

Company Report

China Life (2628 HK)

Positive outlook; Maintain BUY

- NBV growth to outperform peers in 2022E
- Agent productivity improved; Jumpstart likely satisfactory
- Valuation appealing; maintain BUY

NBV growth to outperform peers

Shareholders' NP of China Life decreased by 35.8% yoy, and total comprehensive income was negative in 3Q22. The decrease in the profitability is partly due to the gloomy capital market which affected investment returns. Total NBV dropped by 15.4% yoy in 3Q22, which outperformed major peers. At end-3Q22, the core and comprehensive solvency ratios of the Company were 161.93% and 230.26%, respectively, well above the critical levels. The Company actively explored sales system reform, aiming at building a more professional and specialized sales force, and emphasized technology-empowered development. We expect its NBV to decrease by ~12% yoy in 2022E, meaning a performance that is better than peers.

Agent quality improved; Jumpstart likely satisfactory

Major life players are seeking to build high-performing agent force. China Life's total NBV dropped by 15.4% yoy in 3Q22, while its number of agents in the individual channel dropped by a larger ~26.5% yoy in 3Q22, indicating increased agent productivity under its strategy of 'stabilizing headcount while seeking higher productivity'. We have positive view on China Life and the life sector, given: 1) Recently China issued a series of adjustment policies. For example, on November 11 and December 7, the State Council issued guidance to optimize and adjust COVID policies; on November 11, PBOC and CBIRC jointly issued a 16-point policy package, outlining financial support for the real estate market; China's RRR was cut by 25 basis points, effective Dec. 5; and on December 6, the Politburo meeting urged to do a good job in "stabilizing growth, stabilizing employment, and stabilizing prices". Such policies might positively impact China's life players' investment performance in LT; 2) The jumpstart campaign is likely to be satisfactory, as insurance savings products might be increasingly popular as a result that deposit rates and return on banks' wealth management products were lower.

Valuation appealing; Maintain BUY on valuation

China Life is trading at ~0.23x 22E P/EV or ~0.62x 22E P/B. Valuation is undemanding. China Life's P/EV ratio will still fall short of 1x (Fig. 7) if: 1) we assume its entire VIF is zero; 2) we also assume a valuation discount equivalent to 5% of its investment assets taking into account real estate investment risks; 3) and we further apply a valuation discount (Fig. 7) as China life has significant shareholdings in Guangfa Bank, and Guangfa Bank has loan exposure to the real estate sector. Maintain BUY on valuation. Maintain TP at HKD16.7, equivalent to ~0.32x 22E P/EV, or 40% discount to its past 5-yr average P/EV. China Life remains our top pick of the sector. **Key catalysts:** robust NBV growth, good investment performance, China's recovery policies might impact capital market and in turn life players' EV; **Key downside risks:** lower-than-expected NBV growth, adverse capital market.

Financials

| Year ended 31 Dec (RMB mn) | 2020 restated | 2021A | 2022E | 2023E | 2024E |
|----------------------------|---------------|---------|---------|---------|---------|
| Total revenue | 805,049 | 824,930 | 800,186 | 844,252 | 889,580 |
| Shareholders' net profit | 50,257 | 50,921 | 33,603 | 41,208 | 47,555 |
| EPS (RMB) | 1.77 | 1.80 | 1.19 | 1.46 | 1.68 |
| BVPS (RMB) | 15.92 | 16.93 | 17.47 | 18.50 | 19.66 |
| P/E (x) | 6.08 | 5.96 | 9.04 | 7.37 | 6.39 |
| P/B (x) | 0.67 | 0.63 | 0.62 | 0.58 | 0.55 |
| P/EV (x) | 0.28 | 0.25 | 0.23 | 0.20 | 0.18 |
| ROE (%) | 11.83 | 10.97 | 6.91 | 8.11 | 8.82 |

Sources: Company data, CMS (HK) estimates; Note: share price is as of Dec. 15, 2022

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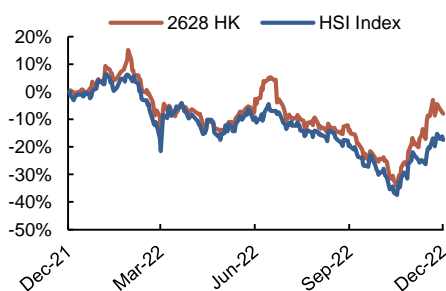
WHAT'S NEW

Company updates

BUY

| | |
|---|----------------|
| Previous | BUY |
| Price (Dec. 15, 2022) | HKD11.94 |
| 12-month Target Price (Potential up/downside) | HKD16.7 (+40%) |
| Previous | HKD16.7 |

Price Performance



Source: Wind

| % | 1m | 6m | 12m |
|-----------|------|-------|--------|
| 2628 HK | 16.3 | (1.3) | (5.7) |
| HSI Index | 6.8 | (6.4) | (16.9) |

Sector: Insurance

| | |
|---------------------------------|--------|
| Hang Seng Index (Dec. 15, 2022) | 19,369 |
| HSCEI (Dec. 15, 2022) | 6,591 |

Key Data

| | |
|------------------------|------------|
| 52-week range (HKD) | 8.53-15.04 |
| Market cap (HKD mn) | 832,074 |
| Avg. daily volume (mn) | 27.9 |

Shareholding Structure

| | |
|--|--------|
| China Life Insurance (Group) Company | 68.37% |
| HKSCC Nominees Limited | 25.92% |
| China Securities Finance Corporation Limited | 2.51% |
| No. of shares outstanding (mn) | 28,265 |
| Free float | 3.20% |

Sources: Bloomberg, Wind, Company data

Related Research

1. China Life (2628 HK) - Undervalued leading player; Maintain BUY on valuation (BUY) (Oct. 13, 2022)
2. China Life (2628 HK) - In-line 1H22 results; Maintain BUY on valuation (BUY) (Aug. 26, 2022)
3. China Life (2628 HK) - Leading life player; Maintain BUY on valuation (BUY) (Jul. 20, 2022)

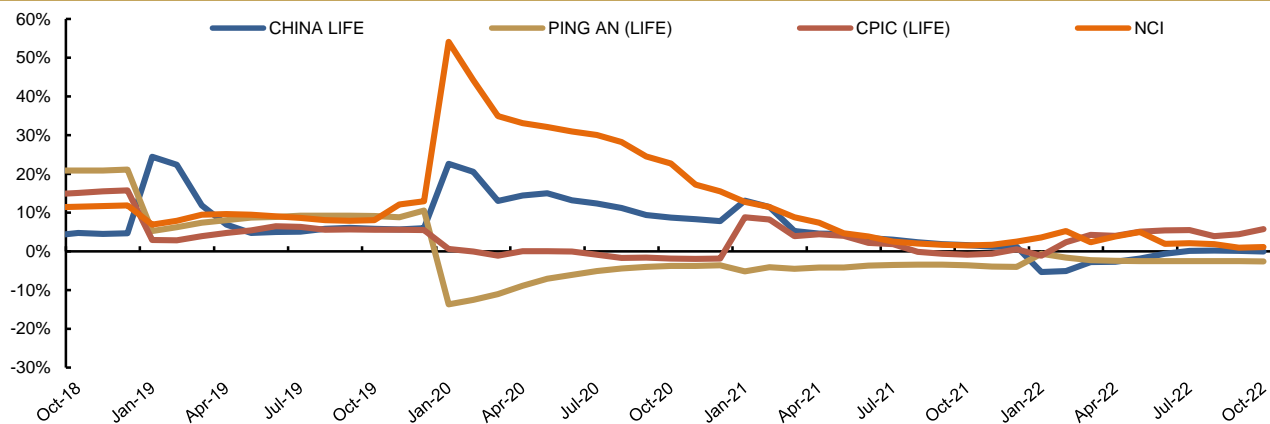
Focus charts

Figure 1: China Life key 3Q22 results

| (RMB bn) | 3Q22 | 3Q21 | yoy |
|---|-------|----------------|-------------|
| Aggregate Performance: | | | |
| Total GWP | 554.1 | 553.4 | 0.1% |
| Total long-term Regular FYP | 91.4 | 91.5 | -0.2% |
| Total long-term Regular FYP with duration longer than 10Y | 38.7 | 36.9 | 4.9% |
| Renewal GWP | 382.8 | 392.2 | -2.4% |
| Total NBV | n.a. | n.a. | -15.4% |
| Individual Agent Sector Performance: | | | |
| Total number of individual business agents ('000) | 720 | 746 (end-1H22) | -3.5% (qoq) |
| Profitability: | | | |
| Net investment yield | 4.12% | 4.40% | |
| Gross investment yield | 4.03% | 5.25% | |
| Ordinary shareholders' net profit | 31.1 | 48.5 | -35.8% |
| Shareholders' total comprehensive income | (6.5) | 38.6 | n.a. |

Sources: Company data, CMS (HK)

Figure 2: Growths of accumulated life GWP



Sources: Wind, CMS (HK)

Figure 3: Number of exclusive life insurance agents

| ('000) | 2019 | 1H20 | 2020 | 1H21 | 3Q21 | 2021 | 1Q22 | 1H22 | 3Q22 |
|---------------------------------------|--------|--------|---------|---------|------------|---------|-------------|---------|--------------|
| Monthly average agent number: Ping An | 1,200 | 1,108 | 1,055 * | 940 | 706 ** | 796 | 538 *** | 514 | 488 **** |
| Period end agent number: China Life | 1,613 | 1,690 | 1,378 | 1,150 | 980 | 820 | 780 | 746 | 720 |
| Monthly average agent number: CPIC | 790 | 766 | 749 | 641 | n.a. | 525 | n.a. | 312 | n.a. |
| Period end agent number: NCI | 507 | 526 | 606 | 441 | n.a. | 389 | n.a. | 318 | n.a. |
| Growth | hoh | hoh | yoy | YTD | YTD | yoy | YTD | YTD | YTD |
| Monthly average agent number: Ping An | -2.83% | -7.67% | -12.08% | -10.90% | -31.02% ** | -24.55% | -10.41% *** | -35.43% | -18.68% **** |
| Period end agent number: China Life | 2.54% | 4.77% | -14.57% | -16.55% | -28.88% | -40.49% | -4.88% | -9.02% | -7.69% |
| Monthly average agent number: CPIC | -0.75% | -3.04% | -5.19% | -14.42% | n.a. | -29.91% | n.a. | -40.57% | n.a. |
| Period end agent number: NCI | 31.35% | 3.75% | 19.53% | -27.23% | n.a. | -35.81% | n.a. | -18.25% | n.a. |

Sources: Company data, CMS (HK); Note: *2021 revised data; ** 3Q21-end figure (706K) compared with 2020-end figure (1,024K); *** 1Q22-end figure (538K) compared with 2021-end figure (600K); **** 3Q22-end figure (488K) compared with 2021-end figure (600K)

Figure 4: Allocation of investment assets (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% |
| Total | 4,270,779 | | 4,977,082 | | 1,941,167 | | 1,140,365 | |

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 5: Sensitivity of EVs to gains on equity investment assets

| Company | Ticker | Investment on equities (RMB mn) * | Assumed gain on equity investments (RMB mn) ** | Group EV (RMB mn) | Impact on group EV *** |
|------------|---------|--------------------------------------|---|----------------------|------------------------|
| 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 6: 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 | 3.29 | 3.70 | 0.75 | 1.44 |
| NCI | 1336 HK | 1.79 | 2.61 | 0.94 | 1.58 |
| CPIC | 2601 HK | 1.53 | 1.68 | 0.72 | 1.13 |
| Ping An | 2318 HK | 1.04 | 1.64 | 0.69 | 0.98 |

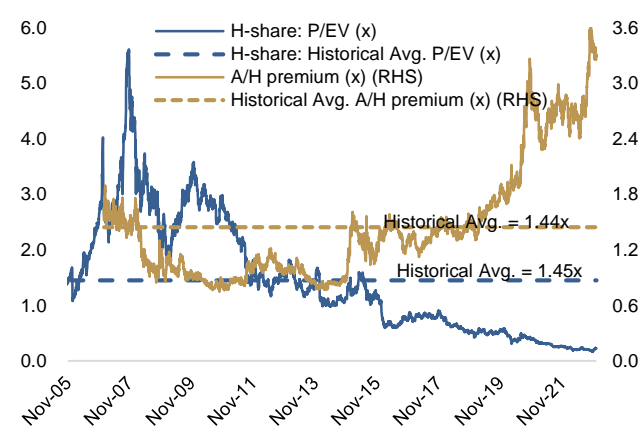
Sources: Wind, CMS (HK); Note: prices are as of Dec. 15, 2022

Figure 7: 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 * | 300,928 | 813,385 | 151,322 | 50,237 |
| Current market value * / Implied valuation | 73% | 139% | 76% | 48% |

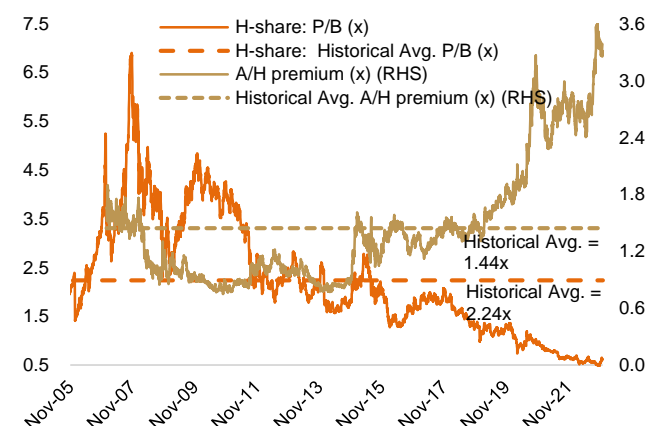
Sources: Wind, Company data, CMS (HK); Note: * as of Dec. 15, 2022. ** Data of Guangfa Bank as of end-2021; ***The implied valuation for Ping An might be slightly smaller due to potential losses on property proprietary trading of Ping An Trust

Figure 8: P/EV valuation and A/H premium of China Life



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

Figure 9: P/B valuation and A/H premium of China Life



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

Valuation comparison

| Company | Ticker | Rating | Price | TP | Mkt Cap | P/EV (x) | | P/E (x) | | P/B (x) | | ROE (%) | | Dividend Yield (%) | |
|-------------------------------------|-----------|--------|-----------|-------|---------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|------------|
| | | | Local ccy | (HKD) | | (USD mn) | 2022E | 2023E | 2022E | 2023E | 2022E | 2023E | 2022E | 2023E | 2022E |
| HK Listed Peers | | | | | | | | | | | | | | | |
| Ping An | 2318 HK | BUY | 49.9 | 65.9 | 121,373 | 0.53 | 0.49 | 7.6 | 6.7 | 0.91 | 0.84 | 12.1 | 12.7 | 3.9 | 4.5 |
| China Life | 2628 HK | BUY | 11.9 | 16.7 | 119,400 | 0.23 | 0.20 | 9.0 | 7.4 | 0.62 | 0.58 | 6.9 | 8.1 | 4.0 | 4.9 |
| China Pacific | 2601 HK | BUY | 17.6 | 24.3 | 30,386 | 0.27 | 0.25 | 6.5 | 5.9 | 0.63 | 0.59 | 10.0 | 10.4 | 5.5 | 6.1 |
| New China Life | 1336 HK | BUY | 18.1 | 24.9 | 11,203 | 0.18 | 0.16 | 6.2 | 4.6 | 0.45 | 0.42 | 7.4 | 9.5 | 4.8 | 6.5 |
| ZA Online | 6060 HK | BUY | 21.3 | 30.9 | 3,997 | n.a. | n.a. | n.a. | 24.9 | 1.58 | 1.49 | 0.03 | 6.2 | 0.0 | 0.0 |
| China Taiping * | 966 HK | NR | 9.5 | n.a. | 4,445 | n.a. | n.a. | 5.9 | 4.4 | 0.38 | 0.35 | 6.8 | 8.4 | 3.9 | 4.8 |
| PICC Group * | 1339 HK | NR | 2.6 | n.a. | 29,981 | n.a. | n.a. | 4.1 | 3.7 | 0.44 | 0.41 | 11.0 | 11.4 | 7.5 | 8.0 |
| PICC P&C * | 2328 HK | NR | 7.4 | n.a. | 21,161 | n.a. | n.a. | 5.1 | 4.7 | 0.67 | 0.61 | 13.6 | 13.7 | 7.9 | 8.3 |
| China Re * | 1508 HK | NR | 0.5 | n.a. | 2,731 | n.a. | n.a. | 4.1 | 2.9 | 0.20 | 0.19 | 5.1 | 6.8 | 7.1 | 10.3 |
| AIA * | 1299 HK | NR | 84.7 | n.a. | 127,292 | n.a. | n.a. | 39.7 | 17.4 | 2.57 | 2.29 | 5.9 | 13.9 | 1.8 | 1.9 |
| Arithmetic Average | | | | | | 0.30 | 0.27 | 9.8 | 8.3 | 0.85 | 0.78 | 7.9 | 10.1 | 4.6 | 5.5 |
| Weighted Average | | | | | | 0.36 | 0.33 | 16.1 | 9.5 | 1.21 | 1.10 | 8.7 | 11.5 | 3.9 | 4.5 |
| China A-share Listed Peers * | | | | | | | | | | | | | | | |
| Ping An | 601318 CH | NR | 46.4 | n.a. | 121,373 | n.a. | n.a. | 8.0 | 6.2 | 0.96 | 0.86 | 11.9 | 14.8 | 5.3 | 5.6 |
| China Life | 601628 CH | NR | 35.2 | n.a. | 119,490 | n.a. | n.a. | 26.1 | 20.1 | 2.06 | 1.91 | 8.2 | 10.7 | 1.4 | 1.9 |
| China Pacific | 601601 CH | NR | 24.2 | n.a. | 30,386 | n.a. | n.a. | 9.6 | 7.9 | 1.01 | 0.92 | 10.5 | 12.2 | 3.8 | 4.4 |
| New China Life | 601336 CH | NR | 29.1 | n.a. | 11,203 | n.a. | n.a. | 10.6 | 7.1 | 0.82 | 0.75 | 8.6 | 12.2 | 2.8 | 4.5 |
| PICC Group | 601319 CH | NR | 5.3 | n.a. | 29,981 | n.a. | n.a. | 9.1 | 8.4 | 1.01 | 0.92 | 11.2 | 11.4 | 3.4 | 3.5 |
| Arithmetic Average | | | | | | | | 12.7 | 10.0 | 1.17 | 1.07 | 10.1 | 12.3 | 3.3 | 4.0 |
| Weighted Average | | | | | | | | 15.2 | 11.9 | 1.38 | 1.27 | 10.2 | 12.6 | 3.4 | 3.8 |

| 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 |
| Global Peers * | | | | | | | | | | | | | | | |
| GREAT-WEST LIFEC | GWO CN | NR | 30.0 | n.a. | 20,505 | n.a. | n.a. | 8.9 | 8.4 | 1.15 | 1.14 | 13.1 | 13.9 | 6.5 | 7.0 |
| MUENCHENER RUE-R | MUV2 GR | NR | 299.1 | n.a. | 44,578 | n.a. | n.a. | 13.1 | 10.2 | 1.81 | 1.62 | 12.0 | 16.5 | 3.9 | 4.1 |
| HANNOVER RUECK S | HNR1 GR | NR | 183.5 | n.a. | 23,514 | n.a. | n.a. | 15.6 | 12.3 | 2.31 | 2.06 | 13.4 | 18.2 | 3.3 | 3.5 |
| METLIFE INC | MET US | NR | 71.7 | n.a. | 56,256 | n.a. | n.a. | 10.1 | 8.6 | 2.61 | 2.39 | 11.7 | 13.7 | 2.8 | 2.9 |
| PRUDENTIAL PLC | PRU LN | NR | 1,065.5 | n.a. | 35,771 | n.a. | n.a. | 14.9 | 11.4 | 2.06 | 1.75 | 12.6 | 16.3 | 1.4 | 1.5 |
| AFLAC INC | AFL US | NR | 69.3 | n.a. | 43,109 | n.a. | n.a. | 13.2 | 12.8 | 1.78 | 1.68 | 12.3 | 12.9 | 2.3 | 2.5 |
| MANULIFE FIN | MFC CN | NR | 23.9 | n.a. | 33,063 | n.a. | n.a. | 7.9 | 7.3 | 0.90 | 0.89 | 11.9 | 11.9 | 5.5 | 5.8 |
| ALLIANZ SE-VINK | ALV GR | NR | 198.9 | n.a. | 85,408 | n.a. | n.a. | 11.7 | 8.3 | 1.38 | 1.28 | 10.5 | 16.5 | 5.7 | 6.1 |
| SAMSUNG LIFE INS | 032830 KS | NR | 73,400.0 | n.a. | 11,242 | n.a. | n.a. | 11.5 | 9.5 | 0.53 | 0.50 | 3.8 | 5.3 | 4.0 | 4.5 |
| AEGON NV | AGN NA | NR | 4.6 | n.a. | 10,414 | n.a. | n.a. | 9.5 | 6.7 | 0.50 | 0.47 | 1.5 | 7.8 | 5.0 | 6.4 |
| AXA SA | CS FP | NR | 26.2 | n.a. | 65,638 | n.a. | n.a. | 8.5 | 7.8 | 1.13 | 1.05 | 12.3 | 14.4 | 6.3 | 6.8 |
| DAI-ICHI LIFE | 8750 JP | NR | 2,622.0 | n.a. | 19,853 | n.a. | n.a. | 7.3 | 11.6 | 0.54 | 0.69 | 7.2 | 5.6 | 3.1 | 3.3 |
| Average | | | | | | | | 11.0 | 9.6 | 1.39 | 1.29 | 10.2 | 12.7 | 4.1 | 4.5 |

Sources: Company data, Bloomberg, CMS (HK) estimates; Note: Share prices are as of Dec. 15, 2022; * Forecast is based on Bloomberg consensus

Financial Summary

Consolidated Statement of Financial Position

| Year ended 31 Dec (RMB mn) | 2020 restated | 2021A | 2022E | 2023E | 2024E |
|--|------------------|------------------|------------------|------------------|------------------|
| Property, plant and equipment | 52,747 | 54,398 | 55,486 | 56,596 | 57,728 |
| Investment properties | 14,217 | 13,374 | 15,407 | 16,786 | 18,224 |
| Investments in associates and joint ventures | 239,584 | 257,953 | 282,454 | 307,735 | 334,113 |
| Debt financial assets | 1,865,794 | 2,470,354 | 2,676,983 | 2,917,153 | 3,167,740 |
| Equity financial assets | 700,748 | 699,457 | 770,330 | 839,278 | 911,217 |
| Term deposits | 545,678 | 529,488 | 590,586 | 643,447 | 698,600 |
| Statutory deposits | 6,333 | 6,333 | 6,333 | 6,333 | 6,333 |
| Loans | 658,535 | 666,087 | 718,975 | 783,326 | 850,469 |
| Financial assets purchased under agreements to resell | 7,947 | 12,915 | 10,271 | 11,190 | 12,150 |
| Accrued investment income | 45,200 | 51,097 | 83,804 | 95,764 | 107,876 |
| Premiums receivable | 20,730 | 20,361 | 23,415 | 26,927 | 30,967 |
| Deferred tax assets | 87 | 121 | 133 | 146 | 161 |
| Reinsurance assets | 6,095 | 6,630 | 6,962 | 7,310 | 7,675 |
| Other assets | 32,116 | 42,077 | 44,181 | 46,390 | 48,709 |
| Cash and cash equivalents | 56,655 | 60,440 | 64,194 | 69,940 | 75,935 |
| Total assets | 4,252,466 | 4,891,085 | 5,349,514 | 5,828,321 | 6,327,897 |
| Insurance contracts | 2,973,225 | 3,419,899 | 3,825,728 | 4,246,455 | 4,681,920 |
| Investment contracts | 288,212 | 313,594 | 329,274 | 345,737 | 363,024 |
| Interest-bearing loans and borrowings | 19,556 | 18,686 | 18,499 | 18,314 | 18,131 |
| Financial liabilities at fair value through profit or loss | 3,732 | 3,416 | 3,348 | 3,281 | 3,215 |
| Financial assets sold under agreements to repurchase | 122,249 | 239,446 | 246,629 | 250,329 | 254,084 |
| Policyholder dividends payable | 122,510 | 124,949 | 131,196 | 134,476 | 137,838 |
| Premiums received in advance | 53,021 | 48,699 | 48,212 | 47,730 | 47,253 |
| Bonds payable | 34,992 | 34,994 | 34,994 | 34,994 | 34,994 |
| Annuity and other insurance balances payable | 55,031 | 56,818 | 59,659 | 60,852 | 62,069 |
| Statutory insurance fund | 384 | 339 | 339 | 339 | 339 |
| Other liabilities | 107,140 | 135,858 | 140,079 | 142,723 | 146,312 |
| Current income tax liabilities | 191 | 248 | 248 | 248 | 248 |
| Deferred tax liabilities | 15,286 | 7,481 | 7,481 | 7,481 | 7,481 |
| Total liabilities | 3,795,529 | 4,404,427 | 4,845,686 | 5,292,960 | 5,756,908 |
| Share capital | 28,265 | 28,265 | 28,265 | 28,265 | 28,265 |
| Reserves and retained earnings | 421,791 | 450,320 | 465,551 | 494,662 | 527,382 |
| Shareholders' equity | 450,056 | 478,585 | 493,816 | 522,927 | 555,647 |
| Total equity | 456,937 | 486,658 | 503,828 | 535,362 | 570,989 |

Consolidated Statement of Cash Flows

| Year ended 31 Dec (RMB mn) | 2020 restated | 2021A | 2022E | 2023E | 2024E |
|--|---------------|---------------|---------------|---------------|---------------|
| Net cash from operating activities | 304,019 | 286,448 | 267,668 | 263,142 | 265,844 |
| Net cash from investing activities | (292,799) | (393,731) | (245,124) | (241,021) | (240,394) |
| Net cash from financing activities | (7,760) | 111,139 | (18,770) | (16,330) | (19,385) |
| Effect of foreign exchange rate changes | (144) | (71) | (20) | (45) | (70) |
| Net increase in cash and cash equivalents | 3,316 | 3,785 | 3,754 | 5,746 | 5,995 |
| Cash and cash equivalents at end of year | 56,655 | 60,440 | 64,194 | 69,940 | 75,935 |

Consolidated Statement of Income

| Year ended 31 Dec (RMB mn) | 2020 restated | 2021A | 2022E | 2023E | 2024E |
|--|------------------|------------------|------------------|------------------|------------------|
| Gross written premiums and policy fees | 612,265 | 618,327 | 620,799 | 645,108 | 673,076 |
| Net premiums earned and policy fees | 604,666 | 611,251 | 611,487 | 638,657 | 666,345 |
| Total investment income | 190,980 | 203,674 | 179,694 | 196,140 | 213,308 |
| Other income | 9,403 | 10,005 | 9,005 | 9,455 | 9,927 |
| Total revenues | 805,049 | 824,930 | 800,186 | 844,252 | 889,580 |
| Insurance benefits and claims | (580,801) | (618,754) | (587,392) | (607,655) | (627,951) |
| Investment contracts benefits | (9,846) | (10,628) | (11,159) | (11,717) | (12,303) |
| Underwriting and policy acquisition costs | (84,361) | (65,744) | (74,126) | (77,958) | (82,391) |
| Administrative expenses | (37,706) | (40,808) | (41,624) | (42,457) | (43,306) |
| Other expenses | (13,499) | (16,720) | (20,064) | (24,077) | (28,892) |
| Policyholder dividends resulting from participation in profits | (28,279) | (26,511) | (31,813) | (38,176) | (45,811) |
| Total benefits, claims and expenses | (754,492) | (779,165) | (766,178) | (802,039) | (840,654) |
| Net gains on investments of associates and joint ventures | 7,666 | 10,328 | 11,361 | 12,497 | 13,747 |
| Finance costs | (3,747) | (5,598) | (5,878) | (6,231) | (6,604) |
| Profit before income tax | 54,476 | 50,495 | 39,491 | 48,479 | 56,069 |
| Income tax expense | (3,103) | 1,917 | (3,949) | (4,848) | (5,607) |
| Net profit for the year | 51,373 | 52,412 | 35,542 | 43,631 | 50,462 |
| Attributable to: | | | | | |
| Owners of the parent | 50,257 | 50,921 | 33,603 | 41,208 | 47,555 |

Financial Ratios

| | 2020 restated | 2021A | 2022E | 2023E | 2024E |
|--------------------------------|---------------|--------|--------|-------|-------|
| EPS for ordinary shares (RMB) | 1.77 | 1.80 | 1.19 | 1.46 | 1.68 |
| BVPS for ordinary shares (RMB) | 15.92 | 16.93 | 17.47 | 18.50 | 19.66 |
| Life NBV per share (RMB) * | 2.07 | 1.58 | 1.39 | 1.49 | 1.60 |
| Life EV per share (RMB) * | 37.93 | 42.56 | 47.53 | 53.02 | 59.08 |
| ROE (%) | 11.83 | 10.97 | 6.91 | 8.11 | 8.82 |
| NBV growth yoy | -0.6% | -23.3% | -12.2% | 7.3% | 7.4% |
| NBM on FYP | 30.1% | 25.5% | 21.5% | 21.9% | 22.2% |

Sources: Company data, CMS (HK) estimates; Note: *Our estimates are based on base-case assumptions

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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