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

2021 Annual Report

專業 讓保險更保險

EMPOWER YOUR INSURANCE BY EXPERTISE

CORPORATE CULTURE OF CHINA RE GROUP

MISSION

- Diversifying economic risks to ensure a better life for all

VISION

- Developing a world-class comprehensive reinsurance group with sustainable development capabilities and core competitiveness

CORE VALUES

- Integrity
- Expertise
- Cooperation
- Aspiration

BUSINESS PHILOSOPHY

- Prudence and innovation for sound and prosperous growth

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FINANCIAL HIGHLIGHTS

Unit: RMB

Total assets
RMB **500,439** million
Year-on-year increase of **10.3**%

Total liabilities
RMB **397,852** million
Year-on-year increase of **13.5**%

Total equity
RMB **102,587** million
Year-on-year decrease of **0.3**%

Gross written premiums
RMB **162,732** million
Year-on-year increase of **0.7**%

Net profit
RMB **6,390** million
Year-on-year increase of **7.9**%

Net profit attributable to equity shareholders of the parent company
RMB **6,363** million
Year-on-year increase of **11.4**%

Earnings per share
RMB **0.15**
Year-on-year increase of **11.4**%

Net assets per share attributable to equity shareholders of the parent company
RMB **2.19**
Year-on-year increase of **0.1**%

Weighted average return on equity
6.84%
Increase by **0.50** percentage points

FINANCIAL HIGHLIGHTS

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

	2021	2020	**Change** (%)	2019	2018	2017
Total assets	**500,439**	453,577	**10.3**	396,638	340,907	242,800
Total liabilities	**397,852**	350,676	**13.5**	299,660	253,653	167,430
Total equity	**102,587**	102,901	**(0.3)**	96,978	87,254	75,370
Gross written premiums	**162,732**	161,574	**0.7**	144,973	122,257	105,336
Net profit	**6,390**	5,924	**7.9**	6,645	3,899	5,336
Net profit attributable to equity shareholders of the parent company	**6,363**	5,711	**11.4**	6,049	3,730	5,256
Earnings per share (RMB)	**0.15**	0.13	**11.4**	0.14	0.09	0.12
Net assets per share attributable to equity shareholders of the parent company (RMB)	**2.19**	2.19	**0.1**	2.05	1.84	1.75
Weighted average return on equity (%)[1]	**6.84**	6.34	**Increase by 0.50 percentage points**	7.32	4.90	7.22

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	2021 Ark Award for Insurance Company with High-quality Development	Securities Times
	2021 Ark Award for Excellent Social Responsibility Insurance Company	
	11th China Securities Golden Bauhinia Awards – Best Investment Value Award for Listed Companies in the 14th Five Year Plan	Hong Kong Ta Kung Wen Wei Media Group
	11th China Securities Golden Bauhinia Awards – Best Investor Relations Management Listed Company	
	"Best Insurance Company in Serving Six Priorities and Stability in Six Areas for the Year" in the election of Chinese Financial Institutions Gold Medal List – the Golden Dragon Prize	Financial News
	Vision Awards Gold Award, "Top 50 Chinese Reports", "Top 80 Reports in Asia-Pacific Region", and "Top 100 Reports Worldwide"	League of American Communications Professionals
	National Worker Pioneer (China Re Group Targeted Poverty Alleviation Liaison Office)	All China Federation of Trade Unions
	Advanced Group of Fight Against Extreme Poverty in Qinghai Province (Party and Mass Work Department/Poverty Alleviation Work Leading Team)	Qinghai Provincial Committee of the Communist Party of China, the People's Government of Qinghai Province
China Re P&C	10th Finance Sector "Golden Intelligence Award" – Outstanding Property Insurance Company Award	JRJ.com
	10th Finance Sector "Golden Intelligence Award" – Outstanding Financial Service Innovation Award	
	Financial Industry Service's Contribution Award on Six Stabilities and Six Securities	Stockstar Award

• China Re Group

• China Re P&C

HONOURS AND AWARDS

The awarded unit	Title of the honours and awards received	Awards organisation
China Re Life	Fintech and Digital Transformation Innovation Achievement Award – China Re Life Policy Digital Platform	China Institute of Communications, *Qiushi* hosted by Dot Live
	Jin Ri Bao • China Insurance White Elephant List – Annual Technology Empowering, Classic Project	Nowadays Insurance
China Continent Insurance	2021 Ark Award for Excellent Social Responsibility Insurance Company	Securities Times
	"2021 China Insurance Service Innovation Summit" Classic Case in China Insurance Service Innovation – "Continent Radar" Intelligent Claim Platform	China Banking and Insurance News
China Re AMC	2021 Ark Award for the Gold Medal Insurance Investment Team	Securities Times
	2021 Best Public Brand Award in China's Asset Management Organisations	Modern Bankers Press
	"Gold Asset" Annual Insurance and Asset Management Product Outstanding Award – China Re – Huadian Infrastructure Debt Investment Plan	Shanghai Securities News
Huatai Insurance Agency	Beijing Integrity Enterprise	Beijing Enterprise Evaluation Association

• China Re Life

• China Continent Insurance

• China Re AMC

• Huatai Insurance Agency

STATEMENT FROM THE CHAIRMAN

2021 was a milestone year in the history of the Communist Party of China (CPC) and the country, and also a year for China Re Group to launch its strategy of "14th Five-Year" Plan. Over the past year, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we scientifically formulated the new "One-Four-Five" strategy, achieving steady growth in premium volume and a solid market position. Our market share of the reinsurance business ranked first domestically, while our global ranking rose from the seventh to the sixth, and for the first time, we ranked among the Fortune Global 500. The operating efficiency was steadily improved and the business structure was continuously optimised, achieving remarkable results in serving the national strategies with effective risk prevention and control, thereby realising a good start of the "14th Five-Year" Plan.

In 2021, China Re Group realised a written premium of RMB162,732 million, representing a year-on-year increase of 0.7% and net profit attributable to equity shareholders of the parent company of RMB6,363 million, representing a year-on-year increase of 11.4%. The business structure was further optimised, with domestic emerging business of P&C reinsurance accounting for 7.8%, representing a year-on-year increase of 0.9 percentage points; overseas business of P&C reinsurance accounting for 32.4%, representing a year-on-year increase of 1.5 percentage points; domestic protection-type business of life and health reinsurance accounting for 37.6%, representing a year-on-year increase of 6.5 percentage points; the non-motor business in primary P&C insurance accounting for 48.0%, representing a year-on-year increase of 4.5 percentage points. The aggregated solvency adequacy ratios of all operating entities in the insurance segment remained above 200%. We were rated "A (Excellent)" by A.M. Best and were rated "A" by S&P Global Ratings for consecutive years.

In 2021, China Re Group adhered to the spirit of drawing a blueprint to the end, fully inherited the strategic reasonable core of "One-Three-Five" and refined it as the strategy of "One-Four-Five" with "One Core, Four Pivots and Five Upgrades" as its main content. **"One Core"** highlights the reinsurance business as the core, strengthens the core competitiveness as a national reinsurance team and focuses on the main business of reinsurance to promote the comprehensive layout of industry chains, consolidate our domestic leading position, and enhance our global influence, so as to better serve the national strategies and national well-being. **"Four Pivots"** are to provide an innovative product solution that integrates reinsurance, technologies and services, and enhance the capabilities in leading the industry through "product innovation"; become a key participant, resource integrator and service synthesizer in insurance-related industry chains through "platform-driver"; speed up the transformation towards the model of intelligent operations, reinsurance as primary insurance and ecological platform through "technological empowerment"; and continue to enhance our global competitiveness, better protect China's overseas interests, and in turn benefit domestic innovative development through "global linkage". **"Five Upgrades"** are to achieve comprehensive improvement in the five major aspects of value, data, ecosystem, talents and culture, sparing no efforts to develop a world-class comprehensive reinsurance group with sustainable development capability and core competitiveness.

STATEMENT FROM THE CHAIRMAN

STATEMENT FROM THE CHAIRMAN

In 2021, China Re Group prioritised serving the national strategies, and the sum insured for P&C insurance in serving the relevant key national strategies amounted to nearly RMB20 trillion, representing a year-on-year increase of 28%. The market share of health protection reinsurance serving the Healthy China strategy exceeded 40%, with nearly 200 new innovative products winning over 20 awards. **We assisted in the construction of the national governance system and the "dual carbon" objective**, providing assistance to Henan's flood and other disaster events in no time and deeply participating in the catastrophe pilot projects in 16 provinces, municipalities and regions across the country. China Re Group served as the leading or sole reinsurer in over 80% of such projects, and successfully issued the first catastrophe bond in Hong Kong market. The innovative IDI business "Shanghai Model" was promoted nationwide, with a total guaranteed GFA of nearly 0.14 billion square metres and a total insured amount of nearly RMB500.0 billion. We provided comprehensive protection for nearly RMB1 trillion-worth of assets and 24 thousand front-line personnel of all domestic nuclear power generating units in operation, and assisted nuclear power enterprises to reduce carbon emissions by 302 million tons. **We served the Healthy China strategy** and offered insurance coverage of over RMB30 trillion for critical illnesses and long-term care for the government and urban and rural residents. As a major domestic reinsurer, we supported more than 50 "Hui Min Bao" (惠民保) projects, covering approximately 50% of policyholders in China, and offered reinsurance protection for the quality and safety liability of 0.8 billion doses of the inactivated COVID-19 vaccines in China as well as RMB10.0 billion risk protection for vaccine export transportation. **We assisted in the rural revitalization strategy** by expanding the poverty eradication insurance from Xunhua County, Qinghai to 28 provinces across the country, and helped Xunhua County in Qinghai Province to further consolidate the results of poverty alleviation. China Re Group undertook the national policy-supported agricultural insurance retrocession business to vigorously expand the reinsurance business of commercial agricultural insurance with risk protection of RMB110.0 billion, and supported the expansion of pilot projects of the total cost and income insurance for main grains and crops, covering nearly 200 major grain-producing counties nationwide. **We assisted in the "Belt and Road" construction**, that China Re Group acted as the chair unit and management organisation of the "Belt and Road" Reinsurance Community of the PRC. In its first year of operation, the "Belt and Road" Reinsurance Community provided special risk protection for RMB16.1 billion-worth of assets of 19 overseas interest projects of China. We also led the establishment of the "Belt and Road" Political Violence Insurance Consortium of the Lloyd's, building an international leading position in the field of political violence insurance for overseas interests of China.

In 2021, China Re Group issued the "Digital China Re 2.0" strategy to accelerate digital transformation. We persisted on the development logic of "gathering resources, building platforms and creating ecosystems", further portrayed the blueprint of digital development, and continued to increase investment in technology. The average annual growth rate of related expenses during the period of "14th Five-Year" Plan would be no less than 15%. Achieving positive outcomes in technological innovation, our iterated and developed China Earthquake Catastrophe Model 3.5 became the only scientific research project in China's insurance industry that was selected for the National "13th Five-Year" Plan Technological Achievement Exhibition. Throughout the year, 20 new invention patents were accepted. The overall online business rate reached 85%, which was significantly better than the industry average.

In 2021, China Re Group continued to improve its international layout and expand its first-mover advantage in internationalisation. Our overseas institutions have expanded to 11 countries and regions, with international business written premiums accounting for 18.9% and overseas investment assets accounting for 25.9%. The overseas business of P&C reinsurance achieved underwriting profits in all aspects, realising stability in business, operation and team in the three years since the acquisition of Chaucer. Our operating performance constantly outperformed the overall level of the Lloyd's market. With the "Belt and Road" business as the link, we strengthened the coordinated development of domestic and overseas businesses.

STATEMENT FROM THE CHAIRMAN

Looking ahead, with the opportunities and challenges, China's macro-economic foundation is solid and positive, however, China falls far behind global average in terms of insurance density and depth, and the coverage of insurance products has yet to keep up with the actual needs of people. More stringent regulations create a favourable environment, that the insurance industry has entered a new development stage of supply optimisation, orderly competition and standardised operation. The functional positioning of insurance companies has changed from a pure risk-taker to a comprehensive risk manager, reshaping the trading model in a customer-oriented manner, supporting competitiveness with ecosystem construction, and seizing the blue ocean market with technological empowerment. At the same time, risks and challenges are increasing. The complex and severe global environment and the accelerating evolution of tremendous changes, coupled with the recurring COVID-19 pandemic, the volatile capital market and extreme climate changes causing frequent catastrophes, all these factors have led to a slowdown in premium growth and weakened profitability, posing great pressure on the transformation of China's insurance industry.

In response to the market trend, China Re Group adheres to the principle of stability, focusing on the main responsibility and strengthening the main business to ensure a stable market position, steady growth in performance, and robust risk control. We strive to be in the lead in terms of product innovation and digital transformation, excel in ecological layout and track development, and improve efficiency through refined management and synergy. Leveraging the characteristics of our reinsurance main business and our advantages in comprehensive development, we fully cover major national strategies, with a focus on three key areas, namely agricultural insurance, Hui Min Bao and new energy vehicle insurance, in order to seize new development opportunities as we strengthen our services to national strategies. Attaching equal importance to increasing income and reducing expenditure, we secure the fundamentals of automobile insurance, boost the layout of non-automobile insurance, seize the opportunities in the health and aged-care market, steadily develop our international business, and actively expand third-party asset management, with a view to achieving constant improvement in efficiency as we enhance value creation. Focusing on innovative products developed in areas such as digital technology, green and low-carbon, health and aged-care, and inclusive livelihood, we consolidate our industry position as we bolster product innovation and technological empowerment through digital transformation and further cost reduction, efficiency improvement and revenue increase. In addition, the constant advancement of our capabilities in risk early warning, identification, prevention and mitigation ensures that risks are "clearly seen, accessible and manageable" to defend our bottom line of safety as we strengthen risk prevention and control.

In conclusion, in 2022, China Re Group will strictly follow the general principle of "seeking progress while maintaining stability, enhancing value", implement the operational approach of "stabilising growth, adjusting structure, controlling risks, improving efficiency", and secure the fundamentals with new momentum for active adaptation to industry transformation while expediting the high-quality development of the Company in order to generate sustainable and stable investment returns for shareholders.

Yuan Linjiang
Chairman

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

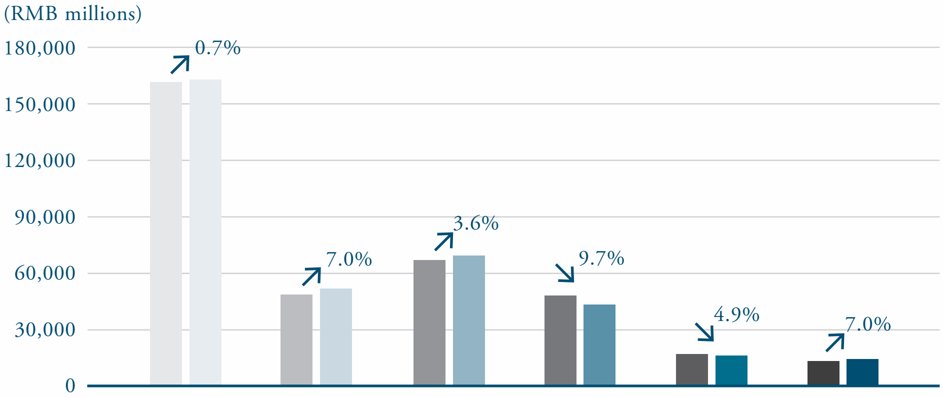
OVERVIEW

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

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:



2020		2021
161,574	Gross written premiums	162,732
48,573	P&C reinsurance[1]	51,954
66,957	Life and health reinsurance[1]	69,374
48,167	Primary P&C insurance[1]	43,496
17,122	Total investment income[2]	16,275
13,500	Net investment income[4]	14,445

Total investment yield (%)[3]

2020
6.01

2021
5.17

Decrease by 0.84 percentage points

Net investment yield (%)[5]

2020
4.74

2021
4.59

Decrease by 0.15 percentage points

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

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

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

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

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

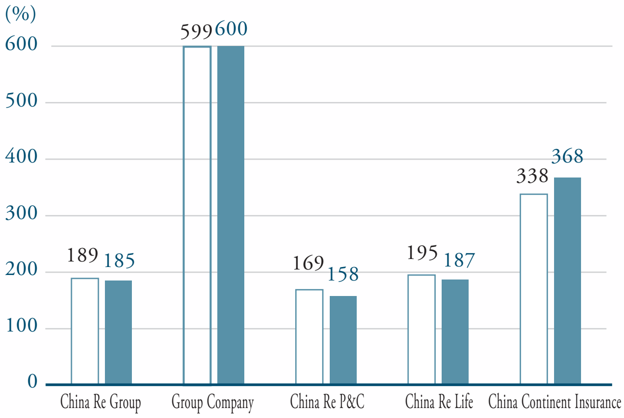
3. Total investment yield = Total investment income ÷ average of total investment assets as at the beginning and end of the period.

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

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

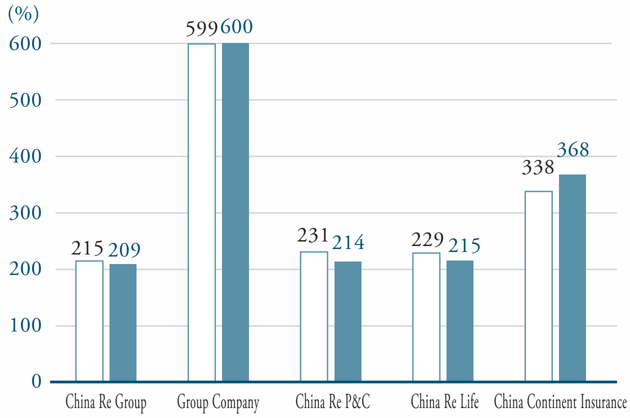
Core solvency adequacy ratio

☐ As at 31 December 2020 ■ As at 31 December 2021



Aggregated solvency adequacy ratio

☐ As at 31 December 2020 ■ As at 31 December 2021



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

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

In 2021, we made steady progress in operation and management. First, the premium volume grew steadily. The Group's gross written premiums amounted to RMB162,732 million, representing a year-on-year increase of 0.7%; we achieved steady growth in domestic P&C reinsurance and life and health reinsurance businesses while maintained rapid growth in overseas business; in 2021, the Group was recognised as one of the "Top 500 Global Companies" by FORTUNE magazine. Second, the operation results improved steadily. The net profit amounted to RMB6,390 million, representing a year-on-year increase of 7.9%; the weighted average return on equity reached 6.84%, representing a year-on-year increase of 0.50 percentage points. Third, the structural adjustment advanced constantly. The Group's premium income from overseas businesses accounted for 18.9%, representing a year-on-year increase of 2.3 percentage points, among which, the P&C reinsurance overseas businesses accounted for 32.4%, representing a year-on-year increase of 1.5 percentage points; the protection-type business in life and health reinsurance business accounted for 37.6%, representing a year-on-year increase of 6.5 percentage points; the non-motor business in primary P&C insurance business accounted for 48.0%, representing a year-on-year increase of 4.5 percentage points. Fourth, the overall risk was under control. The risk management system continuously improved, the risk management and control measures steadily enhanced, and the solvency and international ratings remained stable. During the Reporting Period, we maintained our Financial Strength Rating of "A (Excellent)" by A.M. Best and were rated "A" by S&P Global Ratings, with our financial condition remaining stable.

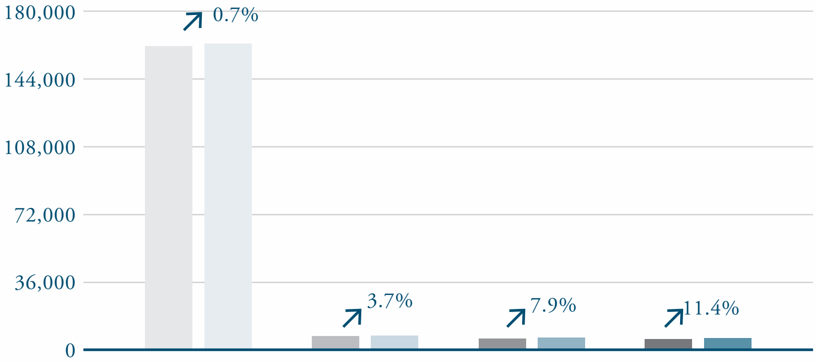
In 2021, the Group's total investment yield was 5.17% and the net investment yield was 4.59%, both representing a year-on-year decrease. Affected by the downturn of domestic and overseas equity markets, there was a year-on-year decrease in the investment income of equity and funds, thus a year-on-year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

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Indicators

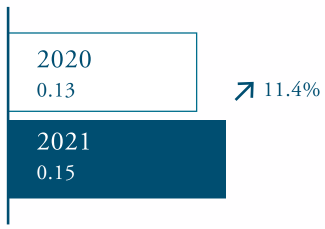
The following table sets forth the key financial indicators of China Re Group for the reporting periods indicated:

(RMB millions)

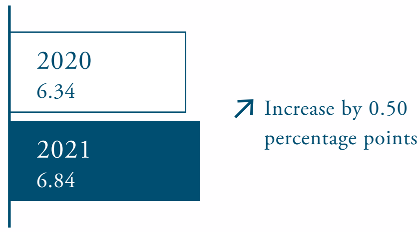


2020		2021
161,574	Gross written premiums	162,732
7,298	Profit before tax	7,569
5,924	Net Profit	6,390
5,711	Net profit attributable to equity shareholders of the parent company	6,363

Earnings per share (RMB)



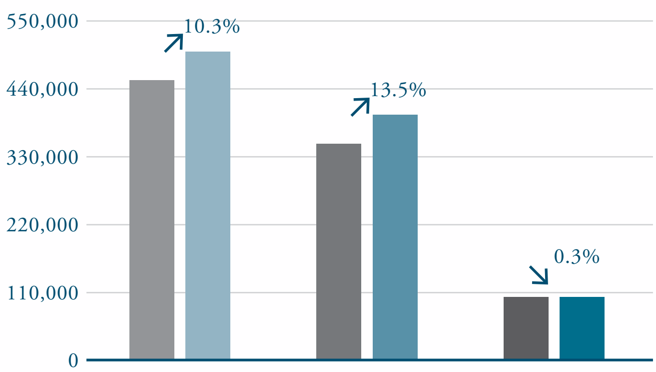
Weighted average return on equity (%)[1]



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

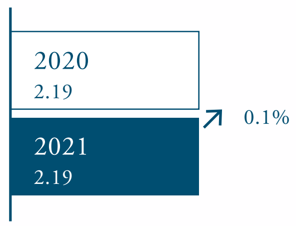
In 2021, net profit attributable to equity shareholders of the parent company of the Group amounted to RMB6,363 million, representing a year-on-year increase of 11.4%, which was mainly due to improvement of the underwriting profits of the overseas business as a result of the structure optimisation and rates increase of the overseas business.

(RMB millions)



2020		2021
453,577	Total assets	500,439
350,676	Total liabilities	397,852
102,901	Total equity	102,587

Net assets per share attributable to equity shareholders of the parent company (RMB)



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

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 2021, we endeavoured to strengthen our position as a leading domestic reinsurer. We continued to facilitate the establishment of platforms for domestic commercial insurance business and national policy-oriented business, strengthen the innovation-driven model and technological application, and accelerate the implementation of strategic initiatives. We continued to upgrade our customer service system, consistently strengthened the capability of our underwriting team, and enhanced our technical capabilities. We maintained stable development in emerging business sectors such as construction inherent defects insurance (IDI), short-term health insurance, Chinese interest abroad projects insurance, construction surety bond insurance, catastrophe insurance, intellectual property insurance and safety production liability umbrella excess of loss insurance, and thus our business structure continued to optimise.

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

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

Business Analysis

Domestic P&C Reinsurance Business

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

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

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

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance, which was generally in line with the business mix of the domestic P&C reinsurance market.

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

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

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the year ended 31 December			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	**32,828**	**93.7**	30,909	92.7
Facultative reinsurance[1]	**2,199**	**6.3**	2,442	7.3
Total	**35,027**	**100.0**	33,351	100.0

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

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

Unit: in RMB millions, except for percentages

Form of cession	For the year ended 31 December			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	**34,679**	**99.0**	32,798	98.3
Non-proportional reinsurance	**348**	**1.0**	553	1.7
Total	**35,027**	**100.0**	33,351	100.0

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

Unit: in RMB millions, except for percentages

Business channel	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2020 Amount	2020 Percentage (%)
Primary	**32,713**	**93.4**	31,163	93.4
Via broker	**2,314**	**6.6**	2,188	6.6
Total	**35,027**	**100.0**	33,351	100.0

Lines of Business

As the largest domestic specialised P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the business characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, mainly including motor, agriculture, commercial property, liability and engineering insurance. We actively captured the opportunities brought by the transformation and development of the market, vigorously developed non-motor reinsurance business. The gross written premiums of non-motor reinsurance business in our domestic P&C reinsurance business for 2021 amounted to RMB26,928 million, representing a year-on-year increase of 14.4%. Non-motor insurance business accounted for 76.9% of our overall gross written premiums, representing a year-on-year increase of 6.3 percentage points, further optimising the business structure. In particular, we achieved a rapid growth in emerging business sectors such as the construction inherent defects insurance (IDI), short-term health insurance, Chinese interest abroad projects insurance, construction surety bond insurance, catastrophe insurance, intellectual property insurance and safety production liability umbrella excess of loss insurance, with reinsurance premium income recorded at RMB2,096 million, representing a year-on-year increase of 29.6%, which further consolidated our development advantages in emerging business sectors.

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2021 Amount	2021 Percentage (%)	YoY Change (%)	2020 Amount	2020 Percentage (%)
Motor	**8,099**	**23.1**	(17.5)	9,814	29.4
Agriculture	**8,062**	**23.0**	3.0	7,825	23.5
Commercial property	**6,783**	**19.4**	25.2	5,418	16.2
Liability	**4,924**	**14.1**	29.5	3,803	11.4
Engineering	**2,690**	**7.7**	27.1	2,116	6.3
Others[1]	**4,469**	**12.7**	2.1	4,375	13.2
Total	**35,027**	**100.0**	5.0	33,351	100.0

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

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

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

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

Liability reinsurance. In 2021, reinsurance premium income from liability insurance amounted to RMB4,924 million, representing a year-on-year increase of 29.5%, mainly due to the fact that we actively captured opportunities in the liability insurance market and stepped up investment in research and development and efforts in promotion of new types of liability insurance products such as construction inherent defects insurance (IDI).

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

Clients and Client Services

In 2021, we continued to maintain good client relationships. We maintained stable cooperation relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. We continued to thoroughly adhere to our business philosophy of "customer-oriented & innovation-driven reinsurance" by focusing on clients' needs and improving the establishment of a client service system. We actively explored and implemented innovative approaches to client services. As at the end of the Reporting Period, we maintained business relationships with 84 domestic P&C insurance companies, covering 96.6% of P&C insurance companies.

Overseas P&C Reinsurance and Chaucer Business

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

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

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

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

Overseas P&C Reinsurance Business

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

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

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

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

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December			
Type of business	**2021**		2020	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**3,313**	**95.0**	3,560	89.7
Facultative reinsurance	**209**	**6.0**	298	7.5
Primary insurance	**(35)**	**(1.0)**	110	2.8
Total	**3,487**	**100.0**	3,968	100.0

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

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2021 Amount	Percentage (%)	YoY change (%)	2020 Amount	Percentage (%)
Non-marine	**2,525**	**72.4**	(6.9)	2,711	68.3
Specialty	**443**	**12.7**	(18.6)	544	13.7
Liability	**197**	**5.7**	(39.4)	325	8.2
Others[1]	**322**	**9.2**	(17.0)	388	9.8
Total	**3,487**	**100.0**	(12.1)	3,968	100.0

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

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

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

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

Chaucer Business

In 2021, the gross written premiums from Chaucer amounted to RMB13,337 million, representing a year-on-year increase of 20.7%. The combined ratio was 94.81%[1], representing a year-on-year decrease of 8.83 percentage points, the return on economic capital[2] (ROEC) was 14.8%. The primary reason for the decrease in combined ratio was that: by leveraging its own strengths, Chaucer seized the overall trend of rising rates by supplementing its capital and underwriting capabilities timely to expand its business, especially its businesses lines of property and specialty reinsurance, political violence insurance, marine insurance, primary P&C insurance and primary liability insurance, further expanding the scale of its advantageous businesses. At the same time, we made efforts to improve the policy terms and conditions, and took initiatives to adjust the underperforming businesses, hence our overall business quality has further been improved. Although affected by the catastrophic loss of the market in 2021, the effect was controllable and within expectation. The premium of contracts led by Chaucer accounted for approximately 52% of its overall gross written premiums. Chaucer is one of a limited number of Lloyd's market entities that gained market recognition and support in respect of both of its underwriting and claims fronts.

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

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

Notes: 1. Under the UK GAAP, the combined ratio of Chaucer was 91.20%, which was different from that under the International Accounting Standards mainly due to the different treatment for exchange gains and losses as well as reserve discounting and risk margin.

2. Return on economic capital = the net profit of Chaucer's statement under the UK GAAP (Management Information)/ economic capital.

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

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

Unit: in RMB millions, except for percentages

Type of business	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2020 Amount	2020 Percentage (%)
Treaty reinsurance	**5,065**	**38.0**	3,441	31.1
Facultative reinsurance	**2,088**	**15.7**	2,620	23.7
Primary insurance	**6,184**	**46.3**	4,988	45.2
Total	**13,337**	**100.0**	11,049	100.0

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2021 YoY change (%)	2020 Amount	2020 Percentage (%)
Casualty and political risk/credit insurance	**3,711**	**27.8**	17.8	3,149	28.5
Marine, energy, space and aviation, nuclear insurance	**2,873**	**21.6**	17.5	2,446	22.1
Property and political violence insurance	**2,419**	**18.1**	27.2	1,901	17.2
Others[1]	**4,334**	**32.5**	22.0	3,553	32.2
Total	**13,337**	**100.0**	20.7	11,049	100.0

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

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

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

In terms of service platforms, with headquarters in London, and international branches for Europe, the Middle East and North Africa, Latin America and Asia, Chaucer protects clients worldwide. We provide our clients with a range of flexible business platforms to choose from. On one hand, membership of Lloyd's allows Chaucer to take advantage of Lloyd's strong rating and excellent brand reputation to provide risk coverage to our clients in over 200 countries and territories worldwide. Our underwriting capacity at Lloyd's exceeded GBP1.1 billion, making us one of the leading platforms with substantial contract leadership capabilities in Lloyd's market. In response to Brexit, Syndicates 1084 and 1176 under Chaucer carried out underwriting business through Lloyd's Europe located in Brussels, Belgium in 2021. On the other hand, CIC provides company market platforms. CIC is also eligible to write excess and surplus lines business in the United States and provides Chaucer with continued access to the EU markets to offer customers more flexible options after Brexit. A branch of CIC established in Bermuda provides professional underwriting services to North American customers through professional reinsurance products such as property insurance, liability insurance and specialty insurance. In October 2021, S&P Global Ratings raised the long-term credit and financial rating of CIC from A- to A, fully reflecting the financial capability of CIC. Furthermore, the brand strength and global reputation of China Re Group have brought Chaucer many new business opportunities, including providing underwriting support to the Belt and Road related enterprises.

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

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In 2021, our reinsurance premium income from business via the CNIP platform amounted to RMB131 million.

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2021	2020	Change (%)
Gross written premiums	**51,954**	48,573	7.0
Less: Premiums ceded to reinsurers and retrocessionaires	**(4,454)**	(4,268)	4.4
Net written premiums	**47,501**	44,305	7.2
Changes in unearned premium reserves	**(2,111)**	(1,423)	48.3
Net premiums earned	**45,390**	42,882	5.9
Reinsurance commission income	**572**	541	5.7
Investment income	**3,300**	3,621	(8.9)
Exchange gains/(losses), net	**213**	67	217.9
Other income	**145**	126	15.1
Total income	**49,620**	47,238	5.0
Claims and policyholders' benefits	**(29,812)**	(27,897)	6.9
Handling charges and commissions	**(13,766)**	(14,735)	(6.6)
Finance costs	**(835)**	(604)	38.2
Other operating and administrative expenses	**(2,486)**	(2,101)	18.3
Total benefits, claims and expenses	**(46,899)**	(45,337)	3.5
Share of profits and losses of associates	**329**	168	95.8
Profit before tax	**3,050**	2,068	47.5
Income tax	**(380)**	(262)	45.0
Net profit	**2,669**	1,805	47.9

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

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

Premiums Ceded to Reinsurers and Retrocessionaires

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

Investment Income

Investment income from our P&C reinsurance segment decreased by 8.9% from RMB3,621 million in 2020 to RMB3,300 million in 2021. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Share of Profits and Losses of Associates

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

Net Profit

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIFE AND HEALTH REINSURANCE BUSINESS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis

In terms of business lines, the protection-type reinsurance business grew at a steady pace, the overseas business saw a stable growth as the Company prioritised the development of savings-type reinsurance business in low-cost overseas markets, and the financial reinsurance business recorded an increase compared to that of the previous year.

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

Unit: in RMB millions, except for percentages

Business line	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2021 YoY change (%)	2020 Amount	2020 Percentage(%)
Domestic protection-type reinsurance	**26,042**	**37.6**	25.9	20,688	31.1
Domestic savings-type reinsurance	**4,514**	**6.5**	(62.3)	11,981	18.0
Domestic financial reinsurance	**24,782**	**35.8**	11.1	22,310	33.5
Domestic in total	**55,338**	**79.9**	0.7	54,979	82.6
Overseas savings-type reinsurance	**13,757**	**19.9**	23.2	11,163	16.8
Other overseas business	**207**	**0.3**	(44.9)	376	0.6
Overseas in total	**13,964**	**20.1**	21	11,539	17.4
Total	**69,302**	**100.0**	4.2	66,518	100.0

In addition, we continued developing savings-type non-insurance business on the precondition of ensuring our business margin. The following table sets forth the TWPs of the savings-type non-insurance business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Non-insurance business	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2021 YoY change (%)	2020 Amount	2020 Percentage (%)
Domestic savings-type non-insurance	**5,154**	**99.4**	39.5	3,694	98.9
Overseas savings-type non-insurance	**30**	**0.6**	(25.0)	40	1.1
Total	**5,184**	**100.0**	38.9	3,734	100.0

Domestic Life and Health Reinsurance Business

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

In 2021, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB55,338 million, representing a year-on-year increase of 0.7%, which basically remained stable compared to the same period last year, and the TWPs amounted to RMB60,492 million (including TWPs of RMB5,154 million from savings-type non-insurance business), representing a year-on-year increase of 3.1%.

In respect of the protection-type reinsurance business, we successfully made progress while maintaining stable growth amidst challenges. The industry has experienced a growth downturn with a lack of innovation and confidence. The sales of new critical illness insurance products remained weak due to a shortage of manpower in agent channels while the development of mid-end medical care market became sluggish due to an impact of Hui Min Bao (惠民保) business. After scientifically assessing the prospects of the industry, the Company proposed the overall strategy of "seeking progress while maintaining stable growth, strengthening stability based on progress". With such strategy, we countered challenges through implementing polices in a precise manner, thereby achieving growth in both business scale and profitability. In 2021, our reinsurance premium income amounted to RMB26,042 million, representing a year-on-year increase of 25.9%. Of which, reinsurance premium income of RMB11,150 million was from the yearly renewable term reinsurance business[1] and RMB4,870 million was from the mid-end medical care insurance business. We adhered to the following principles: (i) We remained efficiency-centric and continued to put our key clients and key businesses into high priority. We accurately grasped the major business opportunities and promoted the innovative YRT business plan, as well as secured profitable contracts with key clients. (ii) We cultivated potential markets by way of traditional innovation. We tapped into the market of new critical illness insurance while sticking to bottom-line thinking in the long-term medical insurance field. We committed to the development of long-term care insurance products and have successfully launched more than 10 products throughout the year. (iii) We carried out industrial integration and innovation, achieving strategic breakthrough in Hui Min Bao and various innovative payment methods. In respect of the "Hui Min Bao" business, we provided reinsurance solutions and quotations for 97 cities, and achieved reinsurance cooperation in 50 products, covering more than 50 million people. As the innovative payment methods thrived, we explored opportunities in the network model of head private hospitals in subdivided specialized fields, and developed insurance for online clinical medicine which covers dental, generic drugs and drugs for chronic diseases. With the combined effect of innovation-driven and risk control, we overcame the challenges in development of our protection-type reinsurance business. The combined ratio (excluding operating and administrative expenses) after retrocession of the short-term protection-type business was 97.85%, representing a steady rate, and the underwriting profits were RMB415 million.

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

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

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

Overseas Life and Health Reinsurance Business

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

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

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

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

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

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December			
Type of reinsurance arrangement	**2021**		2020	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**69,094**	**99.7**	66,413	99.8
Facultative reinsurance	**208**	**0.3**	105	0.2
Total	**69,302**	**100.0**	66,518	100.0

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

Unit: in RMB millions, except for percentages

Form of cession	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2020 Amount	2020 Percentage (%)
Proportional reinsurance	**69,257**	**99.9**	66,468	99.9
Non-proportional reinsurance	**45**	**0.1**	50	0.1
Total	**69,302**	**100.0**	66,518	100.0

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

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2021 YoY change (%)	2020 Amount	2020 Percentage (%)
Life	**44,374**	**64.0**	(4.6)	46,504	69.9
Health	**21,231**	**30.7**	20.9	17,558	26.4
Accident	**3,697**	**5.3**	50.5	2,456	3.7
Total	**69,302**	**100.0**	4.2	66,518	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2021	2020	Change (%)
Gross written premiums	**69,374**	66,957	3.6
Less: premiums ceded to retrocessionaires	**(8,157)**	(5,282)	54.4
Net written premiums	**61,217**	61,675	(0.7)
Changes in unearned premium reserves	**(1,421)**	(1,001)	42.0
Net premiums earned	**59,796**	60,674	(1.4)
Reinsurance commission income	**816**	1,280	(36.3)
Investment income	**7,091**	7,338	(3.4)
Exchange gains/(losses), net	**102**	232	(56.0)
Other income	**2,347**	2,831	(17.1)
Total income	**70,152**	72,355	(3.0)
Claims and policyholders' benefits	**(60,145)**	(62,413)	(3.6)
Handling charges and commissions	**(4,833)**	(4,876)	(0.9)
Finance costs	**(641)**	(533)	20.3
Other operating and administrative expenses	**(2,339)**	(2,259)	3.5
Total benefits, claims and expenses	**(67,958)**	(70,081)	(3.0)
Share of profits and losses of associates	**1,187**	1,113	6.6
Profit before tax	**3,381**	3,387	(0.2)
Income tax	**(671)**	(774)	(13.3)
Net profit	**2,710**	2,613	3.7

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

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment increased by 3.6% from RMB66,957 million in 2020 to RMB69,374 million in 2021, mainly due to the increase of domestic protection-type reinsurance business.

Premiums Ceded to Retrocessionaires

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

Investment Income

Investment income for our life and health reinsurance segment decreased by 3.4% from RMB7,338 million in 2020 to RMB7,091 million in 2021. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment decreased by 3.6% from RMB62,413 million in 2020 to RMB60,145 million in 2021, mainly due to the impact of changes in reinsurance business structure.

Handling Charges and Commissions

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

Share of Profits and Losses of Associates

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

Net Profit

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

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

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

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

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2021 Amount	2021 Percentage (%)	YoY change (%)	2020 Amount	2020 Percentage (%)
Motor insurance	**22,432**	**52.0**	(16.8)	26,958	56.5
Accident and short-term health insurance	**7,553**	**17.5**	5.9	7,134	14.9
Surety insurance	**5,423**	**12.6**	(17.1)	6,538	13.7
Liability insurance	**2,871**	**6.7**	18.5	2,422	5.1
Cargo insurance	**1,180**	**2.7**	(17.3)	1,428	3.0
Agriculture insurance	**1,046**	**2.4**	41.4	740	1.5
Others[1]	**2,645**	**6.1**	4.5	2,531	5.3
Total	**43,150**	**100.0**	(9.6)	47,751	100.0

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

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

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

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

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

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

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

Analysis by Business Channel

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

Unit: in RMB millions, except for percentages

Business channel	For the year ended 31 December			
	2021		2020	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Insurance agents	**25,244**	**58.5**	29,300	61.4
Of which: Individual insurance agents	**15,402**	**35.7**	18,457	38.7
Ancillary insurance agencies	**2,130**	**4.9**	3,018	6.3
Professional insurance agencies	**7,712**	**17.9**	7,825	16.4
Direct sales	**13,974**	**32.4**	14,533	30.4
Insurance brokers	**3,932**	**9.1**	3,918	8.2
Total	**43,150**	**100.0**	47,751	100.0

Analysis by Region

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

Unit: in RMB millions, except for percentages

Region	For the year ended 31 December 2021 Amount	2021 Percentage (%)	2020 Amount	2020 Percentage (%)
Shanghai	**7,613**	**17.6**	8,608	18.0
Zhejiang	**3,544**	**8.2**	4,170	8.7
Yunnan	**3,092**	**7.2**	3,471	7.3
Shandong	**2,518**	**5.8**	2,730	5.7
Inner Mongolia	**1,811**	**4.2**	2,013	4.2
Jiangxi	**1,776**	**4.1**	1,803	3.8
Henan	**1,408**	**3.3**	1,592	3.3
Guangdong	**1,390**	**3.2**	1,652	3.5
Sichuan	**1,360**	**3.2**	1,471	3.1
Shaanxi	**1,318**	**3.1**	1,144	2.4
Others	**17,320**	**40.1**	19,097	40.0
Total	**43,150**	**100.0**	47,751	100.0

Combined Ratio

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

	For the year ended 31 December 2021	2020
Loss ratio (%)	**70.93**	61.84
Expense ratio (%)[1]	**35.71**	42.60
Combined ratio (%)	**106.64**	104.44

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

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

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

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment decreased by 9.7% from RMB48,167 million in 2020 to RMB43,496 million in 2021, mainly due to the decrease in premium income of motor insurance and personal loan surety insurance.

Premiums Ceded to Reinsurers

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

Reinsurance Commission Income

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

Investment Income

Investment income for our primary P&C insurance segment decreased by 9.0% from RMB3,181 million in 2020 to RMB2,895 million in 2021. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 4.5% from RMB26,350 million in 2020 to RMB27,548 million in 2021, mainly due to the increase of loss ratio for motor insurance as a result of the effective implementation of policies for comprehensive reform of motor insurance.

Handling Charges and Commissions

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

Net profit

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

ASSET MANAGEMENT BUSINESS

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

As at the end of the Reporting Period, the balance of assets under the management of the Group amounted to RMB346,980 million, of which the total investment assets balance of the Group was RMB321,113 million, representing an increase of 4.3% from the end of the previous year; the balance of investment assets under the management of China Re AMC was RMB285,704 million.

Investment Portfolio

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

Unit: in RMB millions, except for percentages

Investment assets	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	23,096	7.2	13,872	4.5
Fixed-income investments	257,338	80.1	230,948	75.0
Time deposits	21,366	6.7	19,905	6.5
Bonds	168,255	52.4	143,091	46.5
Government bonds	14,948	4.7	11,482	3.7
Financial bonds	23,950	7.5	19,201	6.2
Enterprise (corporate) bonds	116,043	36.1	104,765	34.1
Subordinated bonds	13,314	4.1	7,643	2.5
Investments classified as loans and receivables	39,097	12.2	41,236	13.3
Other fixed-income investments[1]	28,620	8.8	26,716	8.7
Equity and investment funds	56,043	17.5	60,444	19.6
Investment funds[2]	26,246	8.2	23,814	7.7
Stocks	26,607	8.3	28,024	9.1
Unlisted equity shares[3]	3,190	1.0	8,606	2.8
Other investments	32,622	10.2	32,096	10.4
Investment in associates	26,194	8.2	25,758	8.4
Others[4]	6,428	2.0	6,338	2.0
Less: Securities sold under agreements to repurchase	(47,986)	(15.0)	(29,403)	(9.5)
Total investment assets	**321,113**	**100.0**	307,957	100.0

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

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

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

4. Including investment properties, currency swaps, etc.

In terms of investment management, by adhering to the philosophy of value investment and long-term investment while insisting on the strategy of seeking progress in stability and balanced configuration, we continued to optimise our asset allocation structure. Domestic fixed income investments continued to play the role of a "ballast", steadying the foundation of allocated income and capturing allocation patterns to substantially increase our bond allocation. We actively searched for high-quality non-standard and "non-standard alternative" products, accelerating our deployment of new categories such as public offering REITs and perpetual bond strategy funds to relieve portfolio stress. For overseas fixed income investments, we adopted short-term strategy in response to the adverse credit market environment. For equity investments, we strengthened our diversified management of style portfolio, focused on seising market opportunities while maintaining a stable operation and optimised the asset allocation structure. Meanwhile, we realised gains in a timely manner by grabbing opportunities arising from fluctuations in equity market. For alternative investments, we orderly retired developed projects while upheld the "PE + direct investment" strategy for new projects, expanded cooperation scope of fund managers and extended our fund arrangements towards earlier stages.

As at the end of the Reporting period, in terms of par value, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life, China Continent Insurance and products from insurance asset managers for management with China Re AMC acting as the trustee in aggregate held city investment bonds accounting for 8.75% of investment assets under the management of China Re AMC, local state-owned enterprise bonds (including industrial and city investment enterprises) accounting for 21.80%, and held none capital supplementation bonds of city commercial banks/rural commercial banks. Currently, there is no bond default.

As at the end of the Reporting Period, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life and China Continent Insurance to China Re AMC for management in aggregate directly held non-standard assets[1] which accounted for 13.60% of investment assets under the management of China Re AMC, of which those with an external rating of AA+ and above accounted for 85.65%. The top three industries in terms of positions held were real estate, transportation and public utilities, accounting for 37.50%, 22.95%, and 16.72%, respectively.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Since 2009, China Re Group has purchased the shares that China Everbright Bank issued domestically and in Hong Kong. During the Reporting Period, China Everbright Bank actively promoted the development of wealth management bank, contributing to a stable expansion of business scale, a steady rise of profit level and a generally controllable risk status. Overall, its operation has been stable and improving. As at the end of the Reporting Period, China Re Group held approximately 4.29% equity interest in China Everbright Bank in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

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

On 15 December 2018, China Continent Insurance entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd., to acquire a property with a total area of 36,006.28 square metres at an acquisition price of approximately RMB3,089 million, payable in cash. The property is Building No. 1 (the address is No. 6 Lane 38, Yuanshen Road) of the Shanghai Fuyuan Landmark Plaza Project located at the land plot Nos. 04-4 of Huangpu Riverbank Unit E10, Pudong New District, Shanghai, the PRC. China Continent Insurance has acquired title certificate for the project. As at the end of the Reporting Period, all of the transaction price of the project has been paid. Of which, 19,925.48 square metres is used for investment, while the remaining 16,080.80 square metres is a real estate for self-use purpose.

Investment Performance

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December	
Investment income	**2021**	2020
Cash and fixed-income investments	**8,215**	8,576
Interest income	**10,181**	9,544
Realised (losses)/gains	**(165)**	177
Unrealised losses	**(462)**	(154)
Impairment losses	**(1,339)**	(991)
Equity and investment funds	**6,055**	6,815
Dividend income	**1,713**	1,637
Realised gains	**4,508**	4,969
Unrealised(losses)/gains	**(102)**	509
Impairment losses	**(64)**	(300)
Other investments	**2,789**	2,394
Total investment income from investment in associates	**2,295**	2,178
Other gains[1]	**494**	216
Less: interest expenses on securities sold under agreements to repurchase	**(784)**	(663)
Total investment income[2]	**16,275**	17,122
Total investment yield (%)[2]	**5.17**	6.01
Net investment income[3]	**14,445**	13,500
Net investment yield (%)[3]	**4.59**	4.74

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

SOLVENCY

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

Unit: in RMB millions, except for percentages

	31 December 2021	31 December 2020	Change (%)
China Re Group			
Core capital	**99,645**	94,837	5.1
Available capital	**112,643**	107,834	4.5
Minimum capital	**53,930**	50,169	7.5
Core solvency adequacy ratio (%)	**185**	189	Decrease by 4 percentage points
Aggregated solvency adequacy ratio (%)	**209**	215	Decrease by 6 percentage points
Group Company			
Core capital	**78,950**	79,402	(0.6)
Available capital	**78,950**	79,402	(0.6)
Minimum capital	**13,163**	13,248	(0.6)
Core solvency adequacy ratio (%)	**600**	599	Increase by 1 percentage point
Aggregated solvency adequacy ratio (%)	**600**	599	Increase by 1 percentage point
China Re P&C			
Core capital	**22,627**	21,812	3.7
Available capital	**30,627**	29,811	2.7
Minimum capital	**14,304**	12,904	10.8
Core solvency adequacy ratio (%)	**158**	169	Decrease by 11 percentage points
Aggregated solvency adequacy ratio (%)	**214**	231	Decrease by 17 percentage points
China Re Life			
Core capital	**33,790**	28,631	18.0
Available capital	**38,788**	33,629	15.3
Minimum capital	**18,028**	14,663	22.9
Core solvency adequacy ratio (%)	**187**	195	Decrease by 8 percentage points
Aggregated solvency adequacy ratio (%)	**215**	229	Decrease by 14 percentage points
China Continent Insurance			
Core capital	**25,224**	26,292	(4.1)
Available capital	**25,224**	26,292	(4.1)
Minimum capital	**6,857**	7,786	(11.9)
Core solvency adequacy ratio (%)	**368**	338	Increase by 30 percentage points
Aggregated solvency adequacy ratio (%)	**368**	338	Increase by 30 percentage points

Notes: 1. Core solvency adequacy ratio = core capital ÷ minimum capital; Aggregated solvency adequacy ratio = available capital ÷ minimum capital.

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

3. The data of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitting to the CBIRC.

As at the end of the Reporting Period, the Group, the Group Company and each of the reinsurance and insurance subsidiaries of the Group were all in compliance with the regulatory requirement regarding their respective solvency. Compared with the end of 2020, the consolidated solvency adequacy ratio of China Re Group decreased, mainly due to the overall increased business of China Re Group. In particular, the solvency adequacy ratio of the Group Company remained stable. The solvency adequacy ratios of China Re P&C and China Re Life decreased, mainly due to the increased business. The solvency adequacy ratio of China Continent Insurance increased, mainly due to the decrease in minimum capital as a result of change in business structure.

According to the requirements of The Solvency Regulatory Rules (Nos. 1-17) for Insurance Companies (《保險公司償付能力監管規則(1-17號)》), the "Summary of Solvency Reports" as of the end of the fourth quarter of 2021 of the Group Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, will be disclosed on their official websites respectively and the website of Insurance Association of China in due course. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Reports as of the end of the fourth quarter of 2021:

Unit: in RMB millions

Indicator / Entity	Group Company	China Re P&C	China Re Life	Continent Insurance
As at 31 December 2021				
Net assets	60,925	22,674	21,232	26,330
For the year ended 31 December 2021				
Insurance income	5,408	39,925	61,319	43,496
Net profit	2,586	2,170	3,062	392

Notes: 1. As the consolidated scope is larger than these four companies and affected by offsetting factors when calculating the consolidated net profit of the Group, the consolidated net profit of the Group is not equal to the sum of net profits of these four companies.

2. The relevant data as at 31 December 2021 in the Summary of Solvency Reports of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitting to the CBIRC.

For viewing of the Summary of Solvency Report for the fourth quarter of 2021, shareholders and potential investors can visit the official websites of the Company at http://www.chinare.com.cn, China Re P&C at http://www.cpcr.com.cn, China Re Life at http://www.chinalifere.cn and China Continent Insurance at http://www.ccic-net.com.cn, or the website of Insurance Association of China at http://www.iachina.cn for enquiries.

EXCHANGE RATE FLUCTUATION RISK

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars, British pounds and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We control the adverse impacts of the fluctuations of exchange rates through enhancing management of the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency derivatives appropriately. As at 31 December 2021, the Group held foreign currency derivatives of RMB436 million (31 December 2020: RMB74 million).

DETAILS OF ASSETS CHARGED AND BANK BORROWINGS

As at 31 December 2021, bonds with a carrying value of RMB17,678 million (as at 31 December 2020: RMB 8,824 million) were pledged as collateral for the securities sold under agreements to repurchase resulting from debt repurchase transactions entered into by the Group in the interbank market.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balance of the related repurchase transactions during the repurchase period. As at 31 December 2021, the carrying value of securities deposited in the collateral pool was RMB49,593 million (as at 31 December 2020: RMB42,284 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

As at 31 December 2021, the Group held a long-term borrowing of USD550 million with a coupon rate of 4.7%, and the term is 60 months.

CONTINGENCIES

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

(1) As at 31 December 2021, the Group Company provided maritime guarantee of RMB1,825 million (31 December 2020: RMB2,266 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

(2) As at 31 December 2021, the letter of credit provided by the Group Company to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP100 million has been withdrawn (31 December 2020: GBP100 million).

(3) As at 31 December 2021, CRIH provided the letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP335 million totally (31 December 2020: GBP250 million).

(4) Within the Reporting Period, CRIH entered into two Tier 1 securities lending arrangements for Funds at Lloyd's with two financial institutions. The facilities amounted to GBP80 million and USD50 million (31 December 2020: GBP80 million and USD50 million) respectively.

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

(1) HKD410 million was used for the payment of underwriting expenses of initial public offering;

(2) HKD7,749 million was used for the capital increase of the subsidiaries and overseas entities of the Company;

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

(4) HKD6,665 million was used for business operations, including investment, solvency, international rating support and other activities.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Market Environment

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

For the primary P&C insurance market, in the post-pandemic era, the macro economy makes steady progress, while regulatory policies guide the insurance industry back to its root of protection, bringing new opportunities for growth regarding the transformation and development of the industry. The business structure is changing its focus rapidly from motor insurance to "Non-motor". The essence of competition shifts from expense to customer-oriented professional skills, with an emphasis on the growth of quality and profitability. The non-motor insurance is expected to grow faster, while the comprehensive reform of motor insurance is deepening, and the growth rate of premiums will earn gradually increases. Digital technology has injected new momentum into the high-quality development of the insurance industry. It is expected that the industry's growth driver and focus will continue to shift faster to non-motor insurance. Further development of non-motor insurance business will remain to be driven by key factors such as policy support, financial subsidy and consumption upgrade. Agriculture insurance, liability insurance and health insurance will maintain rapid growth momentum.

For the primary life and health insurance market, affected by recurring pandemic, pressure on economic growth, capital market fluctuations, agents manpower shortage and low productivity and other factors, we have seen the pressure of declining demand, slow transformation and lower expectation, resulting in a significant decrease in the growth of new premiums. On the other hand, the insurance industry remains in the period of strategic opportunities, with the establishment of multi-level healthcare protection system and third pillar pension insurance system being accelerated. Commercial insurance appears to be the important product in the vision of "Health China" and the strategies for an ageing population. The industry is speeding up the supply-side reform for products, channels and services, and strengthening the development of risk protection, wealth management, life and health services, aiming for the better integration of online and offline services.

In respect of the P&C reinsurance market, after the comprehensive reform of motor insurance, primary insurance companies face a substantial increase in the pressure from underwriting profits while the reinsurance market is facing certain adjustments. Business opportunities and chances for innovation continue to arise from national strategies such as self-sufficiency in service technology, green development and regional synergistic development. Non-motor insurance such as agricultural insurance, liability insurance and health insurance will continue to grow rapidly. Product innovation supported by reinsurance drives continuous development of reinsurance business model. Reinsurance will make more contributions in supporting the real economy and modernisation of social governance. Its risk management and innovation capabilities will become increasingly important in market competition.

For the life and health reinsurance market, due to factors such as long-term low interest rates and pandemic claims, fluctuations in profits derived from international life and health reinsurance companies have increased. Relying on the younger demographic structure in the emerging markets in Southeast Asia, the overseas protection-type reinsurance market is worth looking forward to. The growth of domestic protection-type reinsurance business remained sluggish, and the demand for the development and iteration of the primary insurance market products increased. As a result, data, product and service innovation have become the keys to stand out in the competitive reinsurance market. Under the environment of low interest rates and with the implementations of IFRS 17 and the "C-ROSS" Phase II project, there were opportunities and challenges arising from savings-type and financial reinsurance business.

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

Outlook of China Re Group

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

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

For the life and health reinsurance business, we will adhere to the requirements under the "14th Five-Year" Plan, continue to focus on "seeking progress while maintaining growth, carrying out reform and innovation", actively promote supply side reforms such as products and services by taking major development opportunities such as the health insurance development of the industry, industrial integration and digital transformation, carefully evaluate business development strategies in a low interest rate environment, and actively prepare for the implementations of IFRS 17 and the "C-ROSS" Phase II and continue to pay attention to industry policies and risk events. Focusing on "Data+" and "Product+", we will vigorously expand business scale of the protection-type business, explore policy opportunities such as new critical illnesses, long-term medical care and inclusive medical care, innovate and upgrade product development and service integration, as well as continue to strengthen risk prevention and management to promote high-quality development of the protection-type business. We will strictly control operating cost, enhance the asset-liability matching and risk management of the savings-type business. Anchored in meeting our customers' needs, strengthen counterparty risk management and existing business management, and develop the financial reinsurance business with innovative solutions under the principle of risk control. We will fully capitalise on "(domestic and overseas) dual-markets" and "(business and investment) dual-platforms" to achieve the collaborative development of business in domestic and overseas markets.

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

In respect of the asset management business, we will consolidate, coordinate and firmly promote the implementation of the development strategy under the "14th Five-Year" Plan, using professionalism, marketisation and internationalism as our fulcrums to push for the realisation of strategic missions such as productisation transformation. We will continue to adhere to a steady and prudent investment concept and strengthen our judgement on the key factors such as the economic situation, market environment and interest rate trends, aiming to achieve more forward-looking and effective asset allocation. We will continue to double down on research, allocation, innovation and risk control and devote more resource to make up for shortcomings, eliminate weaknesses and strengthen our advantages. We will promote the development of marketisation and professionalisation with productisation, and make due efforts to develop third-party businesses. We will attach great importance to risk management and continue to increase our awareness of proactive risk management, cultivate a stable and prudent risk culture and continue to perfect our comprehensive risk management system.

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	February 2017 September 2018
Zhuang Qianzhi	January 1972	Executive Director	August 2021
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
Li Bingquan	June 1972	Non-executive Director	January 2022
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. Ms. Lu Xiuli ceased to serve as a non-executive Director since 30 July 2021.

3. 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Supervisors

Name	Month and Year of Birth	Position	Date of Appointment
Xiong Lianhua	August 1967	Shareholder Representative Supervisor, Chairlady of the Board of Supervisors	June 2021
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

Senior Management

Name	Month and Year of Birth	Position	Date of Appointment
He Chunlei	April 1965	President	September 2018
Zhuang Qianzhi	January 1972	Vice President, Chief Risk Officer	April 2021
Zhu Xiaoyun	August 1975	Vice President Board Secretary Joint Company Secretary	November 2021 June 2017 April 2017
Lei Jianming	June 1979	Assistant to the President	March 2022
Tian Meipan	October 1974	Chief Actuary	December 2012
Cao Shunming	August 1974	Compliance Controller	March 2022

Notes:
1. Mr. Ren Xiaobing ceased to serve as the Vice President, Compliance Controller and Chief Risk Officer since 25 February 2021.
2. Ms. Liu Tianyang ceased to serve as the Audit Controller since 30 March 2021.
3. Mr. Zhuang Qianzhi served as the Compliance Controller from 26 July 2021 to 15 March 2022.

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 Company Limited; a non-executive director of Agricultural Bank of China Limited; 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 holds a master's degree in Business Administration.

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, a director and the chairman of the board of directors of China Re Life, a non-executive director of Shanghai Insurance Exchange Company Limited, and the chairman of "Belt and Road" Reinsurance Community of the PRC. Mr. He holds a doctoral degree in economics.

Mr. Zhuang Qianzhi (莊乾志), is an executive Director, the Vice President, and the Chief Risk Officer of the Company. He is a senior economist. Before joining the Company, Mr. Zhuang served as a deputy general manager of the investment banking department of China Jianyin Investment Ltd., an executive director and vice president of the Southwest Securities Co., Ltd., the head of strategy development department, the head of the general office (party committee office), the head of the office of the board of directors, the head of office of the board of supervisors, the employee director and the general manager of risk management department of China Jianyin Investment Ltd., the chairman of the board of directors of Beijing Jiantou Kexin Technology Development Co., Ltd., the chairman of the board of directors of JIC Technology Investment Co., Ltd., and the assistant to the president of China Jianyin Investment Ltd. Mr. Zhuang has been the Vice President and the Chief Risk Officer of the Company since April 2021, the Compliance Controller of the Company since July 2021 and an executive Director of the Company since August 2021, and ceased to serve as the Compliance Controller of the Company since March 2022. Mr. Zhuang holds a doctoral degree in economics.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Directors

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); and 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 holds a doctoral degree in macroeconomics.

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 serves as a non-executive director of Agricultural Bank of China Limited. Mr. Liu has been a non-executive Director of the Company since November 2019. Mr. Liu holds a doctoral degree in world economics.

Mr. Li Bingquan (李丙泉), is a non-executive Director of the Company and a senior auditor. Mr. Li served as the cadre, deputy senior staff member, senior staff member and deputy director of general office of Jinan Resident Audit Office of the NAO; the head of the audit team of the general office of the board of supervisors/internal audit department, and the senior deputy manager and senior manager of the general office of the board of supervisors/internal audit department of China Investment Corporation. Mr. Li is currently a managing director of Central Huijin. Mr. Li has been a non-executive Director of the Company since January 2022. Mr. Li holds a master's degree in business administration.

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 holds a bachelor's degree of economics in finance.

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. Mr. Li has been an independent non-executive Director of the Company since December 2014. Mr. Li holds a bachelor's degree of economics in accounting.

Ms. Mok Kam Sheung (莫錦嫦), is an independent non-executive Director of the Company. Ms. Mok has over 25-year working experience of legal affairs. Ms. Mok is now a partner of CFN Lawyers. Ms. Mok has been an independent non-executive Director of the Company since August 2015, and she is currently an independent director of China Reinsurance (Hong Kong) Company Limited. Ms. Mok holds a Bachelor of Arts (honours) degree and a Common Professional Examination diploma in laws. 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 GuoDu Securities Co., Ltd. Ms. Jiang has been an independent non-executive Director of the Company since December 2018. Ms. Jiang holds a doctoral degree in economics.

Supervisors

Ms. Xiong Lianhua (熊蓮花), is the shareholder representative Supervisor and the Chairlady of the Board of Supervisors of the Company. Before joining the Company, Ms. Xiong served as a vice division director, a division director and an inspector of deputy-bureau-level of the PBOC. Ms. Xiong served as the designated director of the Comprehensive Management Department/Banking Institutions Department II, the Securities Institution Management Department/Insurance Institution Management Department and the Office of the Directly Managed Enterprises Leading Group/Equity Management Department II, and the joint chairlady of the Risk and Internal Control Committee of Central Huijin. Ms. Xiong has been appointed as the shareholder representative Supervisor and the Chairlady of the Board of Supervisors of the Company since June 2021. Ms. Xiong holds a master's degree in economics.

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). Mr. Zhu has been appointed as a shareholder representative Supervisor of the Company since December 2014. Mr. Zhu holds a doctoral degree in economics.

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, senior manager and the leader of the tax group of the financial department of China Investment Corporation. Mr. Zeng is currently the leader of capital and treasury group of the financial department of China Investment Corporation. Mr. Zeng has been appointed as a shareholder representative Supervisor of the Company since July 2018. Mr. Zeng holds a doctoral degree in accounting and was qualified as a National High-end Accounting Talent, 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 the general manager of the risk management department of the Company and a director of China Re Life. Mr. Qin is concurrently serving as the vice president of China Continent Insurance. Mr. Qin has been appointed as an employee representative Supervisor of the Company since June 2018. Mr. Qin holds a bachelor's degree in accounting.

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. Mr. Li has been appointed as an employee representative Supervisor of the Company since June 2018. Mr. Li holds a doctoral degree in finance.

Senior Management

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

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

Ms. Zhu Xiaoyun (朱曉雲), is the Vice President, 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, the deputy head and the head of the general office of the Company and the head of the general office (party committee office) of the Company. Ms. Zhu currently serves as the general manager of Human Resources Department of the Company. Ms. Zhu has been the joint company secretary of the Company since April 2017, the Board Secretary of the Company since June 2017 and the Vice President of the Company since November 2021. Ms. Zhu served as a director of Huatai Insurance Agency and Consultant Service Limited and China Banking and Insurance Media Company Ltd. (formerly known as China Insurance Media Company Ltd.). Ms. Zhu holds a master's degree in economics.

Mr. Lei Jianming (雷建明), is the Assistant to the President of the Company. Prior to joining the Company, Mr. Lei served as the chief marketing officer and the general manager of the sales and marketing department of the Guangdong Branch, the assistant to the general manager and the deputy general manager of the Guangxi Branch, the deputy general manager (in charge of daily operation) and the general manager of the Guizhou Branch and the general manager of the Hunan Branch of New China Life Insurance Company Ltd. Mr. Lei has been the Assistant to the President of the Company since March 2022. Mr. Lei holds a master's degree in agricultural extension.

Mr. Tian Meipan (田美攀), is the Chief Actuary of the Company. Prior to 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 holds a master's degree in finance. He has also obtained the qualification of actuary in North America and the PRC.

Mr. Cao Shunming (曹順明), is the Compliance Controller and an associate researcher of the Company. Prior to joining the Company, Mr. Cao served in People's Insurance Company of China, PICC Asset Management Company Limited and PICC Property and Casualty Company Limited. Mr. Cao served as the deputy general manager of risk management and legal and compliance department, the deputy general manager of the internal control, compliance and legal affairs department and an employee representative Supervisor of the Company. Mr. Cao currently serves as the legal controller, the general manager of the internal control, compliance and legal affairs department, the general manager of the risk management department of the Company and the chairman of the supervisory committee of Huatai Insurance Agency and Consultant Service Limited. Mr. Cao has been the Compliance Controller of the Company since March 2022. Mr. Cao holds a doctoral degree in law and lawyer qualification in the PRC.

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 a director of the listing services department of TMF Hong Kong Limited. Ms. Ng has over 21 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 holds a master's degree in law, and is a Chartered Secretary, a Corporate Governance Professional and a Fellow of the Hong Kong Chartered Governance Institute (formerly known as 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Changes of Directors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Ren Xiaobing	Executive Director	Nil	Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as an Executive Director.
Lu Xiuli	Non-executive Director	Nil	Since 30 July 2021, Ms. Lu Xiuli ceased to serve as a Non-executive Director.
Zhuang Qianzhi	Nil	Executive Director	Since 16 August 2021, Mr. Zhuang Qianzhi has served as an Executive Director.
Li Bingquan	Nil	Non-executive Director	Since 10 January 2022, Mr. Li Bingquan has served as a Non-executive Director.

For details of Mr. Ren Xiaobing's cessation, please refer to the announcement of the Company dated 25 February 2021. For details of Ms. Lu Xiuli's cessation, please refer to the announcement of the Company dated 30 July 2021. For details of Mr. Zhuang Qianzhi's appointment, please refer to the announcements of the Company dated 26 April 2021, 25 June 2021 and 17 August 2021 and the circular of the Company dated 10 May 2021. For details of Mr. Li Bingquan's appointment, please refer to the announcements of the Company dated 28 September 2021, 29 October 2021 and 11 January 2022 and the circular of the Company dated 5 October 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.

Change of Supervisor and Her Information

Name	Original Position	Present Position	Change of Biography
Xiong Lianhua	Nil	Shareholder Representative Supervisor, Chairlady of the Board of Supervisors	Since 4 June 2021, Ms. Xiong Lianhua has served as a Shareholder Representative Supervisor and the Chairlady of the Board of Supervisors.

For details of Ms. Xiong Lianhua's appointment, please refer to the announcements of the Company dated 25 February 2021, 20 April 2021 and 4 June 2021 and the circular of the Company dated 2 March 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 Supervisors or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

Changes of Senior Management and Their Information

Name	Original Position	Present Position	Changes of Biographies
Ren Xiaobing	Vice President, Compliance Controller, Chief Risk Officer	Nil	Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as the Vice President, the Compliance Controller and the Chief Risk Officer of the Company.
Liu Tianyang	Audit Controller	Nil	Since 30 March 2021, Ms. Liu Tianyang ceased to serve as the Audit Controller of the Company.
Zhuang Qianzhi	Nil	Vice President, Chief Risk Officer	Since 16 April 2021, Mr. Zhuang Qianzhi has served as the Vice President of the Company; since 21 April 2021, he has served as the Chief Risk Officer of the Company; from 26 July 2021 to 15 March 2022, he served as the Compliance Controller of the Company.
Zhu Xiaoyun	Board Secretary, Joint Company Secretary	Vice President, Board Secretary, Joint Company Secretary	Since 26 November 2021, Ms. Zhu Xiaoyun has served as the Vice President of the Company.
Lei Jianming	Nil	Assistant to the President	Since 21 March 2022, Mr. Lei Jianming has served as the Assistant to the President of the Company.
Cao Shunming	Nil	Compliance Controller	Since 15 March 2022, Mr. Cao Shunming has served as the Compliance Controller of the Company.

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 2021, China Re Group had a total of 55,407 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.

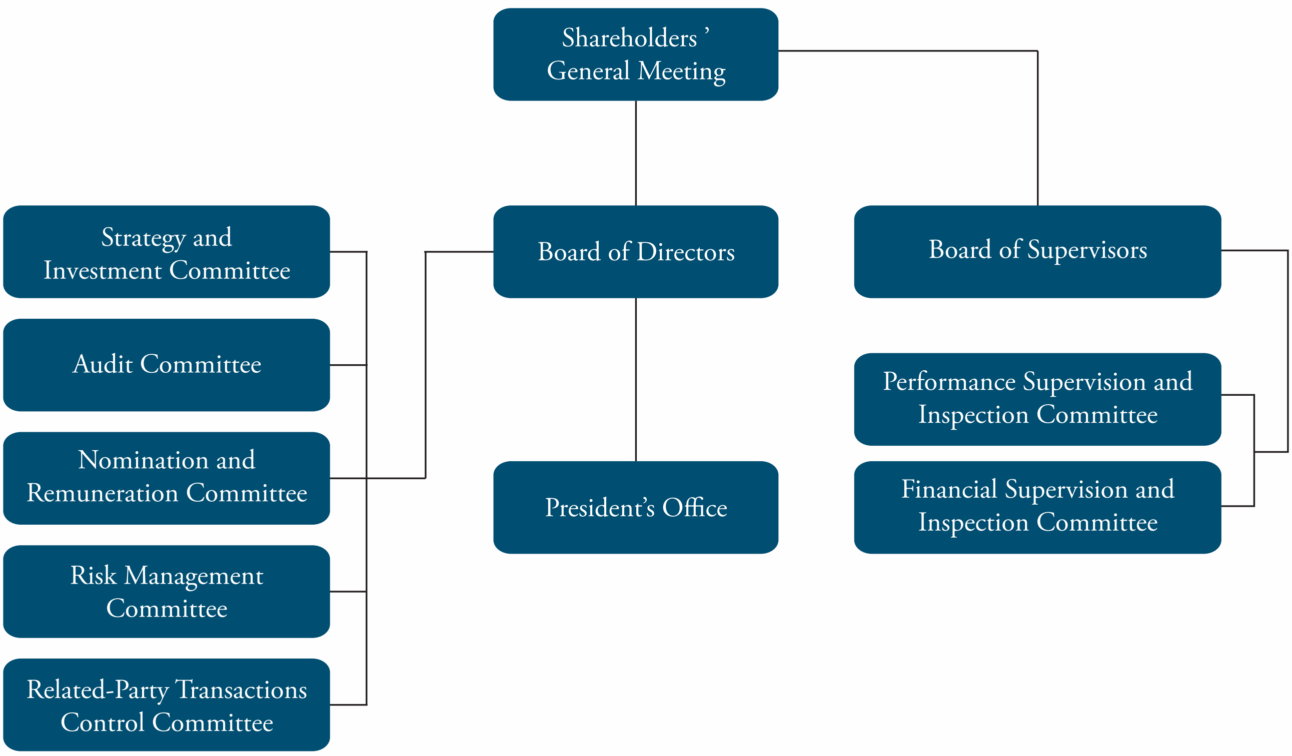
CORPORATE GOVERNANCE REPORT

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 all applicable 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 three shareholders' general meetings and the resolutions considered and approved at the meetings included:

- To consider and approve the resolution on the election of Ms. Xiong Lianhua as a Supervisor for the Fourth Session of the Board of Supervisors of the Company;
- To consider and approve the resolution on matters regarding remuneration of relevant Directors and Supervisors of the Company for the Year 2019;
- To consider and approve the election of Mr. Zhuang Qianzhi as an executive Director of the Company;
- To consider and approve the Report of the Board of Directors for the Year 2020;
- To consider and approve the Report of the Board of Supervisors for the Year 2020;
- To consider and approve the Final Financial Accounts Report for the Year 2020;

- To consider and approve the Profit Distribution Plan for the Year 2020;
- To consider and approve the Investment Budget for Fixed Assets for the Year 2021;
- To consider and approve the Engagement of Statutory Financial Reporting Auditors and the Related Fees for the Year 2021; and
- To consider and approve the resolution on the Outline of the "Fourteenth Five-Year" Strategic Plan of China Re Group.

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 issued 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 meeting. 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

As at the end of the Reporting Period, the Board comprised 10 Directors, consisting of three executive Directors, three 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
Zhuang Qianzhi	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

Notes:
1. Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as an executive Director.
2. Since 30 July 2021, Ms. Lu Xiuli ceased to serve as a non-executive Director.
3. Since 16 August 2021, Mr. Zhuang Qianzhi has served as an executive Director.
4. Since 10 January 2022, Mr. Li Bingquan has served as a non-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.

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 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.

CORPORATE GOVERNANCE REPORT

Summary of the Work Undertaken

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

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)
Yuan Linjiang	3/3	100
He Chunlei	3/3	100
Ren Xiaobing	0/0	–
Zhuang Qianzhi	1/1	100
Lu Xiuli	2/2	100
Wen Ning	3/3	100
Wang Xiaoya	3/3	100
Liu Xiaopeng	3/3	100
Hao Yansu	3/3	100
Li Sanxi	3/3	100
Mok Kam Sheung	3/3	100
Jiang Bo	3/3	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	7/7	100	0/7	0
He Chunlei	7/7	100	0/7	0
Ren Xiaobing	0/0	–	0/0	–
Zhuang Qianzhi	4/4	100	0/4	0
Lu Xiuli	3/3	100	0/3	0
Wen Ning	6/7	86	1/7	14
Wang Xiaoya	7/7	100	0/7	0
Liu Xiaopeng	7/7	100	0/7	0
Hao Yansu	7/7	100	0/7	0
Li Sanxi	7/7	100	0/7	0
Mok Kam Sheung	7/7	100	0/7	0
Jiang Bo	7/7	100	0/7	0

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Board held a total of seven meetings, at which 66 resolutions were considered and approved and 20 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 supported the commencement of the "Fourteenth Five-Year" 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 2021. 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, Mr. Zhuang Qianzhi, 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.

CORPORATE GOVERNANCE REPORT

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, and 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 one non-executive Director, being Mr. Wen Ning (vice chairman), and three independent non-executive Directors, being Mr. Hao Yansu (chairman), Mr. Li Sanxi and Ms. Mok Kam Sheung.

Notes: 1. Since 30 July 2021, Ms. Lu Xiuli ceased to serve as a member of the Nomination and Remuneration Committee.

2. Since 10 January 2022, Mr. Li Bingquan has served as a member of the Nomination and Remuneration Committee.

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 meeting. 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 meeting. In 2021, 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), Zhuang Qianzhi (executive Director), Wen Ning (non-executive Director), Wang Xiaoya (non-executive Director)

Notes: 1. Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as a member of the Strategy and Investment Committee.

2. Since 28 September 2021, Mr. Zhuang Qianzhi has served 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 five meetings and considered and approved 14 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	5/5	100	0/5	0
He Chunlei	5/5	100	0/5	0
Ren Xiaobing	0/0	–	0/0	–
Zhuang Qianzhi	3/3	100	0/3	0
Wen Ning	5/5	100	0/5	0
Wang Xiaoya	5/5	100	0/5	0

During the Reporting Period, the Strategy and Investment Committee thoroughly studied and discussed matters including the operation plans, budgets, report on the final accounts, profits distribution plan, "Fourteenth Five-Year" Strategic Plan, three-year rolling capital plan, the development plan of Digital China Re 2.0 of the Group, as well as the establishment of an international department and China Re Institute, proposed constructive suggestions, and played an important role in areas including the formulation and implementation of significant strategies 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 five meetings, considered and approved nine resolutions, and received three 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	5/5	100	0/5	0
Jiang Bo	5/5	100	0/5	0
Wen Ning	5/5	100	0/5	0
Liu Xiaopeng	5/5	100	0/5	0
Hao Yansu	5/5	100	0/5	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 and interim results announcements and reports, work plan of internal audit, as well as the compliance and internal control assessment report, 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 four Directors, including three independent non-executive Directors and one non-executive Director.

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

Notes: 1. Since 30 July 2021, Ms. Lu Xiuli ceased to serve as a member of the Nomination and Remuneration Committee.

2. Since 10 January 2022, Mr. Li Bingquan has served as a member of the Nomination and Remuneration Committee.

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, and considered and approved 20 resolutions.

Attendance records of the meetings were as follows:

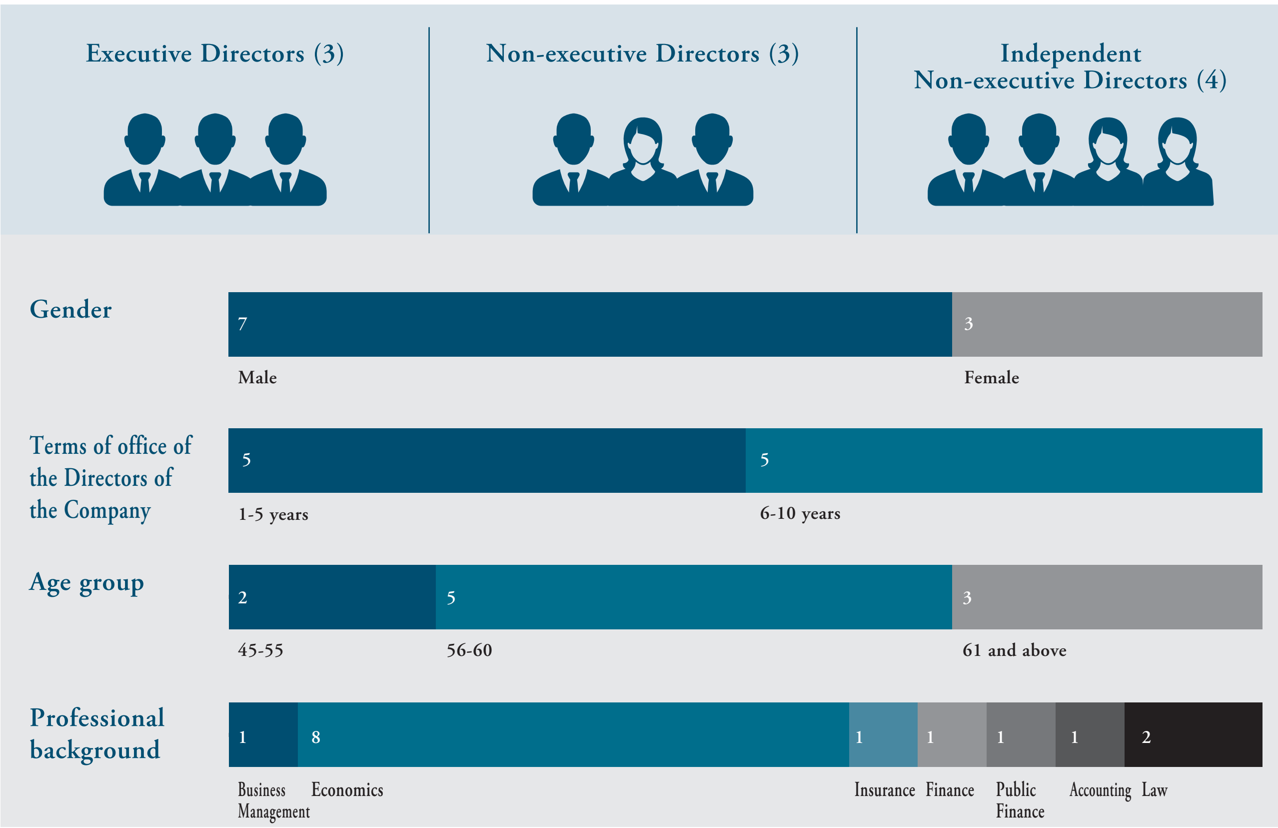
Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Hao Yansu	5/5	100	0/5	0
Wen Ning	5/5	100	0/5	0
Lu Xiuli	3/3	100	0/3	0
Li Sanxi	5/5	100	0/5	0
Mok Kam Sheung	5/5	100	0/5	0

During the Reporting Period, the Nomination and Remuneration Committee discussed and studied matters including the settlement for gross salaries of China Re Group, the remuneration and nomination for Directors, Supervisors and senior management and renewal of liability insurance for Directors, Supervisors and senior management, which further pushed forward the improvement of the incentive and disciplinary system of the Company and continued to improve the effectiveness of the incentive system.

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 four Directors, including two executive Directors, one non-executive Director and one independent non-executive Director.

Chairlady: Jiang Bo (independent non-executive Director)

Members: He Chunlei (executive Director), Zhuang Qianzhi (executive Director), Liu Xiaopeng (non-executive Director)

Notes:
1. Since 25 February 2021, Mr. Ren Xiaobing ceased to serve as a member of the Risk Management Committee.
2. Since 30 July 2021, Ms. Lu Xiuli ceased to serve as the Vice chairlady of the Risk Management Committee.
3. Since 28 September 2021, Mr. Zhuang Qianzhi has served as a member of the Risk Management Committee.
4. Since 10 January 2022, Mr. Li Bingquan has served 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 four meetings, and considered and approved 13 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	4/4	100	0/4	0
Lu Xiuli	2/2	100	0/2	0
He Chunlei	4/4	100	0/4	0
Ren Xiaobing	0/0	–	0/0	–
Zhuang Qianzhi	1/1	100	0/1	0
Liu Xiaopeng	4/4	100	0/4	0

During the Reporting Period, the Risk Management Committee studied the risk appetite, the interim and annual reports for risk oriented solvency, the internal control assessment report, 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 five meetings, and considered and approved seven 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	5/5	100	0/5	0
Liu Xiaopeng	5/5	100	0/5	0
Li Sanxi	5/5	100	0/5	0
Mok Kam Sheung	5/5	100	0/5	0
Jiang Bo	5/5	100	0/5	0

During the Reporting Period, the Related-Party Transactions Control Committee considered significant related-party transactions, the report on the overall related-party transactions and the report on the evaluation of internal transactions of the Company, 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 play important roles 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, and basic management systems 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 assessment on rules and regulations, and amended the Measures on the Administration of Rules and Regulations to further administer the systematic management of rules and regulations of the Group, and to enhance the scientific basis and implementation of rules and regulations. (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 the 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.

CORPORATE GOVERNANCE REPORT

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 for 2021. 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 its 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 2021, 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 risk management framework of the Company does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits, in order to support the sustainability of the business and creation of long-term value, and can only provide reasonable and not absolute assurance against material misrepresentation or loss. 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:	Xiong Lianhua (Chairlady), Zhu Yong (shareholder representative Supervisor), Zeng Cheng (shareholder representative Supervisor), Qin Yueguang (employee representative Supervisor), Li Jingye (employee representative Supervisor)

Note: Ms. Xiong Lianhua has served as a Supervisor, the chairlady of the Board of Supervisors, and the chairlady of the Performance Supervision and Inspection Committee of the Board of Supervisors since 4 June 2021.

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.

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 seven meetings in total, considered and studied 12 resolutions and received 17 reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held six 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 (%)
Xiong Lianhua	3/3	100	0/3	0
Zhu Yong	7/7	100	0/7	0
Zeng Cheng	7/7	100	0/7	0
Qin Yueguang	7/7	100	0/7	0
Li Jingye	7/7	100	0/7	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 2021.

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 staff 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's 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, the director of the Listing Services 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 RMB9.60 million as the service fee for audit and review of financial statements, and the Company shall pay RMB1.4960 million as the auditor's service fee for the business plan for the second phase project of the new insurance contracts standard of China Re Group and the implementation of DSP 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 2021, focusing on the Company's main business development, implementation results of strategies, dividend policy, ESG development and other issues of concern to the capital market, China Re Group held more than 50 various investor relation events including results communications, investor days and investor research etc. The number of participating investors and analysts increased from over 460 in 2016 to over 5,200 in 2021, representing a CAGR of over 60%. In 2021, the Company won two awards under China Securities Golden Bauhinia Award, namely "Best Investment Value Award for Listed Companies during the 14th Five-Year Period" and "Best Company of Investor Relations in Listed Companies", "Best Company of Sustainable Development" awarded by Gelonghui, "Best Insurance Company for Responsible Investment of Golden Responsibility Award 2021" awarded by Sina Finance, "Vision Awards Gold Award" awarded by LACP and "Best Information Disclosure Accolade" awarded by Roadshow China, which demonstrated high recognition of the capital market over the Company's investment value and investor relations works.

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 PRC, 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 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 PRC, 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 2021, together with the audited financial statements of the Group for the year ended 31 December 2021.

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 have 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. Please refer to the publication by the Company on the websites of the Hong Kong Stock Exchange and the Company for the 2021 Corporate Social Responsibility Report prepared in accordance with the requirements of Appendix 27 of the Hong Kong Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

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 Supervision and Administration of Insurance Group Companies (《保險集團公司監督管理辦法》) and the Administrative Regulations for Insurance Companies (《保險公司管理規定》), 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.

REPORT OF THE BOARD OF DIRECTORS

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 strategic objectives of the Group during the "Fourteenth Five-Year" period are seeking progress while maintaining stability, enhancing value, promoting high-quality development of China Re Group, and building a world-class comprehensive reinsurance group with sustainable development capabilities and core competitiveness in an all-round manner. Details as follows: One core, being adherence to reinsurance business as the core; four pivots: product innovation, platform-driven, technology empowerment, and global linkage; five upgrades: value, data, ecosystem, talent, and culture. The Group strives to provide its shareholders with long-term and competitive return.

REPORT OF THE BOARD OF DIRECTORS

RESULTS AND PROFIT DISTRIBUTION

The Group's profit for the year ended 31 December 2021 and the financial performance of the Group as at that date are set out on pages 142 to 287 in this annual report.

Final Dividend

The Board recommends the payment of a final dividend for the year ended 31 December 2021 of RMB0.045 per share (tax inclusive), totalling approximately RMB1,912 million (the "2021 Final Dividend"). The 2021 Final Dividend is subject to the approval of shareholders of the Company at the 2021 annual general meeting, and is expected to be paid to the shareholders on Thursday, 18 August 2022 whose names appear on the register of members of the Company as at Monday, 4 July 2022 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the interbank foreign exchange market for the last five business days up to and including the date of the 2021 annual general meeting published by China Foreign Exchange Trade System as authorised by the PBOC.

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 2021 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)).

REPORT OF THE BOARD OF DIRECTORS

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 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	6,665,506,530	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	13,910,170	0.03
Total			42,479,808,085	100

Note: 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.

DISTRIBUTABLE RESERVES

As of the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders was RMB4,827 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 2021, the enterprise annuity contribution amounted to approximately RMB85.57 million and its defined benefit retirement plan contribution was approximately RMB6.34 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 (excluding its overseas subsidiaries) has appointed Beijing Branch of Towers Watson Management Consulting (Shenzhen) Co., Ltd., a member of the China Association of Actuaries, as its domestic actuarial organization, the undersigned actuary is Wu Haichuan, a fellow member of the Society of Actuaries and a fellow member of the China Association of Actuaries; Chaucer has appointed Barnett Waddingham LLP as its actuarial organization, the undersigned actuary is Paul Houghton, an FIA. No plan assets have been created under the defined benefit plan by the Group (excluding its overseas subsidiaries). Therefore, there is no relevant information on the market value, level of funding, or material surplus or deficiency of the plan assets available for disclosure. According to the actuarial valuation, the market value of the assets under Chaucer defined benefit plan as at 31 December 2021 is RMB1,037,634 thousand (as at 31 December 2020: RMB1,003,999 thousand). The actuarial value of those assets accounts for 107.10% of the benefits provided to eligible employees. Details are set out in Notes 3(2)(f) and 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	1
RMB500,001-RMB1,000,000	0
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

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 2021 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.

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 2021 is on a pre-tax basis. The five individuals are all employees of an overseas insurance agency Chaucer, which was acquired by the Group in 2018. Their remunerations have been determined in accordance with local market practices and governed by related internal systems.

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	5.67
Top five insurance clients in total	20.20

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 has built a comprehensive training system as well as a scientific and reasonable remuneration incentive system. The Group has set 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.

REPORT OF THE BOARD OF DIRECTORS

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. With Notes due on 9 March 2022 (EST), China Reinsurance Finance Corporation Limited has fully repaid the total amount of Notes and the accrued interest, and Notes have been cancelled accordingly.

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.

On 1 October 2021, the catastrophe bonds initiated by China Re P&C were successfully issued in Hong Kong, offering protection against risks from typhoons in China with proceeds of USD30 million. The issue of the catastrophe bonds is the first in Hong Kong and represents the concrete measures that the insurance industry serves the State's strategy and supports constructions in the Guangdong-Hong Kong-Macao Greater Bay Area.

REPORT OF THE BOARD OF DIRECTORS

CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB15.7224 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. Zhuang Qianzhi (has served as an Executive Director since August 2021)
Mr. Ren Xiaobing (ceased to serve as a Director since February 2021)

Non-executive Directors

Mr. Wen Ning
Ms. Wang Xiaoya
Mr. Liu Xiaopeng
Mr. Li Bingquan (has served as a Non-executive Director since January 2022)
Ms. Lu Xiuli (ceased to serve as a Director since July 2021)

Independent Non-executive Directors

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

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
Choi Chiu Fai Stanley	Beneficial owner	H share	234,848,000 (Long position)	0.55	3.52
	Interest of controlled corporation	H share	104,776,000 (Long position)	0.25	1.57
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.
4. Choi Chiu Fai Stanley is interested in the shares of the Company as a beneficial owner and through his controlled companies.

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 2021.

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 appointed at the 2015 annual general meeting, the 2016 annual general meeting, the 2017 annual general meeting, the 2018 annual general meeting, the 2019 annual general meeting and the 2020 annual general meeting for six consecutive years with a term till the conclusion of the 2021 annual general meeting. The Group did not change its auditors in the past six years.

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers.

By order of the Board
China Reinsurance (Group) Corporation

Yuan Linjiang
Chairman

Beijing, the PRC
28 March 2022

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, all members of the Board of Supervisors had actively implemented the philosophy set in the annual working meeting of China Investment Corporation and China Re Group 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. We established requirements of the modern financial enterprise structure by pinpointing the working position, focusing on working priorities, optimising working mechanism, and diligently and pragmatically performing our duties. The Board of Supervisors actively protected the interests of shareholders and the Company and played an effective supervisory role of the Board of Supervisors to enhance the high-quality development of the Group.

MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIALISED COMMITTEES

During the Reporting Period, the Board of Supervisors held seven meetings, considered 12 proposals and received 17 reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held seven meetings and considered seven 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 25 February 2021, the twelfth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which the Resolution on the Nomination of Ms. Xiong Lianhua as a Supervisor for the Fourth Session of the Board of Supervisors of China Reinsurance (Group) Corporation was considered and unanimously approved.

On 29 March 2021, the thirteenth meeting of the fourth session of the Board of Supervisors was convened, during which five resolutions, including the Resolution on the Report of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2020, were considered and unanimously approved, and four reports, including the Report on Operation of China Reinsurance (Group) Corporation for the Year 2020, were received.

On 20 April 2021, the fourteenth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which two resolutions, including the Resolution on the Election of Ms. Xiong Lianhua as the Chairlady of the Fourth Session of the Board of Supervisors of China Reinsurance (Group) Corporation, were considered and unanimously approved.

On 26 April 2021, the fifteenth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which two resolutions, including the Resolution on the Work Report 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, were considered and unanimously approved, and five reports, including the Performance Report of the Directors of China Reinsurance (Group) Corporation for the Year 2020, were received.

On 28 July 2021, the sixteenth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which the Resolution on the Report of the Assessment of Duty Performance of Supervisors by the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2020 was considered and unanimously approved, and the Internal Audit Work Report by the Audit Department of the Group Company in the First Half of 2021 was received.

REPORT OF THE BOARD OF SUPERVISORS

On 30 August 2021, the seventeenth meeting of the fourth session of the Board of Supervisors was convened, during which five reports, including Interim Results Announcement and Interim Report of China Reinsurance (Group) Corporation for the Year 2021, were received.

On 28 December 2021, the eighteenth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which the Resolution on the Assessment Report in relation to the Scientificity, Rationality and Robustness of the Development Strategies of the Company by the Board of Supervisors of China Re Group was considered and unanimously approved, and two reports, including the Report on Feedback and Implementation in relation to the Regulation and Evaluation of Corporate Governance by CBIRC for the Year 2020, were received.

PERFORMANCE MONITORING

Through attending three shareholders' general meetings, and seven meetings of the Board in 2021, 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 the Directors and senior management.

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 2020 and issued an assessment opinion report. Under the requirement of the Measures for the Evaluation of the Performance of Directors and Supervisors of Banking and Insurance Institutions issued by CBIRC, the Board of Supervisors initiated the evaluation of the performance of Supervisors, further optimised the working mechanism for the evaluation of the performance of Directors, and increased sessions of interviews and symposiums with Directors. 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 2020 and issued the related working report. The Board of Supervisors was in the view that the Directors and the senior management were able to carry out their duties diligently in accordance with the Articles of Association, leading to better results of operation and management in 2021.

FINANCIAL MONITORING

During the Reporting Period, the Board of Supervisors emphasised and put more efforts in financial supervision. 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 and proposals for profit attribution, and communicated with external auditors in respect of annual financial report audit and interim financial report review by successively organising three special communication meetings, reminding them of the key issues of auditing, and putting forward specified recommendation.

STRATEGY MONITORING

During the Reporting Period, the Board of Supervisors enhanced strategy supervision, conducted the assessment over the performance of the "13th Five-Year" Strategic Plan and issued the supervision assessment report to the Board and the management. Also, the Board of Supervisors actively participated in the formation of the "14th Five-Year" Strategic Plan. It has offered advice and proposals from its point of view, and carried out assessment over the "14th Five-Year" Strategic Plain regarding the scientificity, rationality and robustness of the plan as well as issued an assessment report.

REPORT OF THE BOARD OF SUPERVISORS

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. Based on the requirement of strengthening the review of China Investment Corporation's work, the Board of Supervisors continued to inspect the Company's contribution to the national strategies, put efforts in achieving "six stabilities" and "six securities", prevent and control financial risks, and realise the promotion of audit inspection and rectification. The Board of Supervisors also followed the Group's structural development in terms of risk management, internal control and compliance and central enhancement. Further, it strengthened the supervision of material risks including strategic risks, investment risks, solvency risks, new business risks, new institution risks as well as the treatment to aforesaid material risks conditions, and provided advice and proposals to relevant conditions.

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. Through attending the Shareholders' general meetings and the meetings of the Board, the Supervisors carried out they supervisory duties. The Supervisors actively participated in the supervision and inspection work organised by the Board of Supervisors. The Supervisors emphasised self-development by fulfilling the philosophy introduced in the Forum of the Board of Supervisors of Directly Managed Enterprises of China Investment Corporation. The Supervisors strengthened the working guidance for boards of supervisors of subsidiaries of the Company, in order to facilitate and supervise resources integration. 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

Xiong Lianhua
Chairlady of the Board of Supervisors

Beijing, the PRC
25 February 2022

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 businesses 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 2021. 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 2021;
- Quantifying value of one year's new business underwritten by the Group during the 12 months prior to 31 December 2021;
- Reviewing the assumptions used for embedded value and value of one year's new business valuation as at 31 December 2021;
- 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 2020 to 31 December 2021.

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 2021.

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	**Yu Jiang**
FIAA, FCAA	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).

2. Results Summary

The embedded value and value of one year's new business results as at 31 December 2021 and the corresponding results as at prior valuation date are summarised as below:

Table 2.1 EV as at 31 December 2021 and 31 December 2020

Unit: in RMB millions

Valuation Date	31 Dec 2021	31 Dec 2020
Embedded Value		
Adjusted Net Worth	**103,501**	99,151
Value of In-force Business before CoC	**12,132**	11,497
Cost of Required Capital	**(4,636)**	(4,042)
Value of In-force Business after CoC	**7,496**	7,455
Embedded Value	**110,996**	106,606
Of which：		
ANW of the life and health reinsurance business	**28,354**	25,752
VIF after CoC of the life and health reinsurance business	**7,331**	7,254
EV of the life and health reinsurance business	**35,685**	33,006

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

Note 2: Figures related to life and health reinsurance business only include business of China Re Life and China Re HK, which are the main part of whole 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 2021 and 31 December 2020

Unit: in RMB millions

Valuation Date	31 Dec 2021	31 Dec 2020
Value of One Year's New Business of the life and health reinsurance business		
Value of One Year's New Business before CoC	**3,483**	3,286
Cost of Required Capital	**(1,189)**	(940)
Value of One Year's New Business after CoC	**2,294**	2,347

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 2021.

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 2021:

Table 3.2.1 Assumption of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2021

	2022	2023	2024	2025-2031	2032+
Life and health reinsurance business of the Group Company and China Re Life					
Non asset-driven business	5.0%	5.0%	5.0%	5.0%	5.0%
Asset-driven business – Domestic Universal Life	6.0%	6.0%	5.0%	5.0%	5.0%
Asset-driven business – Domestic Other	6.0%	6.0%	6.0%	6.0%	5.0%
Asset-driven business – Overseas	6.0%	6.0%	6.0%	6.0%	5.0%
Life and health reinsurance business of China Re HK	4.0%	4.0%	4.0%	4.0%	4.0%

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

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

EMBEDDED VALUE

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 2021. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

Table 4.1 Sensitivity test results of VIF and 1-year VNB as at 31 December 2021

Unit: in RMB millions

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

5. Movement Analysis

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

Table 5.1 Movement analysis of EV from 31 December 2020 to 31 December 2021

Unit: in RMB millions

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2020	33,006	EV as at 2020 year end before model change
2	Model change	368	EV model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2020	33,374	EV as at 2020 year end after model change
4	Expected return on EV	2,798	Expected return on EV in the year of 2021
5	Impact of new business	2,735	Impact of new business in the year of 2021
6	Impact of market value adjustments and other adjustments	114	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	(1,462)	Difference between actual investment income and expected investment income in the year of 2021
8	Operating experience variances	626	Difference between actual operational experience and expected operational results in the year of 2021
9	Change in assumptions	(1,254)	Adjustments to assumptions at 31 December 2021
10	Others	(215)	
11	Capital injection and shareholder dividend payment	(1,030)	Capital injection to China Re Life and dividend paid to the Group Company by China Re Life
12	EV of life and health reinsurance business as at 31 December 2021	35,685	

No.	Item	Amount	Details
13	EV of other business of the Group as at 31 December 2020	73,600	
14	Profit from other business in the year	1,284	
15	Impact of market value adjustments and other adjustments	1,175	Changes from asset market value adjustments and other adjustments
16	Others	(36)	
17	Capital injection and shareholder dividend payment	(711)	Capital injection to subsidiaries, dividend paid to the Group Company by subsidiaries and dividend paid to shareholders by China Re Group
18	EV of other business of the Group as at 31 December 2021	75,311	
19	EV of the Group as at 31 December 2021	110,996	

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"), which are set out on pages 142 to 287, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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 2021, the gross written premiums for reinsurance contracts that passed the testing of significant insurance risk was RMB113.44 billion, representing 69.2% of the Group's total income. On 31 December 2021, 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 RMB20.79 billion, representing 5.2% 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 2021, the Group had significant long-term life and health reinsurance contract liabilities of RMB117.07 billion, representing 29.4% 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 recognized 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 2021, the Group had significant claim reserves of RMB92.70 billion, representing 23.3% 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.

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 RMB9.27 billion representing 1.9% 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.

INDEPENDENT AUDITOR'S REPORT

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 Yeung Sheung Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Gross written premiums	5	162,731,563	161,573,844
Less: Premiums ceded to reinsurers and retrocessionaires	5	(14,974,700)	(12,103,874)
Net written premiums	5	147,756,863	149,469,970
Changes in unearned premium reserves	6	(3,716,921)	(3,387,576)
Net premiums earned		144,039,942	146,082,394
Reinsurance commission income		1,933,090	2,664,943
Investment income	7	14,764,050	15,688,533
Exchange gains, net		23,278	98,062
Other income	8	3,213,257	3,661,183
Total income		163,973,617	168,195,115

The accompanying notes on pages 151 to 287 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Total income		163,973,617	168,195,115
Claims and policyholders' benefits	9	(117,504,269)	(116,661,419)
– Claims incurred		(73,259,898)	(66,347,190)
– Life and health reinsurance death and other benefits paid		(34,714,441)	(25,836,951)
– Changes in long-term life and health reinsurance contract liabilities		(9,529,930)	(24,477,278)
Handling charges and commissions	10	(22,120,576)	(24,911,677)
Finance costs	11	(2,051,817)	(1,748,652)
Other operating and administrative expenses	12	(17,022,747)	(19,672,679)
Total benefits, claims and expenses		(158,699,409)	(162,994,427)
Share of profits of associates		2,294,929	2,097,055
Profit before tax	13	7,569,137	7,297,743
Income tax	16	(1,178,765)	(1,373,909)
Profit for the year		6,390,372	5,923,834
Attributable to:			
Equity shareholders of the parent		6,362,777	5,710,531
Non-controlling interests		27,595	213,303
Profit for the year		6,390,372	5,923,834
Earnings per share (in RMB)	18		
– Basic		0.15	0.13
– Diluted		0.15	0.13

The accompanying notes on pages 151 to 287 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Profit for the year		6,390,372	5,923,834
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	48	45,737	(13,865)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, after tax		(78,279)	(59,178)
Available-for-sale financial assets, after tax		(4,775,147)	2,775,586
Exchange differences on translation of financial statements of foreign operations		(147,152)	(404,286)
Other comprehensive income for the year after tax	19	(4,954,841)	2,298,257
Total comprehensive income for the year		1,435,531	8,222,091
Attributable to:			
Equity shareholders of the parent		1,744,163	7,887,213
Non-controlling interests		(308,632)	334,878
Total comprehensive income for the year		1,435,531	8,222,091

The accompanying notes on pages 151 to 287 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Assets			
Cash and short-term time deposits	20	23,096,286	13,872,362
Financial assets at fair value through profit or loss	21	14,836,705	11,177,435
Derivative financial assets	22	436,422	246,287
Financial assets held under resale agreements	23	3,465,964	4,615,600
Premiums receivable	24	16,132,227	16,638,399
Reinsurance debtors	25	49,686,426	48,706,040
Investment contracts receivable	26	5,266,570	7,112,873
Reinsurers' share of insurance contract liabilities	45	21,039,827	19,724,423
Reinsurers' share of policy loans		628,518	563,501
Time deposits	27	21,365,996	19,904,638
Available-for-sale financial assets	28	177,765,796	163,649,766
Held-to-maturity investments	29	37,376,952	32,199,780
Investments classified as loans and receivables	30	39,097,068	41,236,325
Statutory deposits	32	18,844,502	18,044,502
Investment properties	33	6,257,961	6,477,825
Property and equipment	34	4,027,378	4,254,004
Right-of-use assets	35	1,250,371	1,333,175
Intangible assets	36	2,249,960	2,242,293
Investments in associates	37	26,193,714	25,758,482
Goodwill	38	1,597,205	1,606,768
Deferred tax assets	39	3,445,589	1,582,929
Other assets	40	26,377,337	12,629,665
Total assets		500,438,774	453,577,072

The accompanying notes on pages 151 to 287 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Liabilities and equity			
Liabilities			
Short-term borrowings	41	–	208,101
Financial liabilities at fair value through profit or loss		267,054	214,579
Derivative financial liabilities	22	–	172,014
Securities sold under agreements to repurchase	42	47,985,583	29,403,318
Reinsurance payables	43	19,115,393	16,284,145
Income tax payable		2,402,562	1,696,458
Policyholders' deposits		4,291,416	4,719,779
Investment contract liabilities	44	20,786,743	23,990,655
Insurance contract liabilities	45	257,959,374	229,496,289
Notes and bonds payable	46	22,556,059	22,748,255
Long-term borrowings	47	3,499,098	3,577,375
Lease liabilities	35	1,172,466	1,253,917
Deferred tax liabilities	39	1,045,492	1,291,583
Other liabilities	48	16,770,541	15,619,750
Total liabilities		397,851,781	350,676,218
Equity			
Share capital	49	42,479,808	42,479,808
Reserves	50	22,689,344	26,072,298
Retained profits	50	27,948,269	24,476,359
Total equity attributable to equity shareholders of the parent		93,117,421	93,028,465
Non-controlling interests		9,469,572	9,872,389
Total equity		102,586,993	102,900,854
Total liabilities and equity		500,438,774	453,577,072

Approved and authorized for issue by the Board of Directors on 28 March 2022.

Yuan Linjiang
Director

He Chunlei
Director

Tian Meipan
Chief Actuary

The accompanying notes on pages 151 to 287 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
			Reserves										
	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 2020		42,479,808	10,599,448	2,548,437	6,118,790	74,519	409	7,122,982	(392,287)	24,476,359	93,028,465	9,872,389	102,900,854
Profit for the year		–	–	–	–	–	–	–	–	6,362,777	6,362,777	27,595	6,390,372
Other comprehensive income	19	–	–	–	–	–	45,737	(4,519,456)	(144,895)	–	(4,618,614)	(336,227)	(4,954,841)
Total comprehensive income		–	–	–	–	–	45,737	(4,519,456)	(144,895)	6,362,777	1,744,163	(308,632)	1,435,531
Appropriations to surplus reserve		–	–	258,640	–	–	–	–	–	(258,640)	–	–	–
Appropriations to general risk reserve		–	–	–	820,604	–	–	–	–	(820,604)	–	–	–
Appropriations to catastrophic loss reserve		–	–	–	–	69,951	–	–	–	(69,951)	–	–	–
Distributions to shareholders of the parent		–	–	–	–	–	–	–	–	(1,741,672)	(1,741,672)	–	(1,741,672)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(94,185)	(94,185)
Others		–	86,465	–	–	–	–	–	–	–	86,465	–	86,465
As at 31 December 2021		42,479,808	10,685,913	2,807,077	6,939,394	144,470	46,146	2,603,526	(537,182)	27,948,269	93,117,421	9,469,572	102,586,993

The accompanying notes on pages 151 to 287 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

(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 151 to 287 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Operating activities			
Cash generated from operations	52(a)	11,230,699	35,519,561
Income tax paid		(1,669,501)	(2,278,364)
Net cash flows generated from operating activities		9,561,198	33,241,197
Investing activities			
Interests received		8,432,582	8,022,761
Dividends received		2,334,392	2,276,542
Purchases of property and equipment, investment properties and intangible assets		(442,697)	(897,409)
Proceeds from disposals of property and equipment, investment properties and intangible assets		27,508	25,737
Acquisition of subsidiary, net of cash and cash equivalent acquired		–	–
Purchases of investments		(203,615,738)	(209,292,244)
Proceeds from disposals of investments		177,694,154	152,166,500
Disposals of associates		–	1,527,867
Investments in associates		–	(1,171,010)
Net cash flows used in investing activities		(15,569,799)	(47,341,256)

The accompanying notes on pages 151 to 287 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Financing activities			
Changes in third party investors' interests of consolidated structured entities, net		300,668	40,001
Proceeds from notes and bonds payable		–	4,000,000
Proceeds from bank borrowings		–	369,875
Repayment of borrowings		(200,163)	(767,333)
Interests paid		(1,931,855)	(1,573,080)
Cash paid for lease liabilities		(419,804)	(469,216)
Dividends paid to equity shareholders of the parent		(1,741,672)	(1,861,398)
Dividends paid by subsidiaries to non-controlling interests		(94,185)	(303,823)
Net proceeds from securities sold under agreements to repurchase		18,098,585	8,521,734
Net cash flows generated from financing activities		14,011,574	7,956,760
Net increase/(decrease) in cash and cash equivalents		8,002,973	(6,143,299)
Cash and cash equivalents at the beginning of the year		14,837,049	21,267,582
Effect of foreign exchange rate changes		(636,191)	(287,234)
Cash and cash equivalents at the end of the year	52(b)	22,203,831	14,837,049

The accompanying notes on pages 151 to 287 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

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

For the purpose of preparing the consolidated financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the current year's financial statements, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2021 and accounting standards and amendments that are effective but temporary exemption is applied by the Group are set out in Note 2(4).

(Expressed in thousands of Renminbi, unless otherwise stated)

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 Note 2(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 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark (IBOR) Reform – Phase 2

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(3) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2021 *(continued)*

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

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

IFRS 9 Financial Instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

FINANCIAL STATEMENTS AND NOTES

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)*

Impairment

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

Hedge accounting

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

IAS 28 Investments in Associates and Joint Ventures require an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before 1 January 2023, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

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

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

The Group's major associates, China Everbright Bank Company Limited ("CEB"), applied IFRS 9 from 1 January 2018. The Group decides not to adopt uniform accounting policies for associates in group level.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2021

IFRS 17, Insurance Contracts

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

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

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

(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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Use of estimates and judgements *(continued)*

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 2021 (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 RMB1,141 million as at 31 December 2021 and the profit before tax for 2021 was decreased by RMB1,141 million.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Subsidiaries and non-controlling interests *(continued)*

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 2021, 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.

(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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(9) Associates and joint ventures *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

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.

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.

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.

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.

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.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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 operating income mainly investment contract business income. The operating 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.

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.

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.

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.

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;

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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)

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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.

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.

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 15.0%.

  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 2021 is 0.7% to 1.4% (31 December 2020: 1.5% to 1.9%).

  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 2021 is 2.4% to 2.9% (31 December 2020: 2.6% to 2.9%).

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 2021 are 3.0% to 6.9% (31 December 2020: 3.2% to 6.3%).

- 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.

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 15.0%.

  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 2021 is 0.7% to 1.4% (31 December 2020: 1.5% to 1.9%).

  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 2021 is 2.2% to 2.4% (31 December 2020: 2.8% to 3.0%).

(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 and intangible assets with infinite useful life

The Group performs goodwill and intangible assets with infinite useful life impairment test annually. The recoverable amount of an asset group or a set of asset groups including goodwill and intangible assets with infinite useful life 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 36 and 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

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. Chaucer mainly includes China Re International Holdings Limited ("CRIH"), Chaucer Insurance Company Designated Activity Company ("CIC") and China Re Australia HoldCo Pty Ltd ("CRAH").

- The life and health reinsurance segment, operated by the Company and its subsidiary Company China Life Reinsurance Company Ltd. ("China Re Life"), offers a wide range of reinsurance products, such as life, health and accident insurance, etc.

- The primary property and casualty insurance segment, operated by the subsidiary of the Company China Continent Property and Casualty Insurance Company Ltd. ("China Continent Insurance"), offers a wide variety of insurance products and other businesses including motor, property and liability insurance, etc.

- The asset management segment, operated by the subsidiary of the Company, China Re Asset Management Company Ltd., ("China Re AMC"), offers asset management services and manages assets and liabilities related to notes issued in overseas.

- Other segments and activities primarily consist of the headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

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

More than 70% of the Group's revenue is derived from its operations in Mainland China.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION *(continued)*

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

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

(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 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION *(continued)*

	2021						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	135,201,966	241,542,776	83,828,572	14,624,075	64,427,227	(39,185,842)	500,438,774
Segment liabilities	(106,719,076)	(217,032,837)	(57,642,425)	(10,654,085)	(11,167,804)	5,364,446	(397,851,781)
Other segment information							
Capital expenditures	(68,798)	(27,532)	(311,022)	(9,526)	(42,974)	–	(459,852)
Depreciation and amortisation	(169,262)	(122,332)	(823,189)	(15,989)	(107,274)	–	(1,238,046)
Interest income	2,483,659	5,510,429	1,546,923	145,475	505,993	(11,583)	10,180,896
Financial assets impairment loss charges	(323,627)	(721,500)	(229,064)	(3,089)	(125,540)	–	(1,402,820)
Other impairment loss charges	(12,448)	–	(259,305)	(16,153)	(2,820)	–	(290,726)

	2020						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	120,713,757	211,301,494	84,660,943	15,360,928	61,600,295	(40,060,345)	453,577,072
Segment liabilities	(94,514,804)	(185,648,425)	(57,361,882)	(11,081,346)	(9,251,868)	7,182,107	(350,676,218)
Other segment information							
Capital expenditures	(25,689)	(30,699)	(579,733)	(4,400)	(32,955)	–	(673,476)
Depreciation and amortisation	(161,016)	(122,927)	(813,047)	(18,548)	(100,978)	–	(1,216,516)
Interest income	2,318,433	4,763,463	1,724,364	150,569	601,571	(14,634)	9,543,766
Financial assets impairment loss charges	(261,456)	(784,758)	(146,036)	–	(98,119)	–	(1,290,369)
Impairment loss charges in associates	–	–	–	–	(269,387)	–	(269,387)
Other impairment loss charges	(52,560)	–	(264,518)	(31,184)	(680)	–	(348,942)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

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

(b) Premiums ceded to reinsurers and retrocessionaires

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

(c) Net written premiums

	2021	2020
Net written premiums	147,756,863	149,469,970

6 CHANGES IN UNEARNED PREMIUM RESERVES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME

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

(a) Interest, dividend and rental income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(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:

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

(b) Realised gains

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

(i) On 27 December 2021, the Group no longer had significant influence on China Development Bank Financial Leasing Co., Ltd. The issue reduced Group's profit before tax by RMB856 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME *(continued)*

(c) Unrealised (losses)/gains

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

(d) Impairment losses on financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER INCOME

	2021	2020
Fee income from investment contracts and insurance related business	2,844,963	3,195,021
Commission income arising from the tax collection of motor vehicles and vessels	78,424	62,334
Management fee income	77,576	130,375
Sale of goods	1,659	102,573
Others	210,635	170,880
Total	3,213,257	3,661,183

9 CLAIMS AND POLICYHOLDERS' BENEFITS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

9 CLAIMS AND POLICYHOLDERS' BENEFITS *(continued)*

	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

10 HANDLING CHARGES AND COMMISSIONS

	2021	2020
Long-term life and health reinsurance	717,762	822,396
Short-term life and health reinsurance	4,012,359	4,015,613
Property and casualty reinsurance	11,462,877	12,865,224
Primary property and casualty insurance	5,927,578	7,208,444
Total	22,120,576	24,911,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

11 FINANCE COSTS

	2021	2020
Interest expenses		
Securities sold under agreements to repurchase	783,627	663,176
Notes and bonds payable	965,047	825,075
Long-term borrowings	262,523	209,394
Short-term borrowings	3,776	9,404
Lease liabilities	36,844	41,603
Total	2,051,817	1,748,652

12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2021	2020
Employee costs	5,868,997	5,505,262
Advertising and promotion expenses	1,810,602	3,649,569
Outsourcing costs	2,692,550	3,509,056
Official and travel expenses	735,623	1,042,424
Interest expenses of policyholders' deposits and investment contracts	1,078,079	1,182,111
Rental expenses (note)	151,668	153,311
Depreciation and amortisation	1,110,527	1,018,588
Insurance guarantee fund	310,122	343,125
Taxes and surcharges	520,045	557,960
Impairment losses charges	290,726	348,942
Cost of sales of goods	612	89,879
Traffic accident rescue expense	99,872	109,842
Bank settlement fee	135,289	113,360
Asset management fee	112,225	420,649
Others	2,105,810	1,628,601
Total	17,022,747	19,672,679

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 2021

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13 PROFIT BEFORE TAX

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

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

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

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

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

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14 DIRECTORS' AND SUPERVISORS' REMUNERATION

The total compensation package for these directors, and supervisors for the year ended 31 December 2021 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 2021 consolidated financial statements. The final compensation will be disclosed when determined.

	2021							
	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	–	354	334	101	92	–	–	881
Mr. He Chunlei	–	354	334	101	90	–	–	879
Mr. Zhuang Qianzhi (i)	–	292	287	91	81	–	–	751
Non-executive directors								
Ms. Lu Xiuli (ii)	–	–	–	–	–	–	–	–
Mr. Wen Ning	–	–	–	–	–	–	–	–
Ms. Wang Xiaoya	–	–	–	–	–	–	–	–
Mr. Liu Xiaopeng	–	–	–	–	–	–	–	–
Mr. Li Bingquan (iii)								
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								
Ms. Xiong Lianhua (iv)	–	354	334	101	92	–	–	881
Mr. Zhu Yong	–	–	–	–	–	–	–	–
Mr. Zeng Cheng	–	–	–	–	–	–	–	–
Mr. Qin Yueguang	–	–	–	–	–	–	–	–
Mr. Li Jingye	–	–	–	–	–	–	–	–
Total	1,000	1,354	1,289	394	355	–	–	4,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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14 DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(i) Mr. Zhuang Qianzhi has been an executive director of the Company since 16 August 2021.

(ii) Ms. Lu Xiuli ceased to be a non-executive director of the Company with effect from 30 July 2021.

(iii) Mr. Li Bingquan has been a non-executive director from 10 January 2022.

(iv) Ms. Xiong Lianhua has been a shareholder representative supervisor and chairman of the board of supervisors from June 4, 2021.

	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	–	354	777	98	49	–	–	1,278
Mr. He Chunlei	–	354	765	96	48	–	–	1,263
Mr. Ren Xiaobing (i)	–	319	732	96	49	–	–	1,196
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)	–	–	247	–	–	–	–	247
Mr. Zhu Yong	–	–	–	–	–	–	–	–
Mr. Zeng Cheng	–	–	–	–	–	–	–	–
Mr. Qin Yueguang	–	–	–	–	–	–	–	–
Mr. Li Jingye	–	–	–	–	–	–	–	–
Total	1,000	1,027	2,521	290	146	–	–	4,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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14 DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(i) Mr. Ren Xiaobing ceased to serve as an executive Director of the Company on February 25, 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.

The compensation amounts disclosed above for these directors and supervisors for the year ended 31 December 2020 were restated based on the finalised amounts determined during 2021.

15 FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

	2021	2020
Salaries, allowances and benefits in kind	13,498	13,568
Discretionary bonuses	57,734	25,508
Employer's contribution to a retirement benefit scheme	1,827	1,792
Total	73,059	40,868

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:

	2021	2020
RMB5,500,001 to RMB6,000,000	–	2
RMB6,500,001 to RMB7,000,000	–	2
RMB7,500,001 to RMB8,000,000	–	–
RMB8,000,001 to RMB8,500,000	–	–
RMB9,000,001 to RMB9,500,000	1	–
RMB10,000,001 to RMB15,500,000	3	–
RMB15,500,001 to RMB16,000,000	–	1
RMB25,000,001 to RMB30,000,000	1	–
Total	5	5

The above emoluments are pre tax. In 2021, the five individuals with the highest emoluments are employed by the overseas insurance subsidiary Chaucer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16 INCOME TAX

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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17 DIVIDENDS

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

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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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19 OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX

	2021	2020
Items that may not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	78,656	(18,070)
Income tax	(32,919)	4,205
Sub-total	45,737	(13,865)
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of associates	(23,552)	(79,501)
Income tax	(54,727)	20,323
Sub-total	(78,279)	(59,178)
Gains arising from changes in fair value of available-for-sale financial assets	(1,042,224)	7,692,623
Less: Reclassification adjustments for amounts transferred to profit or loss		
– Gains on disposal	(4,800,027)	(4,582,442)
– Impairment losses	277,419	299,731
Income tax	789,685	(634,326)
Sub-total	(4,775,147)	2,775,586
Exchange differences on translation of financial statements of overseas subsidiaries	(147,152)	(404,286)
Total	(4,954,841)	2,298,257
Attributable to:		
Equity shareholders of the Company	(4,618,614)	2,176,682
Non-controlling interests	(336,227)	121,575
Total	(4,954,841)	2,298,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

20 CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2021	31 December 2020
Cash at banks and on hand	16,874,624	8,747,666
Time deposits with original maturity of no more than three months	2,247,565	1,591,006
Other monetary deposits	3,974,097	3,533,690
Total	23,096,286	13,872,362

As at 31 December 2021, cash and short-term time deposits of RMB4,358,419 thousand (31 December 2020: RMB3,650,913 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 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Listed		
Fixed maturity investment		
Financial bonds	264,628	18,634
Corporate bonds	5,148,380	4,107,100
Equity securities		
Investment funds	3,251,728	1,577,701
Stocks	2,251,141	543,871
Sub-total	10,915,877	6,247,306
Unlisted		
Fixed maturity investment		
Government bonds	40,392	–
Financial bonds	183,441	–
Corporate bonds	42,960	–
Equity securities		
Investment funds	1,926,342	1,336,562
Structured notes (note)	1,272,750	3,593,567
Products from insurance asset managers	454,943	–
Sub-total	3,920,828	4,930,129
Total	14,836,705	11,177,435

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)

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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 2021		
	Nominal amount	**Assets**	**Liabilities**
Currency swap	5,723,753	436,422	–
Index Futures	396,882	–	–
Total	6,120,635	436,422	–

	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)

(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:

	2021	2020
Hedging Instruments	–	(426,551)
Hedged item	–	426,551

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 2021	31 December 2020
Securities – bonds traded in		
Stock exchange	3,465,964	3,145,600
Inter-bank market	–	1,470,000
Total	3,465,964	4,615,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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24 PREMIUMS RECEIVABLE

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

(a) Aging analysis

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

(b) Impairment provision of premiums receivable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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25 REINSURANCE DEBTORS

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

(a) Aging analysis

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

(b) Impairment provision of reinsurance debtors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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26 INVESTMENT CONTRACTS RECEIVABLE

	31 December 2021	31 December 2020
Investment contracts receivable	5,266,570	7,112,873
Less: impairment provision	–	–
Investment contracts receivable, net	5,266,570	7,112,873
Within 3 months (inclusive)	5,266,570	7,112,873
Total	5,266,570	7,112,873
Less: impairment provision	–	–
Net	5,266,570	7,112,873

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 2021	31 December 2020
Within 3 months (inclusive)	3,372,058	1,165,871
3 months to 1 year (inclusive)	293,938	9,729,946
1 to 2 years (inclusive)	3,000,000	308,821
2 to 3 years (inclusive)	6,000,000	3,000,000
3 to 4 years (inclusive)	5,700,000	–
4 to 5 years (inclusive)	3,000,000	5,700,000
Total	21,365,996	19,904,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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28 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2021	31 December 2020
Listed		
Fixed maturity investment		
Government bonds	4,746,755	4,430,371
Financial bonds	2,034,243	51,131
Corporate bonds	66,450,645	50,987,706
Subordinated bonds	1,484,254	–
Assets backed securities	162,996	318,987
Equity securities		
Investment funds	1,175,362	1,190,723
Stocks	24,355,545	27,480,170
Perpetual bonds	4,395,538	2,052,304
Sub-total	104,805,338	86,511,392
Unlisted		
Fixed maturity investment		
Government bonds	7,024,325	6,140,130
Financial bonds	16,041,048	17,656,331
Corporate bonds	24,274,581	27,024,540
Subordinated bonds	3,142,934	474,898
Other fixed maturity investment	1,122,514	1,121,746
Equity securities		
Investment funds	18,619,600	16,114,444
Unlisted equity investments	936,464	6,626,624
Equity investment plans	412,660	462,770
Products from insurance asset managers	1,386,332	1,516,891
Sub-total	72,960,458	77,138,374
Total	177,765,796	163,649,766
Including: Impairment provision	(707,052)	(588,225)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

29 HELD-TO-MATURITY INVESTMENTS

	31 December 2021	31 December 2020
Listed		
Government bonds	3,034,596	729,583
Financial bonds	868,605	–
Corporate bonds	9,524,610	10,180,263
Subordinated bonds	1,719,856	–
Sub-total	15,147,667	10,909,846
Unlisted		
Government bonds	102,415	181,824
Financial bonds	4,557,870	1,474,725
Corporate bonds	10,602,252	12,465,626
Subordinated bonds	6,966,748	7,167,759
Sub-total	22,229,285	21,289,934
Total	37,376,952	32,199,780

As at 31 December 2021, there was no impairment incurred on held-to-maturity investments (31 December 2020: Same).

30 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2021	31 December 2020
Debt investment plans	14,100,000	10,489,999
Trust schemes	10,327,344	11,966,252
Asset backed plans	1,175,000	1,645,000
Loans	15,737,156	18,252,105
Less: impairment provision	(2,242,432)	(1,117,031)
Total	39,097,068	41,236,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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31 SCOPE OF CONSOLIDATION

(1) Particulars of the Company's primary subsidiaries as at 31 December 2021 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 GBP95,300,000	100.00%	–	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited	London	Paid-in capital of GBP18,000,000	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION *(continued)*

(1) Particulars of the Company's primary subsidiaries as at 31 December 2021 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 Holdings Limited	London	Paid-in capital of GBP139,296,892	–	100.00%	Property and casualty reinsurance, Primary property and casualty insurance, UK
China Reinsurance (Hong Kong) Company Limited	Hong Kong	Paid-in capital of HKD4,000,000,000	–	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 AUD16,574,495	–	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 2021, all the Company's primary subsidiaries registered in mainland China are companies with limited liabilities.

(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION *(continued)*

(2) As at 31 December 2021, the Company consolidated the following structured entities:

Name	Paid-in capital	Attributable equity interest	Principal activities
China Re Zhongzai Alternative Equity Fund	RMB1,256,253,865	100.00%	Investment in private equity
China Re Ruiqi Asset Management Product	RMB335,869,169	100.00%	Investment in debt/debt investment plan
China Re Ruiqi 2nd Asset Management Product	RMB7,200,750	100.00%	Investment in debt
China Re Ruiqi 3rd Asset Management Product	RMB1,006,987,380	100.00%	Investment in debt/equity
China Re Ruiqi 6th Asset Management Product	RMB676,946,385	100.00%	Investment in debt/equity
China Re Ruiqi 7th Asset Management Product	RMB453,000,025	100.00%	Investment in debt/equity
China Re Ruiqi 9th Asset Management Product	RMB463,000,025	100.00%	Investment in debt/equity
China Re Ruiqi 10th Asset Management Product	RMB516,624,538	52.30%	Investment in debt/equity
China Re Ruiqi 11th Asset Management Product	RMB483,000,025	100.00%	Investment in debt/equity
China Re Ruiqi 12th Asset Management Product	RMB483,000,025	100.00%	Investment in debt/equity
China Re Value Growth Asset Management Product	RMB330,000,250	100.00%	Investment in equity
China Re Healthy Life Asset Management Product	RMB330,000,250	100.00%	Investment in equity
China Re Hong Kong Stock Connect Program	RMB330,000,250	100.00%	Investment in equity
China Re Industry Prosperity and Hedge Asset Management Product	RMB330,000,250	100.00%	Investment in equity
China Re Bairong Shimao Mall Debt Investment Plans	RMB7,460,000,000	91.11%	Investment in loans
China Re Subway Sixteen Equity Investment Plans	RMB7,000,000,000	65.00%	Investment in loans

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31 SCOPE OF CONSOLIDATION *(continued)*

(2) As at 31 December 2021, 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	RMB500,000,000	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Hongdao Trust Investment Plans	RMB184,444,775	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Xining Trust Investment Plans	RMB190,393,028	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Tongtian Trust Investment Plans	RMB192,825,779	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Guangde Trust Investment Plans	RMB209,492,648	100.00%	Investment in loans
China Re FOF Active configuration 1st Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re FOF Flexible configuration 1st Asset Management Product	RMB1,500,025	100.00%	Investment in debt/equity
China Re Ruicheng 1st Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 2nd Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 3rd Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 4th Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 5th Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 6th Asset Management Product	RMB203,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 7th Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 8th Asset Management Product	RMB3,000,050	100.00%	Investment in debt/equity
China Re Ruicheng 9th Asset Management Product	RMB10,500,050	100.00%	Investment in debt/equity
China Re Ruicheng 10th Asset Management Product	RMB10,500,050	100.00%	Investment in debt/equity

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31 SCOPE OF CONSOLIDATION *(continued)*

(2) As at 31 December 2021, the Company consolidated the following structured entities *(continued)*:

Name	Paid-in capital	Attributable equity interest	Principal activities
China Re Wengying 1st Asset Management Product	RMB100,500,030	100.00%	Investment in debt/equity
China Re Peace of mind income 1st Asset Management Product	RMB300,005	100.00%	Investment in debt
China Re Peace of mind income 2nd Asset Management Product	RMB300,005	100.00%	Investment in debt
China Re Peace of mind income 3rd Asset Management Product	RMB300,005	100.00%	Investment in debt
China Re Solid harvest more measurement slightly 1st Asset Management Product	RMB300,005	100.00%	Investment in debt
China Re Solid harvest more measurement slightly 2nd Asset Management Product	RMB300,005	100.00%	Investment in debt
China Re Ruitong 1st Asset Management Product	RMB217,507,131	87.84%	Investment in debt/equity

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 2021	31 December 2020
The Company	9,521,318	9,521,318
China Re P&C	2,400,000	2,400,000
China Re Life	3,900,000	3,100,000
China Continent Insurance	3,023,184	3,023,184
Total	18,844,502	18,044,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

33 INVESTMENT PROPERTIES

	Buildings
Cost	
Balance at 1 January 2020	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
Additions during the year	–
Balance at 31 December 2021	**6,863,956**
Less: Accumulated depreciation	
Balance at 1 January 2020	(167,856)
Charge for the year	(255,398)
Transfers to Property and Equipment	37,123
Balance at 31 December 2020	(386,131)
Charge for the year	**(219,864)**
Balance at 31 December 2021	**(605,995)**
Carrying amount	
Balance at 31 December 2021	**6,257,961**
Balance at 31 December 2020	6,477,825

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 2021, the fair value of investment properties was RMB7,591 million (31 December 2020: RMB7,591 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

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 2020	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
Additions during the year	241	4,153	13,183	90,706	22,319	34,875	165,477
Transfers upon completion	1,489,730	628	–	6,862	(1,497,220)	–	–
Disposals during the year	–	(7,735)	(21,704)	(53,166)	–	–	(82,605)
Balance at 31 December 2021	4,512,923	98,957	299,343	1,087,473	9,168	547,008	6,554,872
Less: Accumulated depreciation							
Balance at 1 January 2020	(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)
Charge for the year	(139,103)	(9,706)	(26,354)	(122,376)	–	(66,106)	(363,645)
Written back on disposals	–	7,422	20,660	26,065	–	–	54,147
Balance at 31 December 2021	(1,063,585)	(68,472)	(218,471)	(736,042)	–	(440,924)	(2,527,494)
Carrying amount							
Balance at 31 December 2021	3,449,338	30,485	80,872	351,431	9,168	106,084	4,027,378
Balance at 31 December 2020	2,098,470	35,723	95,087	403,340	1,484,069	137,315	4,254,004

As at 31 December 2021, the Group was in the process of completing the ownership documentation of certain buildings with a net carrying value of RMB31 million (31 December 2020 RMB75 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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35 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2021	31 December 2020
Right-of-use assets		
Buildings	1,230,460	1,326,507
Equipment	1,716	543
Vehicles	2,361	861
Others	15,834	5,264
Total	1,250,371	1,333,175
Lease liabilities	1,172,466	1,253,917

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets		
Buildings	403,587	448,715
Equipment	365	219
Vehicles	595	904
Others	2,713	1,559
Total	407,260	451,397
Interest expense on lease liabilities	36,844	41,603
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	151,668	153,311
Total cash outflow for lease	578,317	597,920

(Expressed in thousands of Renminbi, unless otherwise stated)

36 INTANGIBLE ASSETS

	VOBA	Syndicate capacity	Distribution channel	Trademark	Software	Total
Cost						
Balance at 1 January 2020	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
Additions during the year and exchanges differences	(3,157)	(20,311)	(13,098)	(328)	294,375	257,481
Disposals during the year	–	–	–	–	(2,537)	(2,537)
Balance at 31 December 2021	554,963	867,927	559,697	14,027	1,682,551	3,679,165
Less: Accumulated amortisation						
Balance at 1 January 2020	(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)
Charge for the year	(15,876)	–	(40,472)	(825)	(190,104)	(247,277)
Disposals for the year	–	–	–	–	–	–
Balance at 31 December 2021	(514,595)	–	(127,378)	(2,367)	(784,865)	(1,429,205)
Carrying amount						
Balance at 31 December 2021	40,368	867,927	432,319	11,660	897,686	2,249,960
Balance at 31 December 2020	59,401	888,238	485,889	12,813	795,952	2,242,293

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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:

	2021	2020
Risk adjusted discount rate	10.0%	9.5%
Sustainable growth rate	2.0%	2.0%

37 INVESTMENTS IN ASSOCIATES

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

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

Name of associate	Place of incorporation and business	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 2021	4.29%	1.46%	2.83%
31 December 2020	4.29%	1.46%	2.83%

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

As 31 December 2021, 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 2021 as the recoverable amount as determined by a VIU calculation was higher than the carrying value.

	As At 31 December 2021 (RMB in millions)		
	VIU	Carrying value	Fair value
CEB	17,469	15,986	5,674

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:

	2021	2020
Discount rate	11.0%	11.0%
Sustainable growth rate	2.0%	2.8%
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)	
	2021	2020
Gross amounts of the associate		
Operating income	152,751	142,700
Profit before tax	52,939	45,497
Net profit (i)	43,406	37,824
Other comprehensive income (i)	1,759	(1,344)
Total comprehensive income (i)	45,165	36,480
Total assets	5,902,003	5,368,110
Total liabilities	5,417,637	4,913,112
Net assets (ii)	372,145	343,106
Non-controlling interests	1,878	1,549
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate (ii)	372,145	343,106
Group's effective interest	4.29%	4.29%
Group's share of net assets of the associate	15,986	14,741
Carrying amount in the financial statements	15,986	14,741
Dividends received from the associate for the year	487	496

(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:

	2021	2020
Aggregate carrying amount of investments	10,207,407	11,017,953
Aggregate amount of share of:		
– Net profit	647,811	417,577
– Other comprehensive income	(106,912)	(19,964)
– Change in capital reserve	86,465	(654)
Total	627,364	396,959

38 GOODWILL

	31 December 2021	31 December 2020
Cost		
– China Re P&C	650,529	650,529
– China Re Life	463,630	463,630
– China Continent Insurance	74,379	74,379
– CRIH	386,903	395,957
– CRAH	18,682	19,119
– CIC	3,082	3,154
Total	1,597,205	1,606,768
Less: impairment provision	–	–
Carrying amount	1,597,205	1,606,768

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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:

	2021	2020
Risk adjusted discount rate	10.0%-11.0%	9.5%-11.0%
Investment yield	4.5%-6.0%	4.5%-6.0%
Sustainable growth rate	2.0%	2.0%-2.5%

39 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities

	31 December 2021	31 December 2020
Deferred tax assets	3,445,589	1,582,929
Deferred tax liabilities	(1,045,492)	(1,291,583)

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

		2021		
	Balance at 31 December 2020	**Credited/ (charged) to profit or loss**	**Credited/ (charged) to reserves**	**Balance at 31 December 2021**
Available-for-sale financial assets	(1,915,513)	–	789,685	(1,125,828)
Financial assets at fair value through profit or loss	(29,397)	79,268	–	49,871
Impairment provisions	622,100	278,962	–	901,062
Reserves	3,473,455	1,159,109	–	4,632,564
Investment in associates	(2,296,859)	(174,058)	(54,727)	(2,525,644)
Payables to employees	308,565	194,519	(32,919)	470,165
Others	128,995	(170,411)	39,323	(2,093)
Total	291,346	1,367,389	741,362	2,400,097

		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

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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 2021	31 December 2020
To be recovered within 12 months (inclusive)	2,690,562	1,313,531
To be recovered after more than 12 months	(290,465)	(1,022,185)
Total	2,400,097	291,346

40 OTHER ASSETS

	31 December 2021	31 December 2020
Deposits retained by other parties	16,899,994	3,123,302
Interest receivables	4,783,139	4,270,168
Claims prepaid	1,196,762	897,983
Overseas deposits	1,184,560	1,008,651
Subscription prepayment for securities and securities clearance receivable	439,791	1,109,313
Tax prepaid	435,892	606,441
Investment contract assets	288,935	457,092
Receivables from co-insurers	157,079	106,961
Handling charges prepaid	106,953	103,292
Defined benefit plan assets	68,763	–
Deferred expenses	53,143	67,861
Prepayment	7,986	161,919
Others	984,271	829,265
Total	26,607,268	12,742,248
Less: impairment provision	(229,931)	(112,583)
Net	26,377,337	12,629,665

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41 SHORT-TERM BORROWINGS

	31 December 2021	31 December 2020
Short-term borrowings	–	208,101
Total	–	208,101

42 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2021	31 December 2020
Securities sold under agreements to repurchase		
– Stock exchange	32,138,031	21,625,415
– Inter-bank market	15,847,552	7,777,903
Total	47,985,583	29,403,318

As at 31 December 2021, bonds with a carrying value of RMB17,678 million (as at 31 December 2020: RMB8,824 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the interbank market.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balance of the related repurchase transaction. As at 31 December 2021, the carrying value of securities deposited in the collateral pool was RMB49,593 million (as at 31 December 2020: RMB42,284 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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43 REINSURANCE PAYABLES

	31 December 2021	31 December 2020
Reinsurance payables	19,115,393	16,284,145

(a) Aging analysis

	31 December 2021	31 December 2020
Within 3 months (inclusive)	15,013,222	10,060,308
3 months to 1 year (inclusive)	2,526,211	4,479,574
1 to 2 years (inclusive)	764,119	950,405
Over 2 years	811,841	793,858
Total	19,115,393	16,284,145

44 INVESTMENT CONTRACT LIABILITIES

	2021	2020
At the beginning of the year	23,990,655	22,066,813
Additions	22,265,080	24,101,208
Payments, surrenders, recaptures	(24,250,801)	(20,221,748)
Fees deducted	(1,718,520)	(2,431,448)
Interest credited	544,009	569,699
Exchange difference	(43,680)	(93,869)
At the end of the year	20,786,743	23,990,655

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45 INSURANCE CONTRACT LIABILITIES

	31 December 2021		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	117,073,533	(3,235,136)	113,838,397
Short-term life and health reinsurance contracts (b)			
– Claim reserves	20,433,834	(3,695,247)	16,738,587
– Unearned premium reserves	7,472,161	(422,889)	7,049,272
Property and casualty reinsurance contracts (c)			
– Claim reserves	45,890,574	(5,656,609)	40,233,965
– Unearned premium reserves	14,312,264	(734,638)	13,577,626
Primary property and casualty insurance contracts (d)			
– Claim reserves	26,377,221	(5,429,923)	20,947,298
– Unearned premium reserves	26,399,787	(1,865,385)	24,534,402
Total insurance contract liabilities	257,959,374	(21,039,827)	236,919,547

	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

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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 2020	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
Additions	46,787,282	(3,026,614)	43,760,668
Payments	(3,078,149)	687,410	(2,390,739)
Surrenders	(32,893,812)	570,110	(32,323,702)
Others	(12,760)	(42,896)	(55,656)
At 31 December 2021	117,073,533	(3,235,136)	113,838,397

(b) Short-term life and health reinsurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	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
Claims incurred	20,180,451	(4,401,695)	15,778,756
Claims paid	(13,418,579)	5,791,334	(7,627,245)
At 31 December 2021	20,433,834	(3,695,247)	16,738,587

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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 2020	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
Premiums written	25,904,024	(5,184,737)	20,719,287
Premiums earned	(24,467,449)	5,147,952	(19,319,497)
At 31 December 2021	7,472,161	(422,889)	7,049,272

(c) Property and casualty reinsurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	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
Claims incurred	27,710,444	(860,068)	26,850,376
Claims paid	(24,120,619)	534,323	(23,586,296)
At 31 December 2021	45,890,574	(5,656,609)	40,233,965

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(Expressed in thousands of Renminbi, unless otherwise stated)

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 2020	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
Premiums written	44,313,967	(2,217,875)	42,096,092
Premiums earned	(42,558,301)	2,289,938	(40,268,363)
At 31 December 2021	14,312,264	(734,638)	13,577,626

(d) Primary property and casualty insurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	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
Claims incurred	33,024,087	(2,393,321)	30,630,766
Claims paid	(29,425,626)	2,096,793	(27,328,833)
At 31 December 2021	26,377,221	(5,429,923)	20,947,298

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For the year ended 31 December 2021
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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 2020	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
Premiums written	49,289,279	(4,609,583)	44,679,696
Premiums earned	(48,771,154)	4,303,525	(44,467,629)
At 31 December 2021	26,399,787	(1,865,385)	24,534,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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46 NOTES AND BONDS PAYABLE

	31 December 2021	31 December 2020
Bonds payable	12,997,931	12,996,801
Notes payable	9,558,128	9,751,454
Total	22,556,059	22,748,255

The following table indicates the balances of notes and corporate bonds issued by the Group:

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 2021	31 December 2020
Bank loans	3,499,098	3,577,375
Total	3,499,098	3,577,375

As at 31 December 2021, the Group holds a long-term borrowing of USD550 million (31 December 2020: USD550 million) with a coupon rate of 4.7%, final maturity date is 28 December 2023.

48 OTHER LIABILITIES

	31 December 2021	31 December 2020
Payable to third party investors of consolidated structured entities	3,496,279	4,225,474
Salaries and welfare payable	2,483,472	2,069,717
Investment contracts payable	2,191,281	909,133
Premiums received in advance	1,694,532	1,736,791
Unallocated cash	1,126,627	778,051
Deposits from cedants	1,037,405	1,003,354
Handling charges and commissions payable	679,265	689,168
Property and equipment payables	528,619	489,509
Taxes payable	332,296	396,601
Securities clearance payable	324,270	43,219
Withholding vehicle and vessel use tax	300,163	301,904
Claims payable	189,627	437,549
Defined benefit obligation (1)	151,692	181,404
Insurance guarantee fund payable	53,030	85,798
Others	2,181,983	2,272,078
Total	16,770,541	15,619,750

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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:

	2021	2020
Opening balance	181,404	164,301
Cost of defined benefit retirement plans included in current profit or loss		
– Interest cost	5,324	9,230
Exchanges differences	(721)	(722)
Remeasurement effects recognised in other comprehensive income		
– Actuarial (gains)/losses	(78,656)	13,865
Benefits paid by the plans	(24,422)	(5,270)
Closing balance	82,929	181,404

Chaucer defined benefit pension retirement plan on December 31, 2021 is a surplus, which is listed in other assets of the Group's financial statements. For details, please refer to Note 40.

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):

	2021	2020
Discount rate	3.00%	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 2021 is determined based on the China Life Insurance Mortality Table-CL5/CL6 (2010 – 2013) issued by the former CIRC in 2016 (2020: same).

(Expressed in thousands of Renminbi, unless otherwise stated)

48 OTHER LIABILITIES *(continued)*

(1) Defined benefit pension plan obligation *(continued)*

China defined benefit retirement plan *(continued)*

No plan assets have been created under China defined benefit retirement plan, therefore there is no relevant information on the market value, level of funding, or material surplus or deficiency of the plan assets available for disclosure.

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:

	2021	2020
Discount rate	1.90%	1.55%
Rate of salary increases (ii)	N/A	N/A
Rate of 5% Retail Price Index ("RPI") pension increases	3.20%	2.85%
Rate of 2.5% RPI pension increases	2.15%	2.00%
Rate of 5% Consumer Price Index ("CPI") pension increases	2.70%	2.30%
RPI Inflation	3.35%	2.90%
CPI Inflation	2.75%	2.30%

(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:

	2021	2020
Present value of defined benefit obligations	968,871	1,037,838
Fair value of scheme assets	(1,037,634)	(1,003,999)
Scheme (surplus)/deficit	(68,763)	33,839

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48 OTHER LIABILITIES *(continued)*

(1) Defined benefit pension plan obligation *(continued)*

Chaucer defined benefit pension retirement plan *(continued)*

According to the actuarial valuation, the market value of the assets under Chaucer defined benefit pension retirement plan as at 31 December 2021 is RMB1,037,634 thousand (as at 31 December 2020: RMB1,003,999 thousand), the actuarial value of those assets accounts for 107.10% of the benefits provided to eligible employees.

49 SHARE CAPITAL

	31 December 2021	31 December 2020
Issued and fully paid ordinary shares of RMB1 each		
Domestic shares	35,800,391	35,800,391
H shares	6,679,417	6,679,417
Total	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 2021, a total of RMB7,002 million was recorded in share premiums after deducting the share capital of RMB6,072 million and the stock issuance fee.

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

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

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 Notice of the Measure on the Publication Administration of Nuclear Catastrophic Liability Reserve by the CBIRC, the Ministry of Finance, the Ministry of Ecology and Environment (Yin Bao Jian Fa [2020] No. 47) (《銀保監會財政部生態環境部關於印發核保險巨災責任準備金管理辦法的通知》(銀保監發 [2020] 47 號)), 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% after legal appropriation of statutory reserve and general (risk) reserve. The nuclear catastrophic reserve cannot be used for dividend distribution or capital increase.

(e) Retained profits

As at 31 December 2021, the consolidated retained profits attributable to equity shareholders of the Company included an appropriation of RMB4,137 million to surplus reserve made by subsidiaries (31 December 2020: RMB3,574 million).

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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. These structured entities are financed through the contracts. Third-party institutions raise funds via issuing investment products to investors.

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 2021		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	18,666,482	–	4,324,078
Structured notes	–	–	1,272,750
Debt investment plans	5,595	13,250,000	–
Trust schemes	–	10,327,344	–
Equity investment plans	412,660	–	–
Assets backed securities	162,996	–	–
Assets backed plans	212,455	1,175,000	–
Products from insurance asset managers	666,587	–	–
Other fixed maturity investment	804,462	–	–
Total	20,931,237	24,752,344	5,596,828

(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 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

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 2021, the balances of asset management products managed by the Group but unconsolidated in the financial statements amounted to RMB2,835 million (31 December 2020: RMB891 million), among which RMB992 million was held by the Group (31 December 2020: Nil). The balance of debt investment plan managed by the Group but unconsolidated in the financial statements amounted to RMB4,000 million (31 December 2020: RMB2,400 million), among which RMB950 million was held by the Group (31 December 2020: RMB950 million). The asset management fee income from the unconsolidated structured entities managed by the Group is RMB4.3 million (31 December 2020: RMB8.9 million).

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52 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash generated from operations:

	2021	2020
Profit before tax	7,569,137	7,297,743
Adjustments for:		
Investment income	(14,764,050)	(15,688,533)
Exchange losses, net	(23,278)	(98,062)
Finance costs	2,051,817	1,748,652
Share of profits of associates	(2,294,929)	(2,097,055)
Impairment provisions charges	290,726	618,329
Depreciation of property and equipment	363,645	316,000
Depreciation of right-of-use assets	407,260	451,397
Depreciation of investment property	219,864	255,398
Amortisation of intangible assets	231,401	178,602
Losses on disposal of property and equipment and intangible assets, net	2,726	1,141
Increase in insurance contract liabilities	29,944,573	40,646,095
(Decrease)/Increase in investment contract liabilities and policyholders' deposits	(3,632,275)	3,803,647
Increase in reinsurer's share of insurance contract liabilities	(1,364,910)	(1,429,068)
Decrease/(Increase) in premiums receivable	506,172	(1,882,436)
(Increase)/Decrease in reinsurance debtors	(980,386)	7,233,525
Decrease/(Increase) in investment contracts receivable	1,846,303	(3,679,622)
Increase/(Decrease) in reinsurance payables	2,831,248	(1,662,999)
Increase in other assets	(14,086,586)	(116,061)
Increase/(Decrease) in other liabilities	2,112,241	(377,132)
Cash generated from operations	11,230,699	35,519,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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52 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Analysis of balances of cash and cash equivalents:

	2021	2020
Cash and short-term time deposits	23,096,286	13,872,362
Add: Financial assets held under resale agreements with original maturity of no more than three months	3,465,964	4,615,600
Less: Restricted cash at banks	(4,358,419)	(3,650,913)
Cash and cash equivalents at end of the year	22,203,831	14,837,049

(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 2021	(3,785,476)	(22,748,255)	(29,403,318)	(1,253,917)	(57,190,966)
Cash flows	200,163	–	(18,098,585)	419,804	(17,478,618)
Acquisition-leases	–	–	–	(301,509)	(301,509)
Foreign exchange adjustments	86,215	223,795	–	–	310,010
Other non-cash movements	–	(31,599)	(483,680)	(36,844)	(552,123)
Balance as at 31 December 2021	(3,499,098)	(22,556,059)	(47,985,583)	(1,172,466)	(75,213,206)

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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, which includes any deposit components and 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 2021 and fair value changes for the 12 months ended 31 December 2021:

	Fair value as at 31 December 2021	Fair value changes for the 12 months ended 2021
Held for trading financial assets	14,836,705	(512,060)
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")	190,427,810	2,107,411
– Financial assets with contractual terms that do not give rise on SPPI(ii)	69,547,013	(8,454,650)
Total	274,811,528	(6,859,299)

	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

(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 2021 Carrying amount (iv)	As at 31 December 2020 Carrying amount (iv)
Domestic		
Rating not required (v)	17,637,325	16,978,186
AAA	118,269,944	102,975,557
AA	8,091,703	11,730,329
A	207,015	300,000
BBB	58,540	2,039,318
BB or below	8,972,030	7,960,000
Non-rating	1,201,887	159,034
Subtotal	154,438,444	142,142,424
Overseas		
AAA	5,217,920	4,653,621
AA	1,921,620	1,880,246
A	9,939,840	5,849,188
BBB	9,787,752	9,458,393
BB or below	6,233,749	1,231,542
Non-rating	86,536	455,818
Subtotal	33,187,417	23,528,808
Total	187,625,861	165,671,232

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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 2021		As at 31 December 2020	
	Carrying amount (iv)	Fair value	Carrying amount (iv)	Fair value
Domestic	7,960,000	5,688,000	7,960,000	6,842,968
Overseas	13,960,903	13,960,903	426,023	426,023
Total	21,920,903	19,648,903	8,386,023	7,268,991

(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.

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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.

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.

54 RISK MANAGEMENT *(continued)*

(1) Insurance risk *(continued)*

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.

Sensitivity analysis

Changes of factors such as the claim amounts of various property and casualty, short-term life and health insurance and reinsurance business may impact the changes of assumptions for outstanding claim reserve, thereby impacting the synchronized changes in outstanding 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 RMB1,024 million for the years ended 31 December 2021 (31 December 2020: RMB995 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.

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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

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

	2016	2017	2018	2019	2020	2021	Total
Cumulated loss estimate							
Year ending	100,438,542	18,384,153	20,563,460	23,133,382	27,370,710	29,763,809	
1 year later	100,092,332	18,033,391	20,566,215	22,708,775	26,281,395		
2 years later	99,937,238	18,090,870	20,631,342	22,713,189			
3 years later	99,947,906	18,099,313	20,680,817				
4 years later	99,933,660	18,131,381					
5 years later	99,996,558						
Estimated cumulated claims	99,996,558	18,131,381	20,680,817	22,713,189	26,281,395	29,763,809	217,567,149
Less: Cumulated claims paid	99,821,936	18,000,327	20,336,255	21,842,209	23,037,515	18,008,293	201,046,535
Add: Adjustments in prior periods and unallocated loss adjustment expense ("ULAE"), discount and risk margin							1,251,420
Estimated unpaid claims							17,772,034

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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

	2016	2017	2018	2019	2020	2021	Total
Cumulated loss estimate							
Year ending	84,115,722	16,901,713	18,902,406	21,097,358	24,606,091	27,037,334	
1 year later	83,911,614	16,646,409	18,879,217	20,916,980	23,766,707		
2 years later	83,808,677	16,683,072	18,930,554	20,835,396			
3 years later	83,797,967	16,698,579	18,956,231				
4 years later	83,811,636	16,723,861					
5 years later	83,827,796						
Estimated cumulated claims	83,827,796	16,723,861	18,956,231	20,835,396	23,766,707	27,037,334	191,147,325
Less: Cumulated claims paid	83,712,138	16,622,271	18,711,338	20,155,429	21,234,781	16,678,746	177,114,703
Add: Adjustments in prior periods and ULAE, discount and risk margin							1,087,547
Estimated unpaid claims							15,120,169
Less: Estimated unpaid claims assumed by China Re Group							(504,918)
Gross estimated unpaid claims							15,625,087

(*) Primary insurance contracts presented include the assumed reinsurance business undertaken by China Continent Insurance.

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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

	2016	2017	2018	2019	2020	2021	Total
Cumulated loss estimate							
Year ending	285,732,697	22,248,638	27,710,670	33,626,600	37,049,759	43,611,122	
1 year later	283,363,934	24,700,481	31,534,418	37,251,264	42,822,178		
2 years later	281,621,632	23,940,972	31,792,528	35,694,525			
3 years later	280,679,531	22,971,528	31,587,414				
4 years later	279,255,784	22,591,877					
5 years later	270,725,045						
Estimated cumulated claims	270,725,045	22,591,877	31,587,414	35,694,525	42,822,178	43,611,122	447,032,161
Less: Cumulated claims paid	268,071,528	21,140,824	26,982,012	27,907,344	27,370,418	4,931,302	376,403,428
Unearned claims	4,250	20,153	56,904	112,985	390,160	17,540,406	18,124,858
Add: Risk margin, discount and ULAE	140,754	(2,148)	(56,494)	635,026	1,128,926	1,739,362	3,585,426
Estimated unpaid claims	2,790,021	1,428,752	4,492,004	8,309,222	16,190,526	22,878,776	56,089,301
Less: Estimated unpaid claims assumed by China Continent Insurance							1,270,931
Gross estimated unpaid claims							54,818,370

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 *(continued)*

Net

	2016	2017	2018	2019	2020	2021	Total
Cumulated loss estimate							
Year ending	268,274,036	20,443,555	24,658,105	29,946,658	33,749,777	40,284,844	
1 year later	265,995,292	22,437,135	28,406,389	33,443,423	38,191,339		
2 years later	264,650,777	21,735,693	28,035,444	31,713,621			
3 years later	263,696,911	20,926,104	28,169,021				
4 years later	262,374,625	20,646,888					
5 years later	261,402,564						
Estimated cumulated claims	261,402,564	20,646,888	28,169,021	31,713,621	38,191,339	40,284,844	420,408,277
Less: Cumulated claims paid	257,806,924	19,316,267	24,045,699	24,427,087	23,316,609	3,541,545	352,454,131
Unearned claims	4,151	20,073	53,839	92,489	405,359	17,067,777	17,643,688
Add: Risk margin, discount and ULAE	(1,079,878)	28,781	155,701	421,765	821,209	1,142,916	1,490,494
Estimated unpaid claims	2,511,611	1,339,329	4,225,184	7,615,810	15,290,580	20,818,438	51,800,952
Less: Estimated unpaid claims assumed by China Continent Insurance							1,187,988
Gross estimated unpaid claims							50,612,964

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)

(iii) CRIH and CIC Business

Gross

	2016	2017	2018	2019	2020	2021	Total
Cumulated loss estimate							
Year ending			3,714,720	3,299,411	3,333,553	3,734,542	
1 year later		6,512,331	6,183,734	5,481,119	5,600,552		
2 years later	17,128,224	7,186,791	5,980,445	5,236,331			
3 years later	15,924,311	6,795,481	5,586,153				
4 years later	17,945,795	6,333,547					
5 years later	17,793,110						
Estimated cumulated claims	17,793,110	6,333,547	5,586,153	5,236,331	5,600,552	3,734,542	44,284,235
Less: Cumulated claims paid	13,876,160	4,484,030	3,279,861	2,483,451	1,398,582	525,683	26,047,767
Add: Risk margin, discount and ULAE							1,874,757
Estimated unpaid claims							20,111,225

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)

(iii) CRIH and CIC Business *(continued)*

Net

	2016	2017	2018	2019	2020	2021	Total
Cumulated loss estimate							
Year ending			1,830,464	1,805,935	2,374,179	2,349,487	
1 year later		3,103,331	3,271,173	3,311,986	3,956,565		
2 years later	12,432,314	3,577,165	3,181,660	3,244,548			
3 years later	11,704,993	3,427,241	3,055,603				
4 years later	12,968,179	3,277,438					
5 years later	12,844,437						
Estimated cumulated claims	12,844,437	3,277,438	3,055,603	3,244,548	3,956,565	2,349,487	28,728,078
Less: Cumulated claims paid	10,794,104	2,309,531	1,888,030	1,727,907	1,074,094	398,041	18,191,707
Add: Risk margin, discount and ULAE							1,145,428
Estimated unpaid claims							11,681,799

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 CIC on 14 February 2019. These amounts reflected statistics of CRIH and CIC.

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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	
		2021	2020
Mortality/morbidity	+10%	(244,935)	(241,692)
Mortality/morbidity	-10%	251,923	249,034
Lapse rate	+10%	28,534	31,421
Lapse rate	-10%	(18,700)	(4,556)
Discount rate	+50bp	1,432,833	1,608,660
Discount rate	-50bp	(1,531,847)	(1,729,965)

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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 2021, 100% (31 December 2020: 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 2021, 73% (31 December 2020: 84%) 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 2021, 55% (31 December 2020: 62%) of the debt investment plan were guaranteed by third parties or collateralized, 70% (31 December 2020: 72%) of the trust schemes were guaranteed by third parties and 100% (31 December 2020: 100%) of the asset backed securities are guaranteed by third parties. As at 31 December 2021, there was material breach for few debt investments held by the group. The total book balance for the debt investments were RMB7,960 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 RMB2,242 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 2021 is disclosed in Note 58.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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54 RISK MANAGEMENT *(continued)*

(2) Financial risk *(continued)*

(a) Credit risk *(continued)*

(ii) Aging analysis of financial assets

	2021					
		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	23,096,286	–	–	–	–	23,096,286
Financial assets at fair value through profit or loss fixed maturity	5,679,801	–	–	–	–	5,679,801
Financial assets held under resale agreements	3,465,964	–	–	–	–	3,465,964
Premiums receivable	14,537,009	–	1,509,104	86,114	711,878	16,844,105
Reinsurance debtors	45,490,252	–	2,173,530	884,512	1,319,289	49,867,583
Investment contracts receivable	5,266,570	–	–	–	–	5,266,570
Reinsurers' share of Policy loans	628,518	–	–	–	–	628,518
Time deposits	21,365,996	–	–	–	–	21,365,996
Available-for-sale fixed maturity investments	125,965,868	518,427	–	–	–	126,484,295
Held-to-maturity investments	37,376,952	–	–	–	–	37,376,952
Investments classified as loans and receivables	33,379,500	–	–	–	7,960,000	41,339,500
Statutory deposits	18,844,502	–	–	–	–	18,844,502
Other financial assets	24,503,151	–	–	–	303,381	24,806,532
Sub-total	359,600,369	518,427	3,682,634	970,626	10,294,548	375,066,604
Less: impairment provisions	–	(216,897)	–	–	(3,365,398)	(3,582,295)
Total	359,600,369	301,530	3,682,634	970,626	6,929,150	371,484,309

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54 RISK MANAGEMENT *(continued)*

(2) Financial risk *(continued)*

(a) Credit risk *(continued)*

(ii) Aging analysis of financial assets (continued)

	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

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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 2021	Impact on equity 2020
Financial assets at fair value through profit or loss	+50bp	(61,756)	(43,698)
Financial assets at fair value through profit or loss	-50bp	63,455	44,892
Available-for-sale financial assets	+50bp	(1,648,065)	(1,682,485)
Available-for-sale financial assets	-50bp	1,700,380	1,717,224

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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 2021	Impact on profit before tax 2020
Financial assets at fair value through profit or loss	+50bp	(61,756)	(43,698)
Financial assets at fair value through profit or loss	-50bp	63,455	44,892
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 2021	Impact on profit before tax/equity 2020
Floating interest rate debt securities	+50bp	411	1,049
Floating interest rate debt securities	-50bp	(411)	(1,049)
Floating interest rate debt investment plan	+50bp	1,500	1,500
Floating interest rate debt investment plan	-50bp	(1,500)	(1,500)
Floating interest rate deposits	+50bp	84,244	39,155
Floating interest rate deposits	-50bp	(84,244)	(39,155)

(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.

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54 RISK MANAGEMENT *(continued)*

(2) Financial risk *(continued)*

(b) Market risk *(continued)*

(ii) Currency risk (continued)

	2021						
	RMB	USD	HKD	GBP	EUR	Others	Total
Cash and short-term time deposits	9,234,644	9,499,630	765,042	617,684	2,632,564	346,722	23,096,286
Financial assets at fair value through profit or loss	10,258,229	3,625,051	953,425	–	–	–	14,836,705
Derivative financial assets	24,086	412,336	–	–	–	–	436,422
Financial assets held under resale agreements	3,465,964	–	–	–	–	–	3,465,964
Premiums receivable	14,059,449	1,251,308	7,502	366,698	191,202	256,068	16,132,227
Reinsurance debtors	40,669,859	5,490,481	210,669	832,363	582,669	1,900,385	49,686,426
Investment contracts receivable	5,149,443	45,110	–	–	–	72,017	5,266,570
Reinsurers' share of insurance contract liabilities	6,838,386	10,591,301	1,106	1,663,205	258,576	1,687,253	21,039,827
Reinsurers' share of policy loans	628,518	–	–	–	–	–	628,518
Time deposits	17,715,200	1,739,545	–	79,179	1,832,072	–	21,365,996
Available-for-sale financial assets	124,141,515	46,183,771	4,816,952	1,026,291	264,126	1,333,141	177,765,796
Held-to-maturity investments	37,376,952	–	–	–	–	–	37,376,952
Investments classified as loans and receivables	38,319,912	777,156	–	–	–	–	39,097,068
Statutory deposits	18,844,502	–	–	–	–	–	18,844,502
Other financial assets	20,962,413	1,094,939	224,872	352,364	122,415	1,819,598	24,576,601
Total	347,689,072	80,710,628	6,979,568	4,937,784	5,883,624	7,415,184	453,615,860
Transaction financial liabilities	267,054	–	–	–	–	–	267,054
Securities sold under agreements to repurchase	39,619,343	8,366,240	–	–	–	–	47,985,583
Reinsurance payables	13,766,329	3,538,282	62,728	1,077,191	282,821	388,042	19,115,393
Income tax payable	2,374,328	3,358	18,413	1,031	–	5,432	2,402,562
Policyholders' deposits	1,490,265	574,225	2,226,926	–	–	–	4,291,416
Investment contract liabilities	19,174,457	366,900	1,245,386	–	–	–	20,786,743
Insurance contract liabilities	188,939,432	45,600,860	10,150,886	2,599,329	2,728,006	7,940,861	257,959,374
Notes and bonds payable	12,997,931	9,558,128	–	–	–	–	22,556,059
Long-term borrowings	–	3,499,098	–	–	–	–	3,499,098
Lease liabilities	909,388	598	18,622	225,081	–	18,777	1,172,466
Other financial liabilities	12,031,881	1,177,027	193,824	521,956	178,768	972,553	15,076,009
Total	291,570,408	72,684,716	13,916,785	4,424,588	3,189,595	9,325,665	395,111,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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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.

Currency	Changes in exchange rate	Impact on profit before tax 2021	Impact on profit before tax 2020	Impact on equity 2021	Impact on equity 2020
USD	+5%	362,539	(90,918)	362,539	(90,918)
USD	-5%	(362,539)	90,918	(362,539)	90,918
HKD	+5%	(587,708)	(361,429)	(587,708)	(361,429)
HKD	-5%	587,708	361,429	587,708	361,429
GBP	+5%	25,660	(84,365)	25,660	(84,365)
GBP	-5%	(25,660)	84,365	(25,660)	84,365
EUR	+5%	134,701	(11,201)	134,701	(11,201)
EUR	-5%	(134,701)	11,201	(134,701)	11,201

(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.

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.

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54 RISK MANAGEMENT *(continued)*

(2) Financial risk *(continued)*

(b) Market risk *(continued)*

(iii) Price risk (continued)

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):

	2021	2020
Financial assets at fair value through profit or loss		
Equity shares	(69,354)	(14,685)
Investment funds	(15,139)	(6,923)
Sub-total	(84,493)	(21,608)
Available-for-sale financial assets		
Equity shares	(466,335)	(803,304)
Investment funds	(87,786)	(106,192)
Sub-total	(554,121)	(909,496)
Total	(638,614)	(931,104)

(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)

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54 RISK MANAGEMENT *(continued)*

(2) Financial risk *(continued)*

(c) Liquidity risk *(continued)*

	31 December 2021					
	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	23,096,286	–	–	–	23,096,286	23,096,286
Debt securities carried at fair value through profit or loss	865,330	1,141,196	4,230,358	307,430	6,544,314	5,679,801
Equity securities carried at fair value through profit or loss	9,156,904	–	–	–	9,156,904	9,156,904
Derivative financial assets	436,422	–	–	–	436,422	436,422
Financial assets held under resale agreements	3,467,915	–	–	–	3,467,915	3,465,964
Premiums receivable	9,708,993	4,499,267	1,910,359	13,608	16,132,227	16,132,227
Reinsurance debtors	48,884,704	508,179	253,716	39,827	49,686,426	49,686,426
Investment contracts receivable	5,266,570	–	–	–	5,266,570	5,266,570
Reinsurers' share of insurance contract liabilities	10,400,843	3,366,914	5,685,913	1,388,344	20,842,014	21,039,827
Reinsurers' share of policy loans	628,518	–	–	–	628,518	628,518
Time deposits	3,956,597	3,437,171	15,975,651	–	23,369,419	21,365,996
Available-for-sale fixed maturity investments	18,028,632	15,649,685	58,761,922	76,571,974	169,012,213	126,484,295
Available-for-sale equity securities	51,281,501	–	–	–	51,281,501	51,281,501
Held-to-maturity investments	6,250,261	5,548,577	8,459,981	29,124,728	49,383,547	37,376,952
Investments classified as loans and receivables	13,266,106	5,909,011	14,524,163	19,308,735	53,008,015	39,097,068
Statutory deposits	3,460,516	13,447,341	3,237,133	–	20,144,990	18,844,502
Other financial assets	(1,575,040)	1,923,815	(10,046,913)	216,173,837	206,475,699	24,576,601
Total	206,581,058	55,431,156	102,992,283	342,928,483	707,932,980	453,615,860
Liabilities:						
Financial assets at fair value through profit or loss	267,054	–	–	–	267,054	267,054
Securities sold under agreements to repurchase	48,094,351	–	–	–	48,094,351	47,985,583
Reinsurance payables	18,142,775	395,443	433,034	144,141	19,115,393	19,115,393
Income tax payable	2,402,562	–	–	–	2,402,562	2,402,562
Policyholders' deposits	3,875,230	118,036	298,150	–	4,291,416	4,291,416
Investment contract liabilities	(54,854,956)	1,710,031	16,576,326	260,291,381	223,722,782	20,786,743
Insurance contract liabilities	102,852,781	34,084,615	78,699,187	107,090,209	322,726,792	257,959,374
Notes and bonds payable	10,217,430	614,800	2,154,400	14,921,600	27,908,230	22,556,059
Long-term borrowings	262,523	3,507,160	–	–	3,769,683	3,499,098
Lease liabilities	446,727	345,907	332,075	151,166	1,275,875	1,172,466
Other financial liabilities	16,033,227	178,783	529,748	3,989,001	20,730,759	15,076,009
Total	147,739,704	40,954,775	99,022,920	386,587,498	674,304,897	395,111,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
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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

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 2021 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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55 FAIR VALUE MEASUREMENT *(continued)*

(1) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy ***(continued)***

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
– Fixed maturity investment	5,679,801	1,838,427	3,841,374	–
– Equity securities	9,156,904	6,912,292	1,586,923	657,689
Available-for-sale financial assets				
– Fixed maturity investment	126,484,295	12,359,235	113,002,547	1,122,513
– Equity securities	51,281,501	37,688,098	6,272,140	7,321,263
Derivative financial assets	436,422	–	–	436,422
Total Assets	193,038,923	58,798,052	124,702,984	9,537,887
Liabilities				
Financial liabilities at fair value through profit or loss	(267,054)	–	–	(267,054)
Derivative financial liabilities	–	–	–	–
Total Liabilities	(267,054)	–	–	(267,054)

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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)

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55 FAIR VALUE MEASUREMENT *(continued)*

(1) Financial assets and liabilities measured at fair value *(continued)*

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 2021	701,383	13,582,269	246,287	(172,014)	(214,579)
Additions	–	1,827,950	24,087	–	–
Disposals	(66,547)	(7,485,450)	–	–	–
Transfer to Level 3	–	–	–	–	–
Transfer out from Level 3	–	–	–	–	–
Gains/(losses) through profit or loss	1,070	(4,845)	166,048	172,014	(52,475)
Gains/(losses) through other comprehensive income	21,783	523,852	–	–	–
31 December 2021	657,689	8,443,776	436,422	–	(267,054)

	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)

55 FAIR VALUE MEASUREMENT *(continued)*

(1) Financial assets and liabilities measured at fair value *(continued)*

Valuation techniques and inputs used in Level 2 fair value measurements

As at 31 December 2021, 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.

During the year ended 31 December 2021, the Group did not transfer securities from Level 1 to Level 2 (During the year ended 31 December 2020: Nil) and did not transfer securities from Level 2 to Level 1 (During the year ended 31 December 2020: 375 million).

During the year ended 31 December 2021, the Group did not transfer securities from Level 2 to Level 3 (During the year ended 31 December 2020: Nil) and did not transfer securities from Level 3 to Level 2 (During the year ended 31 December 2020: RMB511 million).

Valuation techniques and inputs used in Level 3 fair value measurements

As at 31 December 2021 and 2020, 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 2021 and 31 December 2020:

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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 *(continued)*

	Fair Value	Valuation techniques	Significant unobservable inputs	Range	Relationships between fair value and unobservable inputs
Equity securities	31 December 2021: 1,072,652 31 December 2020: 925,360	Discounted cash flow method	Discount rate	31 December 2021: 4.43%-4.65% 31 December 2020: 2.99%-4.91%	The higher of discount rate, the lower the fair value
	31 December 2021: 1,206,580 31 December 2020: 126,320	Comparable companies approach	Discounts for lack of marketability	31 December 2021: 4%-35% 31 December 2020: 14%-35%	The higher of discounts for lack of marketability, the lower the fair value
	31 December 2021: 5,569,220 31 December 2020: 11,135,093	Net asset value method	Net asset	31 December 2021: N/A 31 December 2020: N/A	N/A
Debt securities	31 December 2021: 1,122,513 31 December 2020: 809,883	Discounted cash flow method	Discount rate	31 December 2021: 2.01%-4.51% 31 December 2020: 5.03%	The higher of discount rate, the lower the fair value
Derivative financial instruments	31 December 2021: 436,422 31 December 2020: 74,273	Discounted cash flow method	Discount rate	31 December 2021: (0.59%)-0.19% 31 December 2020: (0.55%)-0.24%	The higher of discount rate, the lower the fair value

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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 2021 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 2021		31 December 2021 The fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Held-to-maturity financial assets	37,376,952	39,347,138	–	39,347,138	–
Investment classified as loans and receivables	39,097,068	40,578,952	–	–	40,578,952
Liabilities					
Long-term borrowings	3,499,098	3,671,087	–	–	3,671,087
Notes and bonds payable	22,556,059	22,908,112	–	22,908,112	–

	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	–

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.

(Expressed in thousands of Renminbi, unless otherwise stated)

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 2021, the solvency information of the Group and the Company is as follows:

(in RMB millions, except for percentages)

31 December 2021	**Actual capital**	**Minimum capital**	**Core solvency adequacy ratio**	**Aggregated solvency adequacy ratio**
The Group	**112,643**	**53,930**	**185%**	**209%**
The Company	**78,950**	**13,163**	**600%**	**600%**

(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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

57 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Ultimate parent

The immediate parent of the Company is Central Huijin Investment Ltd., which parent company is China Investment Corporation. 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:

	2021	2020
Interest income	73,776	73,802
Premium income	759	1,164
Claims payments	789,384	1,230,904
Fees and commissions	110	231

During the year ended 31 December 2021, the Group received the dividends from China Everbright Bank of RMB487,175 thousand (the year ended 2020, RMB496,455 thousand).

(b) The balances of significant related-party transactions between the Group and CEB is as follows:

	31 December 2021	31 December 2020
Cash and short-term time deposits	153,611	194,619
Statutory deposits	437,187	437,187
Time deposits	45,285	–
Interest receivables	29,774	56,775
Debt investments	999,216	999,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

57 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(3) Transactions with related parties except for key management personnel *(continued)*

(c) The balances of significant related-party transactions between the Group and China Investment Corporation is as follows:

	2021	2020
Investment income	783,427	–

On 2 September 2021, China Reinsurance Finance Corporation Limited ("China Re Finance"), a subsidiary of the Company, entered into a sale and purchase agreement with China Investment Corporation. Pursuant to the agreement, China Re Finance agreed to aggregately dispose of its 10% ownership of the Logicor Group to the aforementioned acquirors (the "Disposal") for a cash consideration of EUR 718 million. The Group realise a book gain of approximately RMB783 million from the Disposal.

The Group enters into transactions with China Investment Corporation and companies under it in the ordinary course of business under normal commercial terms.

(4) Key management personnel remuneration:

	2021	2020
Salaries, allowances and benefits in kind	5,465	4,748
Discretionary bonuses	5,954	7,111
Employer's contribution to a retirement benefit scheme	881	499
Total	12,300	12,358

The total compensation package for the Company's key management personnel for the year ended 31 December 2021 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 2020 were restated based on the finalised amounts determined during 2020.

57 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(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 2021, 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 2020: same). For the year ended 31 December 2021, a large portion of its reinsurance business of the Group was with state-owned insurance companies (the year ended 31 December 2020: 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 2021, 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 2021 and operating results of the Group for the twelve months ended 31 December 2021.

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

(1) As at 31 December 2021, the Company provided maritime guarantee of RMB1,825 million (31 December 2020: RMB2,266 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

(2) As at 31 December 2021, the letter of credit provided by the Company to Lloyd's for China Re Syndicate 2088 has been revoked (31 December 2020: GBP 100 million). As at 31 December 2021, CRIH provided letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP 335 million totally (31 December 2020: GBP 250 million).

(3) CRIH has entered into two Tier 1 securities lending arrangement for Funds at Lloyd's with two financial institutions. The facilities total GBP 80 million and USD50 million (31 December 2020: GBP80 million and USD50 million).

59 COMMITMENTS

Capital commitments

	31 December 2021	31 December 2020
Contracted for		
– Intangible assets commitments	**42,210**	17,507
– Property and equipment commitments	**6,320**	26,161
– Investment commitments	**582,226**	660,836
Total	**630,756**	704,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

60 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

(1) Company-level statement of financial position

	31 December 2021	31 December 2020
Assets		
Cash and short-term time deposits	946,572	1,328,139
Financial assets at fair value through profit or loss	343,946	652,128
Financial assets held under resale agreements	90,000	67,000
Reinsurance debtors	4,366,952	4,767,843
Reinsurers' share of unearned premium reserves	202,378	255,470
Reinsurers' share of outstanding claim reserves	887,986	552,444
Reinsurers' share of life insurance reserves	2,926,698	316,620
Time deposits	1,063,373	474,231
Available-for-sale financial assets	12,287,597	11,000,891
Held-to-maturity investments	1,844,597	928,650
Reinsurers' share of policy loans	44,521	43,178
Long-term equity investments	42,368,303	42,198,946
Statutory deposits	9,521,318	9,521,318
Investment properties	929,178	967,926
Fixed assets	326,696	345,602
Right-of-use assets	21,558	17,083
Intangible assets	46,208	29,517
Deferred tax assets	58,022	68,948
Other assets	2,161,604	3,783,964
Total assets	80,437,507	77,319,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021
(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 2021	31 December 2020
Liabilities and equity		
Liabilities		
Securities sold under agreements to repurchase	2,191,616	639,336
Reinsurance payables	1,577,004	691,512
Employee benefits payable	422,926	403,380
Taxes payable	332,625	396,694
Policyholder's deposits and investments	1,586,116	3,355,512
Unearned premium reserves	725,516	1,668,486
Outstanding claim reserves	4,772,451	4,670,999
Life insurance reserves	3,284,691	1,462,876
Long-term health insurance reserves	2,282,143	2,181,515
Lease liabilities	19,734	16,374
Deferred tax liabilities	833,547	1,005,090
Other liabilities	1,483,829	824,140
Total liabilities	19,512,198	17,315,914
Equity		
Share capital	42,479,808	42,479,808
Capital reserves	7,004,643	7,004,643
Other comprehensive income	822,920	746,321
Surplus reserve	2,833,410	2,574,770
General risk reserve	2,833,410	2,574,770
Catastrophic loss reserve	124,089	59,863
Retained earnings	4,827,029	4,563,809
Total equity	60,925,309	60,003,984
Total liabilities and equity	80,437,507	77,319,898

The company-level statement of financial position was approved by the Board of Directors on 28 March 2022 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 2021
(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

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Catastrophic loss reserve	Retained earnings	Total equity
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
1. Total comprehensive income								
Net profit	–	–	–	–	–	–	2,586,398	2,586,398
Other comprehensive income	–	–	76,599	–	–	–	–	76,599
2. Appropriation of profits								
Distributions to shareholders	–	–	–	–	–	–	(1,741,672)	(1,741,672)
Appropriations to surplus reserve	–	–	–	258,640	–	–	(258,640)	–
Appropriation for general risk reserve	–	–	–	–	258,640	–	(258,640)	–
Appropriation for Catastrophic loss reserve	–	–	–	–	–	64,226	(64,226)	–
3. Others	–	–	–	–	–	–	–	–
Balance at 31 December 2021	42,479,808	7,004,643	822,920	2,833,410	2,833,410	124,089	4,827,029	60,925,309

	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

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 2021 and 31 December 2020, 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 28 March 2022, the Board of Directors of the Company proposed a final dividend of RMB0.045 per ordinary share (tax inclusive) and is subject to the approval of shareholders of the Company at the 2021 annual general meeting.

62 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2022.

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
"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.
"Chaucer"	the collective name of China Re International Holdings Limited, Chaucer Insurance Company Designated Activity Company and China Re Australia HoldCo Pty Ltd
"China Continent Insurance"	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003. The Company holds 64.3% of its shares
"China Everbright Bank"	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a joint stock limited liability company incorporated in the PRC
"China Re AMC"	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
"China Re HK"	China Reinsurance (Hong Kong) Company Limited (中國再保險(香港)股份有限公司), a subsidiary of China Re Life licensed and incorporated by Hong Kong Insurance Authority on 16 December 2019

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
"CNIP"	China Nuclear Insurance Pool. CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C
"Company" or "Group Company"	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules
"CRAH"	China Re Australia HoldCo Pty Ltd, a company registered in Australia, the former name of which is Hanover Australia HoldCo Pty Ltd
"CRIH"	China Re International Holdings Limited, a company registered in England and Wales, the former name of which is The Hanover Insurance International Holdings Limited
"Director(s)"	the director(s) of the Company

DEFINITIONS

"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"	19 April 2022, 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
"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 (中華人民共和國審計署)
"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 2021 until 31 December 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	the supervisor(s) of the Company

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, Beijing, the PRC (Postal code: 100033)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1618, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong

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

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http://www.chinare.com.cn

INVESTOR RELATIONS DEPARTMENT

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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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