Long-term borrowings	3,821,130	3,979,370	–	–	3,979,370
Notes and bonds payable	19,390,012	19,735,749	–	19,735,749	–

The fair value of the held-to-maturity investments, notes and bonds payable classified as Level 2 is determined and analysed on the basis of the observable net valuation price of China Central Depository & Clearing Co., Ltd. (CCDC), China Securities Depository and Clearing Corporation Limited (CSDC), and Bloomberg Terminal.

The fair value of long-term loans classified as level 3 should be measured as the discounted present value of the future cash flow in accordance with the interest rates on the market with comparable credit ratings and providing almost the same cash flow under the same conditions.

The fair value of investments classified as loans and receivables as level 3 is determined using recognized pricing models, including the analysis of discounted cash flows based on unobservable discount rates, which reflects the relevant credit risk.

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56 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to focus on the balance between risk and profit, to ensure that the Group meets the external capital requirements and maintains a sound solvency margin ratio to support its business development and maximise profit for shareholders, by pricing products and services commensurately with the level of risk and by accessing to finance at a reasonable cost.

The Group regularly reviews and manages its capital structure to achieve the most ideal capital structure and maximum returns to the shareholders. Factors taken into consideration include future capital requirement, capital efficiency, actual and expected profitability, expected cash flows and expected capital expenditure of the Group. The Group makes adjustments to the capital structure in light of changes in economic conditions.

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'. The Group adjusted the objective, policy and process of capital management. As at 31 December 2020, the solvency information of the company and its major subsidiaries is as follows:

(in RMB millions, except for percentages)

31 December 2020	**Actual capital**	**Minimum capital**	**Core solvency adequacy ratio**	**Aggregated solvency adequacy ratio**
The Group	107,834	50,169	189%	215%
The Company	79,402	13,248	599%	599%
China Re P&C	29,811	12,904	169%	231%
China Re Life	33,629	14,663	195%	229%
China Continent Insurance	26,292	7,786	338%	338%

(in RMB millions, except for percentages)

31 December 2019	Actual capital	Minimum capital	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
The Group	97,311	46,579	190%	209%
The Company	72,497	12,917	561%	561%
China Re P&C	24,083	11,025	182%	218%
China Re Life	31,250	14,691	179%	213%
China Continent Insurance	26,226	7,063	371%	371%

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57 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Ultimate parent

The immediate parent of the Company is Central Huijin Investment Ltd. and the ultimate parent of the Company is the Ministry of Finance of the PRC.

(2) Significant related parties

Name of significant related party	Relationship with the Company
China Everbright Bank	Associate

(3) Transactions with related parties except for key management personnel

(a) Significant related-party transactions between the Group and CEB is as follows:

	2020	2019
Interest income	73,802	80,224
Premium income	1,164	4,601
Claims payments	1,230,904	891,285
Fees and commissions	231	299

During the year ended 31 December 2020, the Group received the dividends from China Everbright Bank of RMB496,455 thousand (the year ended 2019, RMB373,501 thousand).

(b) The balances of significant related-party transactions between the Group and CEB is as follows:

	31 December 2020	31 December 2019
Cash and short-term time deposits	194,619	238,475
Statutory deposits	437,187	437,187
Interest receivables	56,775	38,359
Debt investments	999,146	999,078

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57 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(4) Key management personnel remuneration:

	2020	2019
Salaries, allowances and benefits in kind	4,632	5,218
Discretionary bonuses	5,069	5,484
Employer's contribution to a retirement benefit scheme	499	780
Total	10,200	11,482

The total compensation package for the Company's key management personnel for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the relevant PRC authorities, and will be disclosed when determined. The compensation amounts disclosed above for the Company's key management personnel for the year ended 31 December 2019 were restated based on the finalised amounts determined during 2020.

(5) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). The Group's key business is primary insurance and reinsurance related business and therefore the business transactions with other state-owned entities are primarily related to insurance, reinsurance and investment activities, including but not limited to insurance, reinsurance, provision of asset management or other services, and the sale, purchase, and redemption of bonds or equity instruments.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

As at the 31 December 2020, most of bank deposits of the Group were with state-owned banks, and the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises (31 December 2019: same). For the year ended 31 December 2020, a large portion of its reinsurance business of the Group was with state-owned insurance companies (the year ended 31 December 2019: same).

(Expressed in thousands of Renminbi, unless otherwise stated)

58 CONTINGENCIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business. The adverse effects of these contingencies and legal proceedings mainly involve claims on the Group's insurance contracts and reinsurance contracts. The Group has considered possible losses caused by such litigations when measuring insurance contract liabilities. At 31 December 2020, certain subsidiaries of the Group were involved in such legal proceedings, and the amounts for specific legal claims may be significant and the cases are being investigated by relevant authorities. While the outcomes of such contingencies and legal proceedings cannot be determined at present, based on the current available information, the Group believes that they did not have a material adverse impact on the financial position as at 31 December 2020 and operating results of the Group for the twelve months ended 31 December 2020.

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

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

(2) As at 31 December 2020, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP 100 million (31 December 2019: GBP 100 million). As at 31 December 2020, CRIH provided letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP 250 million totally (31 December 2019: GBP 300 million).

59 COMMITMENTS

Capital commitments

	31 December 2020	31 December 2019
Contracted for		
– Intangible assets commitments	17,507	41,056
– Property and equipment commitments	26,161	73,582
– Investment commitments	660,836	514,994
Total	704,504	629,632

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60 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

(1) Company-level statement of financial position

	31 December 2020	31 December 2019
Assets		
Cash and short-term time deposits	1,328,139	1,758,580
Financial assets at fair value through profit or loss	652,128	512,093
Financial assets held under resale agreements	67,000	12,000
Reinsurance debtors	4,767,843	1,228,361
Reinsurers' share of unearned premium reserves	255,470	13,783
Reinsurers' share of outstanding claim reserves	552,444	45,033
Reinsurers' share of life insurance reserves	316,620	–
Time deposits	474,231	65,698
Available-for-sale financial assets	11,000,891	10,041,490
Held-to-maturity investments	928,650	640,537
Reinsurers' share of policy loans	43,178	40,763
Long-term equity investments	42,198,946	42,215,327
Statutory deposits	9,521,318	8,500,000
Investment properties	967,926	1,015,405
Fixed assets	345,602	351,245
Right-of-use assets	17,083	11,109
Intangible assets	29,517	26,390
Deferred tax assets	68,948	66,694
Other assets	3,783,964	2,082,103
Total assets	77,319,898	68,626,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

60 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

(1) Company-level statement of financial position (continued)

	31 December 2020	31 December 2019
Liabilities and equity		
Liabilities		
Securities sold under agreements to repurchase	639,336	463,000
Reinsurance payables	691,512	371,851
Employee benefits payable	403,380	412,318
Taxes payable	396,694	6,226
Policyholder's deposits and investments	3,355,512	859,909
Unearned premium reserves	1,668,486	389,768
Outstanding claim reserves	4,670,999	2,865,566
Life insurance reserves	1,462,876	290,186
Long-term health insurance reserves	2,181,515	2,049,124
Lease liabilities	16,374	10,374
Deferred tax liabilities	1,005,090	1,220,410
Other liabilities	824,140	355,524
Total liabilities	17,315,914	9,294,256
Equity		
Share capital	42,479,808	42,479,808
Capital reserves	7,004,643	7,047,275
Other comprehensive income	746,321	767,045
Surplus reserve	2,574,770	2,314,361
General risk reserve	2,574,770	2,314,361
Catastrophic loss reserve	59,863	–
Retained earnings	4,563,809	4,409,505
Total equity	60,003,984	59,332,355
Total liabilities and equity	77,319,898	68,626,611

The company-level statement of financial position was approved by the Board of Directors on 29 March 2021 and was signed on its behalf.

Yuan Linjiang
Director

He Chunlei
Director

Tian Meipan
Chief Actuary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

60 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

(2) Company-level statement of changes in equity

Items	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Catastrophic loss reserve	Retained earnings	Total equity
Balance at 31 December 2019	42,479,808	7,047,275	767,045	2,314,361	2,314,361	–	4,409,505	59,332,355
1. Total comprehensive income								
Net profit	–	–	–	–	–	–	2,604,097	2,604,097
Other comprehensive income	–	–	(20,724)	–	–	–	–	(20,724)
2. Appropriation of profits								
Distributions to shareholders	–	–	–	–	–	–	(1,869,112)	(1,869,112)
Appropriations to surplus reserve	–	–	–	260,409	–	–	(260,409)	–
Appropriation for general risk reserve	–	–	–	–	260,409	–	(260,409)	–
Appropriation for Catastrophic loss reserve	–	–	–	–	–	59,863	(59,863)	–
3. Others	–	(42,632)	–	–	–	–	–	(42,632)
Balance at 31 December 2020	42,479,808	7,004,643	746,321	2,574,770	2,574,770	59,863	4,563,809	60,003,984

Items	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 31 December 2018	42,479,808	7,047,275	288,980	2,047,856	2,047,856	3,594,347	57,506,122
1. Total comprehensive income							
Net profit	–	–	–	–	–	2,665,042	2,665,042
Other comprehensive income	–	–	478,065	–	–	–	478,065
2. Appropriation of profits							
Distributions to shareholders	–	–	–	–	–	(1,316,874)	(1,316,874)
Appropriation for surplus reserve	–	–	–	266,505	–	(266,505)	–
Appropriation for general risk reserve	–	–	–	–	266,505	(266,505)	–
Balance at 31 December 2019	42,479,808	7,047,275	767,045	2,314,361	2,314,361	4,409,505	59,332,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

60 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

(2) Company-level statement of changes in equity (continued)

For the year ended 31 December 2020 and 31 December 2019, the statement of financial position and statement of changes in equity of the Company disclosed in this note are prepared in accordance with People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"), the primary accounting standard for the Company to determine the amount of retained earnings available for distribution. In the preparation of these, the Company's investment in subsidiaries which are included in long-term equity investments are stated at cost less any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. Investments in associates are accounted for using equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale). Other than those set out in this note, there is no material difference in recognition and measurement between PRC GAAP and the significant accounting policies as disclosed in note 2.

61 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

Dividends

On 29 March 2021, the Board of Directors of the Company proposed a final dividend of RMB0.041 per ordinary share (tax inclusive) and is subject to the approval of shareholders of the Company at the 2020 annual general meeting.

62 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2021.

DEFINITIONS

"Articles of Association"	the articles of association of our Company as adopted at our shareholders' meeting held on 26 June 2015, 24 October 2017, 28 June 2018 and approved by the insurance regulatory authority in the PRC on 9 July 2015, 2 March 2016 and 16 January 2019
"Belt and Road Initiative"	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the PRC on 28 March 2015
"Board of Directors" or "Board"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors 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.

DEFINITIONS

"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 officially carried on business on 16 December 2019

DEFINITIONS

"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

DEFINITIONS

"CNIP"	China Nuclear Insurance Pool. CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C
"Company" or "Group Company"	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 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
"Latest Practicable Date"	16 April 2021, being the latest practicable date for the inclusion of certain information in this report prior to its publication
"Listing Date"	26 October 2015, being the date on which the H shares of the Company became listed on the Hong Kong Stock Exchange

DEFINITIONS

"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
"NAO"	the National Audit Office of the PRC
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Insurance Law"	the Insurance Law of the PRC (《中華人民共和國保險法》), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 30 June 1995 and effective on 1 October 1995, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Prospectus"	the prospectus of the Company dated 13 October 2015
"Reporting Period"	since 1 January 2020 until 31 December 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	the supervisor(s) of the Company

CORPORATE INFORMATION

REGISTERED NAMES

Legal Chinese name:	中國再保險（集團）股份有限公司
Chinese abbreviation:	中再集團
Legal English name:	China Reinsurance (Group) Corporation
English abbreviation:	China Re

REGISTERED OFFICE AND HEADQUARTERS

No. 11 Jinrong Avenue, Xicheng District,
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Room 1618, Sun Hung Kai Centre,
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PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

CLASS OF SHARES

H shares

STOCK NAME

China Re

STOCK CODE

1508

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

WEBSITE

http://www.chinare.com.cn

INVESTOR RELATIONS DEPARTMENT

Office of the Board of Directors
Telephone: (8610) 66576880
Email: IR@chinare.com.cn

LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

SECRETARY TO THE BOARD

Ms. Zhu Xiaoyun

AUTHORISED REPRESENTATIVES

Mr. He Chunlei
Ms. Ng Sau Mei

JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun
Ms. Ng Sau Mei

AUDITORS

Domestic auditor:
PricewaterhouseCoopers Zhong Tian LLP

Overseas auditor:
PricewaterhouseCoopers
(Certified Public Accountants and Registered PIE Auditor)

ACTUARIAL CONSULTANT

Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

HONG KONG LEGAL ADVISER

Clifford Chance

UNIFIED SOCIAL CREDIT CODE

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