

## Company Report

China Merchants Securities (HK) Co., Ltd.  
Hong Kong Equity Research

### NCI (1336 HK)

#### NBV growth under pressure; Valuation appealing

- NBV down 48.4% yoy in 1H22; 1H22 results broadly in-line
- Individual channel agent headcounts down 18.3% hoh
- Maintain BUY on undemanding valuation

#### NBV slumped yoy in 1H22; transforming sales team to develop high-performing agents

1) Shareholders' NP totalled RMB5.2bn, down 50.8% yoy in 1H22, in line with its earlier profit alert that net profit will drop by 50%-60% yoy in 1H22. Shareholders' total comprehensive incomes significantly dropped yoy in 1H22. The main reason for the profit decrease is the gloomy capital market which affected investment return in 1H22. 2) Total NBV slumped by 48.4% yoy in 1H22, primarily due to weakened insurance demand, COVID-19, and the increased popularity of savings products. The Company's FYRP with payment period of 10Y or more decreased by 57.4% yoy in 1H22, leading to worsened NBM on FYP. Its aggregate NBM on FYP decreased to ~6.5% in 1H22 from ~12.2% in 1H21, and its individual channel NBM on FYP decreased to ~23.5% in 1H22 from ~31.9% in 1H21. 3) The Company continues to transform its sales team to be more quality-oriented and continues to clean agent headcount. Total number of individual channel agents stood at ~318,000 as of end-1H22, down 18.3% hoh, or 27.9% yoy. Monthly average number of qualified agents dropped by 41.9% yoy. Over the long term, NCI would like to build a more urbanized, more professional, and younger agent team, but the downsized agent team and industry headwinds hindered its short-term business growth. 4) The Company's overall results are broadly in line. It has struggled with a tough business environment in 1H22. We expect slower decline in its NBV in 2H22. We expect NCI's NBV to drop by ~30% yoy in 2022E.

#### Maintain BUY on valuation

NCI is trading at ~0.17x 22E P/EV or ~0.43x 22E P/B. Revised down our forecasts for the Company (Fig. 2) considering pressure on sales team upgrade, weakened insurance demand, and worsened product structure. However, NCI is one of the most undervalued Chinese life players. Assuming NCI's entire VIF is eliminated, and further applying a valuation discount equal to 5% of its investment assets on concern of property-related investment risk, its current P/EV ratio would still significantly fall short of 1x. Maintain BUY on undemanding valuation (Fig. 9-11). Maintain EV-based TP of HKD26.5, representing ~0.25x 22E P/EV, or 49% discount to its past 5-yr avg. P/EV. Key catalysts: a good capital market, higher-than-expected NBV growth; Key downside risks: an adverse capital market, lower-than-expected NBV growth.

#### Financials

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Total revenue	203,858	220,027	214,578	228,032	239,777
Shareholders' net profit	14,294	14,947	10,431	13,188	16,073
EPS (RMB)	4.58	4.79	3.34	4.23	5.15
BVPS (RMB)	32.59	34.77	36.68	39.90	43.79
P/E (x)	3.43	3.28	4.70	3.72	3.05
P/B (x)	0.48	0.45	0.43	0.39	0.36
P/EV (x)	0.20	0.19	0.17	0.16	0.14
ROE (%)	15.4	14.22	9.36	11.04	12.31

Sources: Company data, CMS (HK) estimates; Note: share price is as of Aug. 30, 2022

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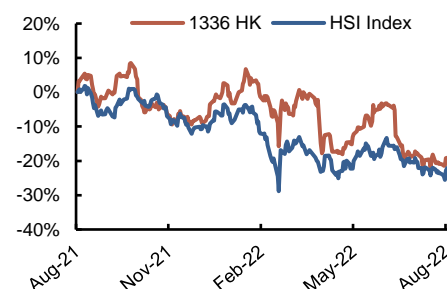
#### WHAT'S NEW

1H22 results review

### BUY

Previous	BUY
Price (Aug. 30, 2022)	HKD18.5
12-month Target Price (Potential up/downside)	HKD26.5 (+43%)
Previous	HKD26.5

#### Price Performance



Source: Wind

%	1m	6m	12m
1336 HK	(1.3)	(17.3)	(19.3)
HSI	(2.3)	(13.3)	(23.9)

#### Sector: Insurance

Hang Seng Index (Aug. 30, 2022)	19,949
HSCEI (Aug. 30, 2022)	6,840

#### Key Data

52-week range (HKD)	17.82-25.15
Market cap (HKD mn)	75,932
Avg. daily volume (mn)	3.5

#### Shareholding Structure

HKSCC Nominees Limited	33.12%
Central Huijin Investment Co., Ltd.	31.34%
China Baowu Steel Group Corporation	12.09%
No. of shares outstanding (mn)	3,120
Free float	23.45%

Sources: Bloomberg, Wind, Company data

#### Related Research

1. NCI (1336 HK) - Business structure and NBV margin weakened in 2021 (BUY) (Mar. 30, 2022)
2. NCI (1336 HK) - Life business under pressure; Valuation undemanding (BUY) (Dec. 16, 2021)
3. NCI (1336 HK) - Valuation undemanding (BUY) (May 3, 2021)

Focus charts

Figure 1: NCI 1H22 key results

(RMB mn)	1H22	1H21	yoy (hoh)
Total GWP	102,586	100,610	2.0%
FYP from long-term business	29,486	30,001	-1.7%
<i>Including:</i>			
<i>Individual channel regular FYP</i>	7,446	9,653	-22.9%
<i>Bancassurance channel regular FYP</i>	4,756	4,702	1.1%
<i>Bancassurance channel single FYP</i>	16,854	14,861	13.4%
FYP from short-term business	2,888	3,618	-20.2%
Renewal Premiums	70,212	66,991	4.8%
Regular FYP by payment period			
<i>Regular FYP with payment period of 10Y or more</i>	1,626	3,817	-57.4%
<i>Regular FYP with payment period of shorter than 10Y</i>	10,576	10,538	0.4%
Total number of agents (in thousand)	318	389 (end-2021)	-18.3%
Life NBV (Risk discount rate 11.0%)	2,112	4,090	-48.4%
<i>Individual channel NBV</i>	2,102	3,905	-46.2%
<i>Bancassurance channel NBV</i>	231	292	-20.9%
<i>Group channel NBV</i>	(221)	(107)	
Aggregate NBM on FYP	6.5%	12.2%	
Individual channel NBM on FYP	23.5%	31.9%	
Life EV (Risk discount rate 11.0%)	258,873	258,824(end-2021)	0.0%
Residual margin	222,845	226,048	-1.4%
Shareholders' net profit	5,187	10,546	-50.8%
Shareholders' total comprehensive income	394	9,122	-95.7%
ROE (not annualized)	4.77%	9.93%	
Total investment yield (annualized)	4.2%	6.5%	
Net investment yield (annualized)	4.7%	4.5%	

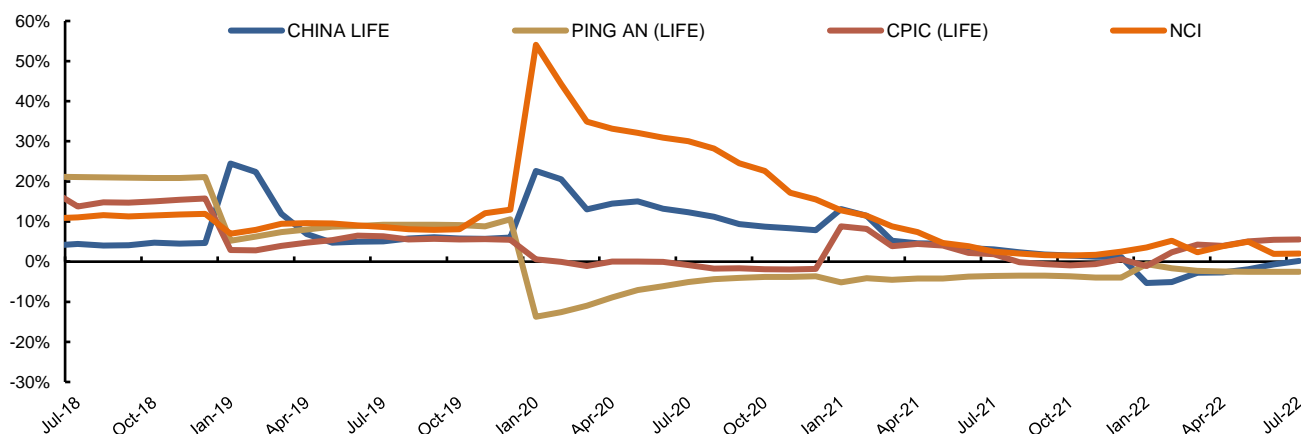
Sources: Company data, CMS (HK)

Figure 2: Forecast revisions

(RMB mn)	New			Old		Change	
	2021A	2022E	2023E	2022E	2023E	2022E New/Old	2023E New/Old
New business value	5,980	4,188	4,470	4,685	4,971	-10.6%	-10.1%
Life EV	258,824	285,012	313,708	285,509	314,748	-0.2%	-0.3%
Shareholders' net profit for the year	14,947	10,431	13,188	13,807	15,537	-24.4%	-15.1%
Implied assumptions:							
New business value growth yoy	-34.9%	-30.0%	6.7%	-21.7%	6.1%		
New business value margin on FYP	12.9%	9.2%	9.4%	10.2%	10.4%		

Sources: Company data, CMS (HK) estimates

Figure 3: Growths of accumulated life GWP



Sources: Wind, CMS (HK)

Figure 4: Number of exclusive life insurance agents

('000)	2019	1H20	2020	1Q21	1H21	3Q21	2021	1Q22	1H22
Monthly average agent number: Ping An	1,200	1,108	1,055 *	986 **	940	706 ***	796	538 ****	514
Period end agent number: China Life	1,613	1,690	1,378	1,282	1,150	980	820	780	746
Monthly average agent number: CPIC	790	766	749	n.a.	641	n.a.	525	n.a.	312
Period end agent number: NCI	507	526	606	n.a.	441	n.a.	389	n.a.	318
<b>Growth</b>	<b>hoh</b>	<b>hoh</b>	<b>yoy</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>	<b>yoy</b>	<b>YTD</b>	<b>YTD</b>
Monthly average agent number: Ping An	-2.83%	-7.67%	-12.08%	-3.7% **	-10.90%	-31.02% ***	-24.55%	-10.41% ****	-35.43%
Period end agent number: China Life	2.54%	4.77%	-14.57%	-7.0%	-16.55%	-28.88%	-40.49%	-4.88%	-9.02%
Monthly average agent number: CPIC	-0.75%	-3.04%	-5.19%	n.a.	-14.42%	n.a.	-29.91%	n.a.	-40.57%
Period end agent number: NCI	31.35%	3.75%	19.53%	n.a.	-27.23%	n.a.	-35.81%	n.a.	-18.25%

Sources: Company data, CMS (HK); Note: \*2021 revised data; \*\* 1Q21-end figure (986K) compared with 2020-end figure (1,024K); \*\*\* 3Q21-end figure (706K) compared with 2020-end figure (1,024K); \*\*\*\* 1Q22-end figure (538K) compared with 2021-end figure (600K)

Figure 5: Allocation of investment assets (End-1H22)

(RMB mn)	Ping An (2318 HK)		China Life (2628 HK)		CPIC (2601 HK)		NCI (1336 HK)	
	Carrying Value	Percentage	Carrying Value	Percentage	Carrying Value	Percentage	Carrying Value	Percentage
Term deposits	251,787	5.9%	510,832	10.3%	218,354	11.2%	186,747	16.4%
Debt financial assets	2,834,716	66.4%	3,187,833	64.1%	1,264,723	65.2%	578,471	50.7%
Equity financial assets	543,792	12.7%	559,247	11.2%	233,393	12.0%	179,891	15.8%
Other equity financial assets *	386,441	9.0%	297,335	6.0%	163,306	8.4%	111,619	9.8%
Other investment assets	135,598	3.2%	282,765	5.7%	11,624	0.6%	65,824	5.8%
Cash, cash equivalents and others	118,445	2.8%	139,070	2.8%	49,767	2.6%	17,813	1.6%
<b>Total</b>	<b>4,270,779</b>		<b>4,977,082</b>		<b>1,941,167</b>		<b>1,140,365</b>	

Sources: Company data, CMS (HK); Note: \*Other equity financial assets may include equity asset management products, private equity, equity plans, unlisted equity investments, preferred shares, and long-term equity stakes and so on.

Figure 6: Sensitivity of EVs to gains on equity investment assets

Company	Ticker	Investment on equities	Assumed gain on equity investments	Group EV	Impact on group EV ***
		(RMB mn) *	(RMB mn) **	(RMB mn)	
Ping An	2318 HK	543,792	54,379	1,441,261	2.26%
China Life	2628 HK	559,247	55,925	1,250,877	2.68%
CPIC	2601 HK	233,393	23,339	509,078	2.75%
NCI	1336 HK	179,891	17,989	258,873	4.17%

Sources: Company data, CMS (HK) estimates; Note: \*Investment on equities consists of equities and funds (including bond funds); \*\*Assuming 10% gain on equity investments; \*\*\*Assuming the Company retains 60% of the gain

Figure 7: Property-related investment assets of Ping An Insurance and China Pacific Insurance \*

(RMB mn)	Ping An Insurance		China Pacific Insurance	
	End-2021	End-1H22	End-2021	End-1H22
Debt schemes and Wealth management products: Real estate	98,059	86,378	75,891	77,118
Investment assets: Investment properties	100,647	115,857	7,514	11,624
Property-related Interests in associates and investment in JVs	31,254	29,720	10,943	10,936
<b>Sub-Total</b>	<b>229,960</b>	<b>231,955</b>	<b>94,348</b>	<b>99,678</b>
Total insurance investment assets	3,916,412	4,270,779	1,812,069	1,941,167
As % of total insurance investment assets (for reference)	~5.9%	~5.4%	~5.2%	~5.1%

Sources: Company data, CMS (HK); Note: Incomplete statistics based on available figures

Figure 8: A/H premium

Company	Ticker	Current A/H premium (x)	Historical Max. A/H premium (x)	Historical Min. A/H premium (x)	Historical Avg. A/H premium (x)
China Life	2628 HK	3.00	3.26	0.75	1.41
NCI	1336 HK	1.75	2.61	0.94	1.57
CPIC	2601 HK	1.42	1.65	0.72	1.12
Ping An	2318 HK	1.06	1.64	0.69	0.97

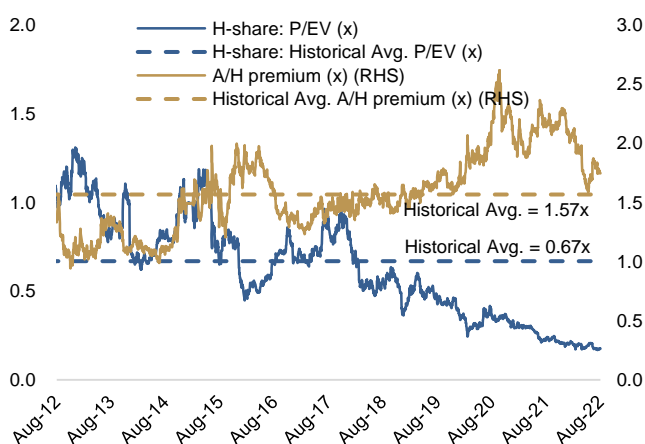
Sources: Wind, CMS (HK); Note: prices are as of Aug. 30, 2022

Figure 9: Sensitivity of P/EV (zero VIF assumed)

(RMB mn)	China Life (2628 HK)	Ping An (2318 HK)	CPIC (2601 HK)	NCI (1336 HK)
Adjusted net worth (End-1H22)	703,520	916,424	295,964	161,413
Assumed VIF	-	-	-	-
Minus: additional valuation discount equal to 5% of insurance investment assets	248,854	213,539	97,058	57,018
Minus: additional valuation discount on potential shareholders' losses from bank loans, assuming 20% loss ratio on real estate loans, construction loans, and residential mortgage loans as of end-1H22	43,079 **	119,202	-	-
Implied valuation	411,587	583,683 ***	198,906	104,395
Current market value *	277,539	736,425	139,167	50,597
Current market value * / Implied valuation	67%	126%	70%	48%

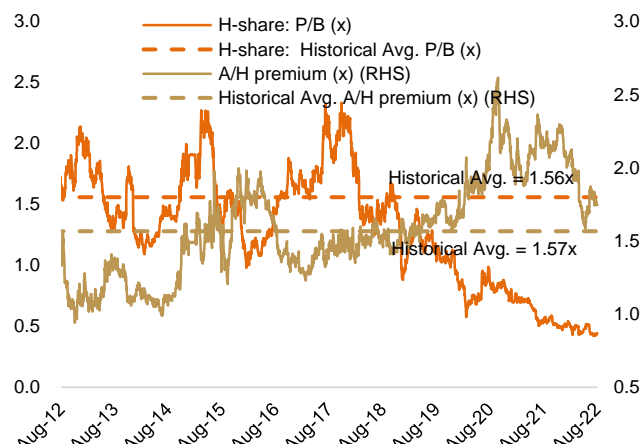
Sources: Wind, Company data, CMS (HK); Note: \* as of Aug. 30, 2022. \*\* Data of Guangfa Bank as of end-2021; \*\*\*The implied valuation for Ping An might be slightly smaller due to potential losses on property proprietary trading of Ping An Trust

Figure 10: P/EV valuation and A/H premium of NCI



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

Figure 11: P/B valuation and A/H premium of NCI



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

## Valuation comparison

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	46.0	71.4	110,532	0.46	0.42	6.4	5.7	0.79	0.73	12.5	12.9	4.7	5.3
China Life	2628 HK	BUY	11.2	17.7	99,472	0.20	0.18	6.2	5.7	0.53	0.50	8.8	9.1	5.8	6.3
China Pacific	2601 HK	BUY	16.5	24.3	26,106	0.24	0.22	5.8	5.2	0.56	0.52	10.0	10.4	6.3	6.9
New China Life	1336 HK	BUY	18.5	26.5	10,977	0.17	0.16	4.7	3.7	0.43	0.39	9.4	11.0	6.4	8.1
ZA Online	6060 HK	BUY	22.1	31.3	4,129	n.a.	n.a.	125.4	23.3	1.63	1.52	1.3	6.7	0.0	0.0
China Taiping *	966 HK	NR	8.0	n.a.	3,654	n.a.	n.a.	4.3	3.4	0.31	0.28	7.4	8.8	5.6	6.4
PICC Group *	1339 HK	NR	2.4	n.a.	27,947	n.a.	n.a.	4.0	3.5	0.40	0.36	10.5	11.0	7.9	8.8
PICC P&C *	2328 HK	NR	8.5	n.a.	23,888	n.a.	n.a.	6.2	5.6	0.74	0.68	12.5	12.9	6.4	7.1
China Re *	1508 HK	NR	0.6	n.a.	3,139	n.a.	n.a.	3.7	2.9	0.22	0.21	6.2	7.9	8.2	10.0
AIA *	1299 HK	NR	76.5	n.a.	115,025	n.a.	n.a.	20.5	14.4	1.97	1.77	9.6	12.6	2.1	2.3
<b>Arithmetic Average</b>						<b>0.27</b>	<b>0.24</b>	<b>18.7</b>	<b>7.3</b>	<b>0.76</b>	<b>0.70</b>	<b>8.8</b>	<b>10.3</b>	<b>5.3</b>	<b>6.1</b>
<b>Weighted Average</b>						<b>0.32</b>	<b>0.29</b>	<b>11.0</b>	<b>8.0</b>	<b>1.00</b>	<b>0.91</b>	<b>10.3</b>	<b>11.5</b>	<b>4.7</b>	<b>5.2</b>
<b>China A-share Listed Peers *</b>															
Ping An	601318 CH	NR	42.9	n.a.	110,532	n.a.	n.a.	6.8	5.6	0.87	0.78	13.5	14.7	5.8	6.1
China Life	601628 CH	NR	29.5	n.a.	99,472	n.a.	n.a.	18.5	15.0	1.60	1.47	9.3	11.1	2.0	2.5
China Pacific	601601 CH	NR	20.5	n.a.	26,106	n.a.	n.a.	7.8	6.4	0.83	0.77	10.8	12.4	4.6	5.6
New China Life	601336 CH	NR	28.3	n.a.	10,977	n.a.	n.a.	7.3	5.5	0.77	0.69	11.2	13.2	3.8	5.2
PICC Group	601319 CH	NR	4.9	n.a.	27,947	n.a.	n.a.	8.9	7.8	0.93	0.85	10.6	11.0	3.6	3.8
<b>Arithmetic Average</b>								<b>9.9</b>	<b>8.1</b>	<b>1.00</b>	<b>0.91</b>	<b>11.1</b>	<b>12.5</b>	<b>4.0</b>	<b>4.6</b>
<b>Weighted Average</b>								<b>11.4</b>	<b>9.3</b>	<b>1.13</b>	<b>1.03</b>	<b>11.3</b>	<b>12.8</b>	<b>4.0</b>	<b>4.5</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>Global Peers *</b>															
GREAT-WEST LIFE	GWO CN	NR	31.6	n.a.	22,483	n.a.	n.a.	8.8	8.3	1.22	1.19	14.0	14.9	6.3	6.7
MUENCHENER RUE-R	MUV2 GR	NR	234.6	n.a.	32,928	n.a.	n.a.	10.1	8.4	1.22	1.12	11.0	14.0	4.9	5.2
HANNOVER RUECK S	HNR1 GR	NR	145.1	n.a.	17,491	n.a.	n.a.	11.9	9.7	1.65	1.49	13.1	16.4	4.2	4.4
METLIFE INC	MET US	NR	65.0	n.a.	51,829	n.a.	n.a.	8.7	7.9	1.52	1.43	10.9	13.1	3.1	3.2
PRUDENTIAL PLC	PRU LN	NR	910.2	n.a.	29,198	n.a.	n.a.	10.4	8.3	1.61	1.40	13.7	16.7	1.8	1.9
AFLAC INC	AFL US	NR	60.1	n.a.	37,997	n.a.	n.a.	11.3	11.1	1.42	1.35	12.3	12.2	2.7	2.9
MANULIFE FIN	MFC CN	NR	22.8	n.a.	33,272	n.a.	n.a.	7.1	6.7	0.85	0.82	12.1	12.1	5.8	6.2
ALLIANZ SE-VINK	ALV GR	NR	169.9	n.a.	69,601	n.a.	n.a.	9.7	7.1	0.97	0.91	10.4	14.1	6.7	7.1
SAMSUNG LIFE INS	032830 KS	NR	61,400.0	n.a.	9,086	n.a.	n.a.	9.8	8.1	0.39	0.35	3.4	4.7	4.8	5.6
AEGON NV	AGN NA	NR	4.5	n.a.	9,527	n.a.	n.a.	8.0	5.7	0.41	0.39	4.1	6.9	5.1	6.0
AXA SA	CS FP	NR	23.5	n.a.	55,157	n.a.	n.a.	7.8	7.4	0.92	0.87	10.7	12.4	7.0	7.5
DAI-ICHI LIFE	8750 JP	NR	2,369.5	n.a.	17,716	n.a.	n.a.	6.6	8.7	0.48	0.54	7.2	5.8	3.4	3.6
<b>Average</b>								<b>9.2</b>	<b>8.1</b>	<b>1.06</b>	<b>0.99</b>	<b>10.2</b>	<b>12.0</b>	<b>4.6</b>	<b>5.0</b>

Sources: Company data, Bloomberg, CMS (HK) estimates; Note: share prices are as of Aug. 30, 2022; \* forecast is based on Bloomberg consensus

## Financial Summary

### Consolidated Statement of Financial Position

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Property, plant and equipment	15,692	17,971	20,667	23,767	26,143
Investment properties	8,857	9,427	11,577	12,517	13,537
Intangible assets	3,753	3,792	3,830	3,868	3,907
Investments in associates and joint ventures	4,967	5,452	5,789	6,258	6,769
Debt financial assets	567,171	577,214	636,752	688,416	744,539
Equity financial assets	206,290	257,436	254,701	275,366	297,815
Term deposits	122,640	168,540	185,237	200,266	216,593
Statutory deposits	1,715	1,715	1,715	1,715	1,715
Policy loans	37,732	40,806	44,887	49,375	54,313
Financial assets purchased under agreements to resell	1,832	4,112	7,293	3,525	1,282
Accrued investment income	10,313	12,065	13,875	15,956	17,552
Premiums receivable	2,312	2,867	3,096	3,344	3,846
Deferred tax assets	153	196	235	282	325
Reinsurance assets	3,666	3,981	4,777	5,733	6,593
Other assets	4,290	6,688	8,026	9,631	11,075
Cash and cash equivalents	12,993	15,459	16,208	17,523	18,952
<b>Total assets</b>	<b>1,004,376</b>	<b>1,127,721</b>	<b>1,218,664</b>	<b>1,317,542</b>	<b>1,424,954</b>
Insurance contracts	754,409	863,695	947,386	1,034,765	1,124,390
Investment contracts	51,672	57,915	62,548	67,552	72,956
Borrowings	10,000	10,000	10,000	10,000	10,000
Financial liabilities at fair value through profit or loss	14,837	2,612	2,743	2,880	3,024
Financial assets sold under agreements to repurchase	41,888	55,415	50,490	46,006	45,237
Benefits, claims and surrenders payable	6,445	5,971	6,270	6,583	6,912
Premiums received in advance	6,458	5,095	4,586	4,127	3,714
Reinsurance liabilities	297	504	504	504	504
Other liabilities	13,987	16,819	18,500	19,425	20,395
Current income tax liabilities	30	63	63	63	63
Deferred tax liabilities	2,673	1,118	1,118	1,118	1,118
<b>Total liabilities</b>	<b>902,696</b>	<b>1,019,207</b>	<b>1,104,207</b>	<b>1,193,023</b>	<b>1,288,314</b>
Share capital	3,120	3,120	3,120	3,120	3,120
Reserves and retained earnings	98,547	105,377	111,316	121,375	133,491
<b>Shareholders' equity</b>	<b>101,667</b>	<b>108,497</b>	<b>114,436</b>	<b>124,495</b>	<b>136,611</b>
<b>Total equity</b>	<b>101,680</b>	<b>108,514</b>	<b>114,457</b>	<b>124,520</b>	<b>136,640</b>

### Consolidated Statement of Cash Flows

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Net cash from operating activities	67,179	73,853	57,792	57,936	58,524
Net cash from investing activities	(67,728)	(106,531)	(48,988)	(48,181)	(51,504)
Net cash from financing activities	1,972	35,241	(8,055)	(8,440)	(5,591)
Effect of foreign exchange rate changes	(195)	(97)	0	0	0
<b>Net increase in cash and cash equivalents</b>	<b>1,228</b>	<b>2,466</b>	<b>749</b>	<b>1,315</b>	<b>1,429</b>
<b>Cash and cash equivalents at YE</b>	<b>12,993</b>	<b>15,459</b>	<b>16,208</b>	<b>17,523</b>	<b>18,952</b>

### Consolidated Statement of Income

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Gross written premiums and policy fees	159,556	163,535	167,021	173,700	180,828
<b>Net premiums earned and policy fees</b>	<b>156,443</b>	<b>161,379</b>	<b>165,351</b>	<b>171,963</b>	<b>179,020</b>
Investment income	46,400	57,243	47,611	54,211	58,621
Other income	1,015	1,405	1,616	1,858	2,137
<b>Total revenues</b>	<b>203,858</b>	<b>220,027</b>	<b>214,578</b>	<b>228,032</b>	<b>239,777</b>
Insurance benefits and claims	(153,311)	(172,257)	(170,186)	(178,493)	(184,922)
Policyholder dividends resulting from participating in profits	(577)	(1,207)	(1,448)	(1,738)	(2,086)
Investment contracts benefits	(2,042)	(2,288)	(2,517)	(2,768)	(3,045)
Commission and brokerage expenses	(17,827)	(14,593)	(15,323)	(16,089)	(16,893)
Administrative expenses	(12,395)	(12,472)	(12,163)	(12,926)	(13,592)
Other expenses	(1,129)	(1,085)	(1,139)	(1,196)	(1,256)
<b>Total benefits, claims and expenses</b>	<b>(187,281)</b>	<b>(203,902)</b>	<b>(202,776)</b>	<b>(213,210)</b>	<b>(221,794)</b>
Share of profits and losses of associates and joint ventures	264	378	416	457	503
Finance costs	(1,350)	(833)	(900)	(972)	(1,049)
<b>Profit before income tax</b>	<b>15,491</b>	<b>15,670</b>	<b>11,318</b>	<b>14,308</b>	<b>17,437</b>
Income tax expense	(1,194)	(719)	(883)	(1,116)	(1,360)
<b>Net profit for the year</b>	<b>14,297</b>	<b>14,951</b>	<b>10,435</b>	<b>13,192</b>	<b>16,077</b>
Attributable to:					
<b>Owners of the parent</b>	<b>14,294</b>	<b>14,947</b>	<b>10,431</b>	<b>13,188</b>	<b>16,073</b>

### Financial Ratios

	2020A	2021A	2022E	2023E	2024E
EPS for ordinary shares (RMB)	4.58	4.79	3.34	4.23	5.15
BVPS for ordinary shares (RMB)	32.59	34.77	36.68	39.90	43.79
Life NBV per share (RMB)	2.94	1.92	1.34	1.43	1.53
Life EV per share (RMB)	77.12	82.96	91.35	100.55	110.62
ROE (%)	15.36	14.22	9.36	11.04	12.31
GWP and policy fees growth yoy	15.5%	2.5%	2.1%	4.0%	4.1%
New business value growth yoy	-6.1%	-34.9%	-30.0%	6.7%	6.7%
NBV margin on FYP	19.7%	12.9%	9.2%	9.4%	9.6%

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
HOLD	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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