

## Company Report

### ZA Online (6060 HK)

#### Long term outlook remains intact

- Net loss in 1H22 due to capital market and exchange loss
- Outlook of underwriting businesses remains positive
- Maintain “BUY” on long term prospects; Cut TP to HKD31.6

#### Net loss in 1H22 due to capital market and exchange loss

Recently ZA Online (“The Company”) announced that it recorded a net loss of between RMB650 million and RMB750 million in 1H22. In our June report, we expected that the Company’s 1H22 profitability would be undermined by the gloomy equity market. In addition, the Company’s 1H22 result was worsened by exchange losses (estimated to be around RMB300 million to RMB400 million) relating to the Company’s USD-denominated bonds. According to the Company, the total net loss was also compounded by the transition to IFRS 9 which introduced extra volatility to net profit. As a result, the total announced net loss in 1H22 was bigger than we expected.

#### Long term outlook of core business remains intact

Despite the profit setback in 1H22, we maintain our view that the Company’s long term outlook of core business is intact: 1) The short-term investment income is dependent on capital market performance which is beyond the Company’s control. So is the exchange loss, which should have no long-term impact on the Company’s operating performance. 2) The Company achieved positive underwriting profit with a combined ratio of 99.6% in 2021. Its underwriting business is still likely to record positive underwriting profit in 1H22. First, the proportion of renewal premiums is increasing as the Company accumulated more insured customers, meaning potentially lower average acquisition cost. Second, although there are increased services to customers, the scale effects will help keep the combined ratio under control as the Company’s businesses grow larger. 3) The health and the digital life ecosystems remain promising business areas, evidenced by the Company’s GWP growth in such ecosystems. The total GWP of the company rose by 6.9% yoy in the first six months of 2022, or 1.1% yoy in June of 2022. We estimate that the Company’s health and digital life ecosystem GWPs achieved a low teen growth yoy in 1H22. Overall, we believe the Company’s core business outlook, namely its underwriting business measured by combined ratio and insurance demand, is still intact in a long term view.

#### Development strategy, financial forecasts and valuation

ZA Online is currently trading at 1.08x 22E P/S, or 1.48x 22E P/B. We estimate its total GWPs to grow by ~10% yoy with a stabilized COR of ~99.5% in 2022E. Revised down 22E earnings forecast (Fig. 2). Maintain BUY rating on positive long term outlook, but revise P/B based TP from HKD37.9 to HKD31.6 on slower estimated profit growth, representing 2.30x 22E P/B (equal to average P/B of 2019-2021 minus 0.5x S.D.; previously: 2.66x 22E P/E applied) or 1.7x 22E P/S. **Key catalysts:** better-than-expected premium growth and combined ratios; **key downside risks:** worse-than-expected premium growth and combined ratios.

#### Financials

Year ended 31 Dec (RMB '000)	2020A	2021A	2022E	2023E	2024E
Gross written premiums	16,708,504	20,480,119	22,587,921	24,994,892	27,694,114
Shareholders' net profit	553,786	1,164,590	371,924	1,103,358	1,344,355
EPS (RMB)	0.38	0.79	0.25	0.75	0.91
BVPS (RMB)	10.69	11.39	11.6	12.4	13.31
P/E (x)	45.3	21.7	68.0	22.9	18.8
P/B (x)	1.61	1.51	1.48	1.39	1.29
P/S (x)	1.37	1.15	1.08	0.96	0.86
ROE (%)	3.6	7.2	2.2	6.2	7.1

Sources: Wind, Company data, CMS (HK) estimates; Note: closing price is as of July 26, 2022

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Felix LUO, PhD      Laurel ZHU  
+852 3189 6288      +852 3189 6142  
felixluo@cmschina.com.hk      laurelzhu@cmschina.com.hk

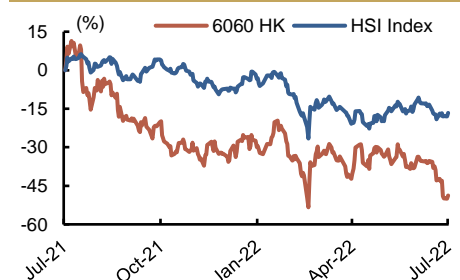
#### WHAT'S NEW

Company updates; cut TP

### BUY

Previous	BUY
Price (July 26, 2022)	HKD20.25
12-month Target Price (Potential up/downside)	HKD31.6 (+56%)
Previous	HKD37.9

#### Price Performance



Source: Wind

%	1m	6m	12m
6060 HK	(22.7)	(26.0)	(48.7)
HSI	(7.0)	(13.1)	(17.5)

#### Sector: Insurance

Hang Seng Index (July 26, 2022)	20,906
HSCEI (July 26, 2022)	7,185

#### Key Data

52-week range (HKD)	18.2-45.0
Market cap (HKD mn)	25,648
Avg. daily volume (mn)	5.2
BVPS (RMB, 2021-end)	11.4

#### Shareholding Structure

Ant Group	13.54%
Tencent Computer System	10.21%
Ping An Insurance	10.21%
Shenzhen Jia De Xin Investment Limited	9.53%
No. of shares outstanding (mn)	1,470
Free float	56.51%

Sources: Bloomberg, Wind, Company data

#### Related Research

1. ZA Online (6060 HK) - Long-term positive view unchanged (BUY) (Jun. 8, 2022)
2. ZA Online (6060 HK) - Positive underwriting profit in 2021; Maintain BUY (BUY) (Mar. 24, 2022)
3. ZA Online (6060 HK) - Tightened regulations are conducive to healthy industry development and ZA Online in LT (BUY) (Jan. 6, 2022)

## Focus charts

Figure 1: Key financial results

	2019	2020	1H21	2021
<b>GWPs (RMB '000)</b>	<b>14,629,589</b>	<b>16,708,504</b>	<b>9,845,471</b>	<b>20,480,119</b>
yoy growth	30.0%	14.2%	45.5%	22.6%
<b>NWPs (RMB '000)</b>	<b>14,395,441</b>	<b>16,185,821</b>	<b>9,227,256</b>	<b>19,325,843</b>
yoy growth	33.4%	12.4%	38.8%	19.4%
Loss ratio	67.4%	54.1%	49.4%	57.6%
Channel fees as % of NWP	24.7%	26.5%	27.9%	23.5%
Combined ratio	113.3%	102.5%	99.4%	99.6%
<b>Shareholders' net profit (RMB '000)</b>	<b>-454,101</b>	<b>553,786</b>	<b>755,347</b>	<b>1,164,590</b>
yoy growth	n.a.	n.a.	54.0%	110.3%

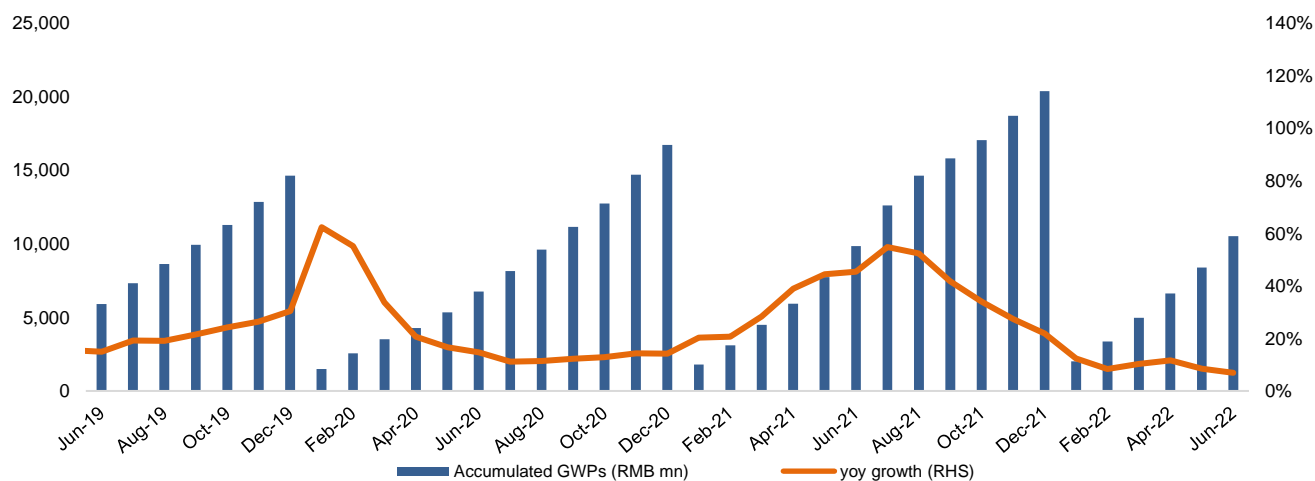
Sources: Company data, CMS(HK)

Figure 2: Forecast revision

(RMB '000)	New			Old		Change	
	2021A	2022E	2023E	2022E	2023E	2022E New/Old	2023E New/Old
Gross written premiums	20,480,119	22,587,921	24,994,892	22,587,921	24,994,892	0.0%	0.0%
Shareholders' net profit for the year	1,164,590	371,924	1,103,358	1,060,491	1,368,039	-64.9%	-19.3%
Gross written premiums growth yoy	22.6%	10.3%	10.7%	10.3%	10.7%	n.a.	n.a.
Combined ratio (%)	99.6	99.5	99.2	99.5	99.2	n.a.	n.a.
ROE (%)	7.2	2.2	6.2	6.1	7.4	n.a.	n.a.
EPS for ordinary shares (RMB)	0.79	0.25	0.75	0.72	0.93	-64.9%	-19.3%

Sources: Company data, CMS(HK) estimates

Figure 3: Accumulated GWPs and yoy growth



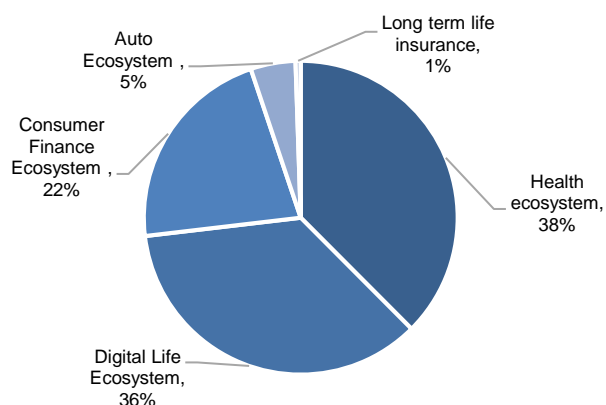
Sources: Company data, CMS(HK)

Figure 4: Composition of onshore insurance investment assets

2021-end	Balance (RMB mn)	as % of total
<b>Cash and cash equivalents</b>	<b>1,609</b>	<b>5.2%</b>
<b>Equity and investment funds</b>	<b>13,391</b>	<b>43.5%</b>
Stocks and equity funds	3,084	10.0%
Bonds and money market funds	5,749	18.7%
Unlisted equities	4,558	14.8%
<b>Fixed income investments</b>	<b>7,885</b>	<b>25.6%</b>
<b>Other investments</b>	<b>7,889</b>	<b>25.6%</b>
<b>Total onshore insurance investment assets</b>	<b>30,774</b>	<b>100.0%</b>

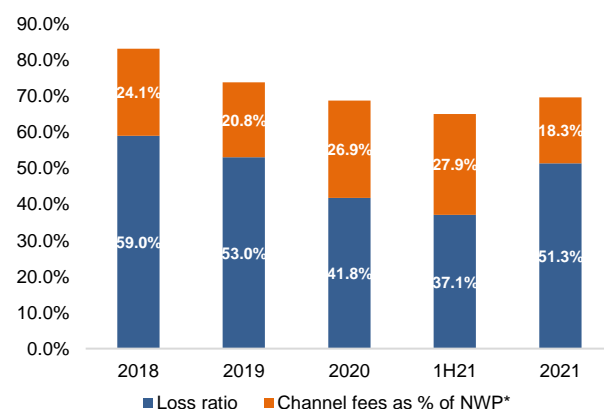
Sources: Company data, CMS(HK)

Figure 5: GWPs structure of ZA Online (2021)



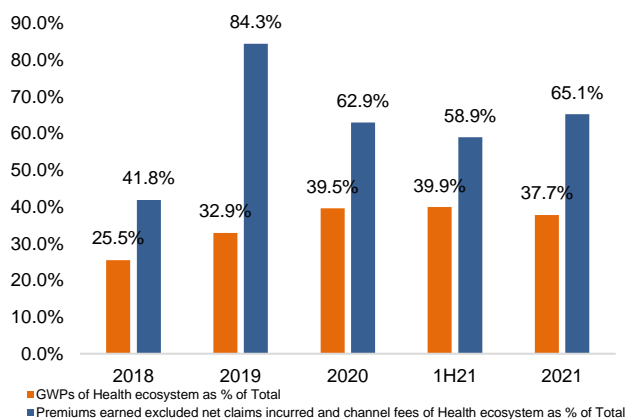
Sources: Company data, CMS(HK)

Figure 6: Loss ratio and Channel fees as % of NWP : Health Ecosystem



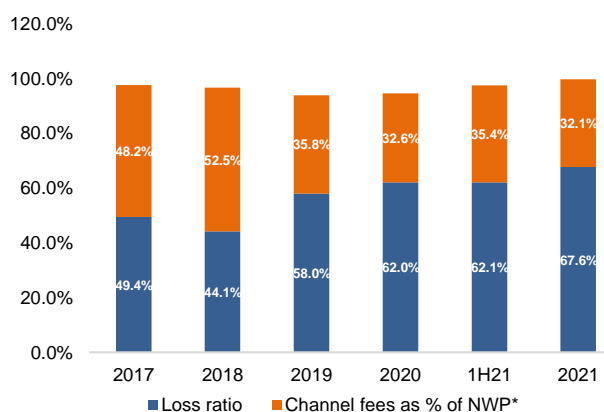
Sources: Company data, CMS(HK); Note: \*Channel fees include handling charges and commissions, technology services fees and other channel related fees directly related to premiums

Figure 7: Percentage of GWPs, Premiums earned excluded net claims incurred and channel fees in Health ecosystem



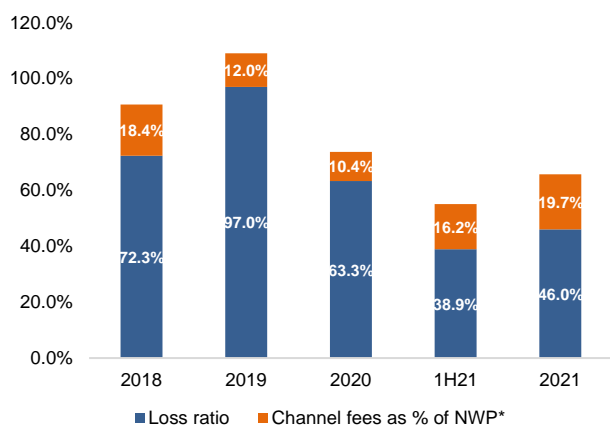
Sources: Company data, CMS(HK)

Figure 8: Loss ratio and Channel fees as % of NWP : Digital Life Ecosystem



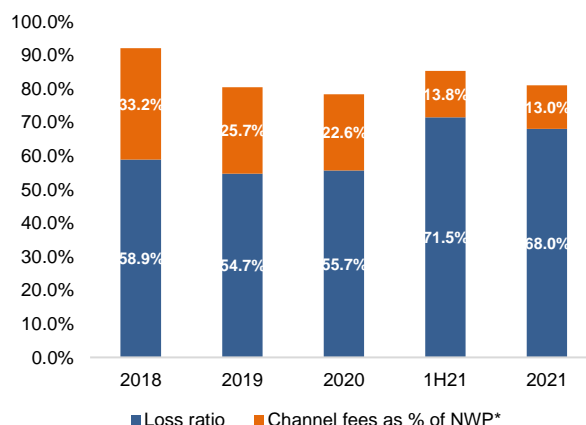
Sources: Company data, CMS(HK); Note: Figures of 2017 and 2018 are estimated data, including original lifestyle consumption ecosystem and travel ecosystem; \*Channel fees include handling charges and commissions, technology services fees and other channel related fees directly related to premiums

Figure 9: Loss ratio and Channel fees as % of NWP : Consumer Finance Ecosystem



Sources: Company data, CMS(HK); Note: \*Channel fees include handling charges and commissions, technology services fees and other channel related fees directly related to premiums

Figure 10: Loss ratio and Channel fees as % of NWP : Auto Ecosystem



Sources: Company data, CMS(HK); Note: \*Channel fees include handling charges and commissions, technology services fees and other channel related fees directly related to premiums

Figure 11: R&D investments, Technology staff and Applications of patents

	2016	2017	2018	2019	2020	1H21	2021
R&D investments (RMB mn)	214	518	852	977	905	480	1,127
<b>R&amp;D investments as % of GWPs</b>	<b>6.3%</b>	<b>8.7%</b>	<b>7.6%</b>	<b>6.7%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>5.5%</b>
Staff - Technology	n.a.	n.a.	1,618	1,248	1,426	1,556	1,836
Staff - Total	n.a.	n.a.	3,090	2,898	3,033	3,294	3,791
<b>Technology staff as % of total</b>	<b>n.a.</b>	<b>n.a.</b>	<b>52.4%</b>	<b>43.1%</b>	<b>47.0%</b>	<b>47.2%</b>	<b>48.4%</b>
Accumulated applications of patents	n.a.	49	230	478	503	511	531
Of which: Overseas applications	n.a.	n.a.	n.a.	167	174	n.a.	174

Sources: ZA Online, CMS(HK)

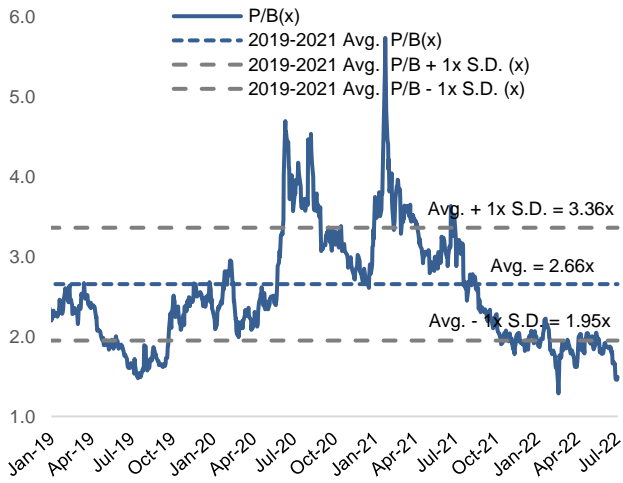
Figure 12: Comparisons among virtual banks in Hong Kong

(HKD mn)

Company	Company background	Total assets *	Net assets *	Deposits	Personal Loans	Transfer/Payment	SMEs Loans	Insurance	Online account opening for visitors in HK
ZA Bank	ZA Online	9,804	2,480	Y	Y	Y	Y	Y	Y
Airstar Bank	Xiaomi Group, AMTD Group	3,228	961	Y	Y	Y	Y	N	N
Ant Bank (HK)	Ant Group	1,989	1,197	Y	Y	Y	Y	N	N
Fusion Bank	Tencent Group, ICBC Asia, HKEX	4,407	990	Y	Y	Y	N	N	N
LIVI BANK	BOCHK, JD, Jardine Group	4,351	1,194	Y	Y	Y	N	N	N
MOX BANK	Standard Chartered Bank, PCCW, HKT, Trip.com	6,763	1,045	Y	Y	Y	N	N	N
PAOB (HK)	OneConnect Group, PingAn Group	2,484	698	Y	N	Y	Y	N	N
WeLab Bank	WeLab Group, CK Hutchison Holdings Limited, TOM Group, International Finance Corporation	2,918	511	Y	Y	Y	N	N	N

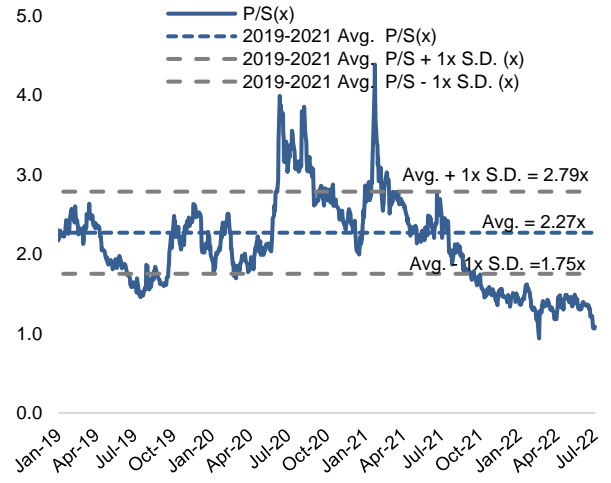
Sources: Official websites of companies, CMS(HK); Note:\* Data as of 2021-end

Figure 13: Forward P/B of ZA Online



Sources: Wind, Company data, CMS(HK) estimates

Figure 14: Forward P/S of ZA Online



Sources: Wind, Company data, CMS(HK) estimates

## Valuation comparison

Company	Ticker	Rating	Price Local ccy	TP (HKD)	Mkt Cap (USD mn)	P/S (x)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>Online Insurance Peers</b>															
ZA Online	6060 HK	BUY	20.3	31.6	3,792	1.1	1.0	68.0	22.9	1.48	1.39	2.2	6.2	0.0	0.0
Lemonade *	LMND US	NR	18.8	n.a.	1,160	5.4	3.1	n.a.	n.a.	1.88	2.18	(48.8)	(64.5)	n.a.	n.a.
SELECT QUOTE *	SLQT US	NR	1.7	n.a.	283	0.3	0.3	n.a.	n.a.	0.61	0.67	(39.4)	(3.7)	0.0	0.0
GoHealth *	GOCO US	NR	0.5	n.a.	165	0.2	0.2	n.a.	n.a.	0.28	0.32	4.5	9.5	n.a.	n.a.
Water Drop *	WDH US	NR	1.2	n.a.	476	1.0	0.9	22.4	17.7	1.19	1.10	3.3	3.6	0.0	0.0
eHealth *	EHTH US	NR	7.5	n.a.	201	0.4	0.4	n.a.	n.a.	0.28	0.33	(13.3)	(10.8)	0.0	0.0
EVER QUOTE *	EVER US	NR	11.4	n.a.	359	0.9	0.7	n.a.	n.a.	6.80	7.47	(21.1)	7.7	n.a.	n.a.
HUIZE *	HUIZ US	NR	1.1	n.a.	57	0.2	0.1	n.a.	13.2	0.86	0.71	(6.7)	0.4	0.0	0.0
<b>Average</b>						<b>1.2</b>	<b>0.8</b>	<b>45.2</b>	<b>17.9</b>	<b>1.67</b>	<b>1.77</b>	<b>(14.9)</b>	<b>(6.4)</b>	<b>0.0</b>	<b>0.0</b>

Company	Ticker	Rating	Price Local ccy	TP (HKD)	Mkt Cap (USD mn)	P/EV (x)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>HK Listed Peers</b>															
Ping An	2318 HK	BUY	48.8	72.4	114,920	0.49	0.45	6.0	5.4	0.83	0.77	14.2	14.3	5.0	5.6
China Life	2628 HK	BUY	11.9	17.7	98,528	0.21	0.19	5.5	5.1	0.56	0.52	10.5	10.6	6.6	7.1
China Pacific	2601 HK	BUY	17.3	24.3	27,191	0.25	0.23	5.4	4.8	0.58	0.54	11.2	11.6	6.7	7.5
New China Life	1336 HK	BUY	19.0	26.5	11,590	0.18	0.16	3.6	3.2	0.43	0.39	12.2	12.6	8.2	9.3
ZA Online	6060 HK	BUY	20.3	31.6	3,792	n.a.	n.a.	68.0	22.9	1.48	1.39	2.2	6.2	0.0	0.0
China Taiping *	966 HK	NR	8.4	n.a.	3,864	n.a.	n.a.	4.0	3.4	0.32	0.29	8.7	9.3	5.7	6.3
PICC Group *	1339 HK	NR	2.4	n.a.	28,182	n.a.	n.a.	3.8	3.4	0.38	0.34	10.4	10.8	8.6	9.2
PICC P&C *	2328 HK	NR	8.2	n.a.	23,152	n.a.	n.a.	6.0	5.3	0.70	0.65	12.0	12.7	6.6	7.3
China Re *	1508 HK	NR	0.6	n.a.	3,410	n.a.	n.a.	3.4	3.0	0.24	0.22	7.3	8.1	8.8	10.1
AIA *	1299 HK	NR	81.4	n.a.	121,958	n.a.	n.a.	17.2	14.4	1.93	1.77	11.5	12.7	2.0	2.2
<b>Arithmetic Average</b>						<b>0.28</b>	<b>0.26</b>	<b>12.3</b>	<b>7.1</b>	<b>0.74</b>	<b>0.69</b>	<b>10.0</b>	<b>10.9</b>	<b>5.8</b>	<b>6.5</b>
<b>Weighted Average</b>						<b>0.34</b>	<b>0.31</b>	<b>9.3</b>	<b>7.7</b>	<b>1.01</b>	<b>0.93</b>	<b>11.8</b>	<b>12.3</b>	<b>5.0</b>	<b>5.5</b>

Company	Ticker	Rating	Price Local ccy	TP (HKD)	Mkt Cap (USD mn)	P/EV (x)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>China A-share Listed Peers *</b>															
Ping An	601318 CH	NR	43.2	n.a.	114,921	n.a.	n.a.	6.5	5.5	0.88	0.79	13.4	15.7	5.7	6.2
China Life	601628 CH	NR	28.4	n.a.	98,528	n.a.	n.a.	16.7	13.5	1.57	1.43	9.1	10.8	2.2	2.6
China Pacific	601601 CH	NR	20.8	n.a.	27,191	n.a.	n.a.	7.8	6.5	0.82	0.77	10.5	12.1	4.8	5.6
New China Life	601336 CH	NR	29.5	n.a.	11,590	n.a.	n.a.	7.1	5.6	0.79	0.71	11.8	13.6	4.2	5.3
PICC Group	601319 CH	NR	4.9	n.a.	28,182	n.a.	n.a.	8.8	7.7	0.92	0.85	10.6	10.9	3.7	3.9
<b>Arithmetic Average</b>								<b>9.4</b>	<b>7.8</b>	<b>1.00</b>	<b>0.91</b>	<b>11.1</b>	<b>12.7</b>	<b>4.1</b>	<b>4.7</b>
<b>Weighted Average</b>								<b>10.5</b>	<b>8.7</b>	<b>1.12</b>	<b>1.02</b>	<b>11.3</b>	<b>13.1</b>	<b>4.1</b>	<b>4.6</b>
<b>Global Peers *</b>															
GREAT-WEST LIFEC	GWO CN	NR	30.7	n.a.	22,195	n.a.	n.a.	8.6	7.9	1.19	1.17	14.4	15.5	6.5	6.9
MUENCHENER RUE-R	MUV2 GR	NR	220.2	n.a.	31,251	n.a.	n.a.	9.7	8.0	1.15	1.07	10.9	13.7	5.3	5.5
HANNOVER RUECK S	HNR1 GR	NR	137.8	n.a.	16,803	n.a.	n.a.	11.4	9.3	1.50	1.36	12.8	15.3	4.5	4.6
METLIFE INC	MET US	NR	61.3	n.a.	49,809	n.a.	n.a.	8.7	7.5	1.00	0.93	11.3	12.9	3.2	3.4
PRUDENTIAL PLC	PRU LN	NR	984.2	n.a.	32,592	n.a.	n.a.	11.2	9.4	1.72	1.50	15.2	16.6	1.5	1.6
AFLAC INC	AFL US	NR	55.6	n.a.	35,841	n.a.	n.a.	10.8	10.4	1.20	1.14	11.2	11.4	2.9	3.1
MANULIFE FIN	MFC CN	NR	22.6	n.a.	33,650	n.a.	n.a.	7.1	6.5	0.82	0.80	12.4	12.4	5.9	6.4
ALLIANZ SE-VINK	ALV GR	NR	173.5	n.a.	71,880	n.a.	n.a.	9.4	7.3	0.99	0.93	9.9	13.3	6.5	7.0
SAMSUNG LIFE INS	032830 KS	NR	59,700.0	n.a.	9,038	n.a.	n.a.	9.2	8.0	0.32	0.29	3.2	4.0	4.9	5.7
AEGON NV	AGN NA	NR	4.1	n.a.	8,844	n.a.	n.a.	6.8	5.4	0.37	0.35	4.9	6.1	5.2	6.4
AXA SA	CS FP	NR	21.4	n.a.	50,740	n.a.	n.a.	7.2	6.7	0.78	0.73	10.1	11.4	7.7	8.2
DAI-ICHI LIFE	8750 JP	NR	2,356.0	n.a.	17,636	n.a.	n.a.	6.5	7.9	0.48	0.48	7.2	6.2	3.5	3.7
<b>Average</b>								<b>8.9</b>	<b>7.9</b>	<b>0.96</b>	<b>0.90</b>	<b>10.3</b>	<b>11.6</b>	<b>4.8</b>	<b>5.2</b>

Sources: Bloomberg, Company data, CMS (HK) estimates; Price is as of July 26, 2022; \* forecast is based on Bloomberg consensus

## Financial Summary

### Balance Sheet

Year ended 31 Dec (RMB '000)	2020A	2021A	2022E	2023E	2024E
Cash and amounts due from banks and other financial institutions	8,418,374	4,300,693	5,801,038	6,569,075	7,422,381
Financial assets at fair value through profit or loss	6,120,366	11,812,588	13,101,176	14,835,725	16,762,847
Securities purchased under agreements to resell	93,000	9,900	10,980	12,434	14,049
Interest receivables	341,395	283,144	366,363	414,868	468,758
Premium receivables	4,477,914	5,014,317	5,265,033	5,528,284	5,804,699
Reinsurance receivables	319,525	746,982	668,397	679,754	706,193
Reinsurers' share of insurance contract liabilities	348,313	376,421	336,820	342,544	355,867
Available-for-sale financial assets	19,047,363	21,979,140	24,376,756	27,604,152	31,189,860
Loans and advances to customers	623,744	2,054,699	3,451,659	4,763,289	5,934,264
Investments classified as loans and receivables	1,146,493	930,600	1,060,275	1,200,652	1,356,614
Term deposits	330,090	330,000	375,984	425,763	481,069
Restricted statutory deposits	294,338	298,500	331,062	374,894	423,591
Held-to-maturity financial assets	686,690	665,736	738,358	836,114	944,724
Investments in associates and JV	315,289	559,659	620,710	702,890	794,193
Right-of-use assets	277,749	178,226	151,492	128,768	109,453
Property and equipment	66,023	61,640	55,476	49,928	44,936
Intangible assets	481,477	477,493	549,117	631,484	726,207
Goodwill	3,189	3,189	3,189	3,189	3,189
Other assets	2,282,104	1,689,402	1,513,844	1,455,885	1,662,732
<b>Total assets</b>	<b>45,673,436</b>	<b>51,772,329</b>	<b>58,777,730</b>	<b>66,559,692</b>	<b>75,205,624</b>
Customer deposits	5,061,122	5,696,792	6,903,317	7,938,815	9,129,637
Securities sold under agreements to repurchase	4,093,822	5,548,348	6,321,489	7,158,431	8,088,293
Premiums received in advance	126,714	173,513	191,371	211,763	234,632
Reinsurance payables	452,442	851,384	761,816	774,760	804,894
Income tax payable	4,995	7	14	28	56
Insurance contract liabilities	8,547,233	9,304,217	10,299,690	11,489,090	12,802,600
Bonds payable	6,467,591	6,325,021	7,590,025	9,108,030	10,929,636
Lease liabilities	318,556	203,100	243,720	292,464	350,957
Borrowings	0	117,232	0	0	0
Deferred income tax liabilities	1	61,946	0	0	0
Contract liabilities	74,893	80,596	96,715	116,058	139,270
Other liabilities	3,132,732	4,279,976	6,282,949	7,695,768	9,022,308
<b>Total liabilities</b>	<b>28,280,101</b>	<b>32,642,132</b>	<b>38,691,106</b>	<b>44,785,208</b>	<b>51,502,283</b>
Share capital	1,469,813	1,469,813	1,469,813	1,469,813	1,469,813
Reserves and accumulated losses	14,235,537	15,278,589	15,650,513	16,753,871	18,098,225
<b>Equity attributable to owners of the parent</b>	<b>15,705,350</b>	<b>16,748,402</b>	<b>17,120,326</b>	<b>18,223,684</b>	<b>19,568,038</b>
Non-controlling interests	1,687,985	2,381,795	2,966,297	3,550,800	4,135,302
<b>Total equity</b>	<b>17,393,335</b>	<b>19,130,197</b>	<b>20,086,623</b>	<b>21,774,484</b>	<b>23,703,341</b>

### Cash Flow Statement

Year ended 31 Dec (RMB '000)	2020A	2021A	2022E	2023E	2024E
Net cash inflow/(outflow) from operating activities	4,858,856	(602,953)	3,992,301	3,138,508	3,090,440
Net cash outflow from investing activities	(6,271,850)	(5,941,883)	(3,840,803)	(4,509,709)	(4,831,114)
Net cash inflow from financing activities	7,106,584	2,194,949	2,038,145	2,354,946	2,751,468
Effects of exchange rate changes on cash and cash equivalents	(390,373)	(103,121)	(153,634)	(215,709)	(157,488)
<b>Net increase in cash and cash equivalents</b>	<b>5,303,217</b>	<b>(4,453,008)</b>	<b>2,036,009</b>	<b>768,037</b>	<b>853,306</b>
Cash and cash equivalents at the beginning of year	2,914,820	8,218,037	3,765,029	5,801,038	6,569,075
<b>Cash and cash equivalents at the end of year</b>	<b>8,218,037</b>	<b>3,765,029</b>	<b>5,801,038</b>	<b>6,569,075</b>	<b>7,422,381</b>

### Income Statement

Year ended 31 Dec (RMB '000)	2020A	2021A	2022E	2023E	2024E
Gross written premiums	16,708,504	20,480,119	22,587,921	24,994,892	27,694,114
Less: Premiums ceded to reinsurers	(522,683)	(1,154,276)	(1,032,842)	(1,050,392)	(1,091,247)
Net written premiums	16,185,821	19,325,843	21,555,079	23,944,499	26,602,867
Less: Net change in unearned premium reserves	29,383	(440,749)	(649,438)	(624,692)	(616,983)
<b>Net premiums earned</b>	<b>16,215,204</b>	<b>18,885,094</b>	<b>20,905,641</b>	<b>23,319,807</b>	<b>25,985,884</b>
Net investment income	1,527,498	2,067,920	1,409,196	1,709,752	1,931,844
Net fair value changes through profit or loss	(25,517)	126,760	90,380	63,874	93,671
Other income	775,978	860,586	1,118,681	1,346,683	1,567,364
<b>Total income</b>	<b>18,493,163</b>	<b>21,940,360</b>	<b>23,523,898</b>	<b>26,440,116</b>	<b>29,578,764</b>
Net claims incurred	(8,773,904)	(10,934,682)	(11,692,519)	(13,124,085)	(14,695,776)
Handling charges & commissions	(1,406,867)	(1,770,947)	(1,912,732)	(2,076,579)	(2,230,753)
Foreign exchange gains	200,874	147,490	(600,000)	(83,879)	(178,796)
Finance costs	(232,869)	(388,342)	(427,176)	(469,894)	(516,883)
General and admin. expenses	(7,168,487)	(7,292,692)	(8,064,689)	(8,875,047)	(9,790,905)
Other expenses	(931,668)	(834,435)	(969,107)	(1,112,885)	(1,278,947)
<b>Total expenses</b>	<b>(18,312,921)</b>	<b>(21,073,608)</b>	<b>(23,666,223)</b>	<b>(25,742,368)</b>	<b>(28,692,060)</b>
Share of net profit/(loss) of associates accounted for using the equity method	(33,712)	(37,635)	(38,431)	(36,593)	(37,553)
<b>Profit/(Loss) before income tax</b>	<b>146,530</b>	<b>829,117</b>	<b>(180,756)</b>	<b>661,156</b>	<b>849,152</b>
Income tax	107,850	(72,018)	45,189	(165,289)	(212,288)
<b>Net profit/(loss) for the year</b>	<b>254,380</b>	<b>757,099</b>	<b>(135,567)</b>	<b>495,867</b>	<b>636,864</b>
Attributable to:					
<b>Owners of the parent</b>	<b>553,786</b>	<b>1,164,590</b>	<b>371,924</b>	<b>1,103,358</b>	<b>1,344,355</b>

### Key Financial Ratio

	2020A	2021A	2022E	2023E	2024E
EPS for ordinary shares(RMB)	0.38	0.79	0.25	0.75	0.91
BVPS (RMB)	10.7	11.4	11.6	12.4	13.3
ROE (%)	3.6	7.2	2.2	6.2	7.1
Gross written premiums yoy growth	14.2%	22.6%	10.3%	10.7%	10.8%
Combined ratio (%)	102.5	99.6	99.5	99.2	99.0
Group Total investment yield (%)	5.30	6.60	3.50	3.75	3.75

Sources: Company data, CMS(HK) estimates

## Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
NEUTRAL	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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## Hong Kong

China Merchants Securities (HK) Co., Ltd.  
Address: 48/F, One Exchange Square, Central, Hong Kong  
Tel: +852 3189 6888 Fax: +852 3101 0828