



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

2019 Interim Report



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

TABLE OF CONTENTS

Financial Highlights	2
Management Discussion and Analysis	3
Other Information	45
Embedded Value	49
Report on Review of Interim Financial Information	55
Financial Statements and Notes	56
Definitions	105
Corporate Information	108

FINANCIAL HIGHLIGHTS

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

	As at 30 June 2019	As at 31 December 2018	Change (%)
Total assets	384,885	340,907	12.9
Total liabilities	293,096	253,653	15.5
Total equity	91,789	87,254	5.2
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.94	1.84	5.3

	For the six months ended 30 June		Change (%)
	2019	2018	
Gross written premiums	84,772	66,308	27.8
Net profit	3,616	2,368	52.7
Net profit attributable to equity shareholders of the parent company	3,320	2,331	42.4
Earnings per share (RMB)	0.08	0.05	42.4
Annualised weighted average return on equity (%) ¹	8.20	6.21	Increase of 1.99 percentage points

Note: 1. Annualised weighted average return on equity = Net profit attributable to equity shareholders of the parent company ÷ balance of weighted average equity × 2.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management and other businesses. We operate our domestic P&C reinsurance business primarily through China Re P&C, our overseas P&C reinsurance business primarily through China Re P&C, Singapore Branch, China Re Syndicate 2088 and Chaucer, our domestic and overseas life and health reinsurance business primarily through China Re Life, our domestic primary P&C insurance business primarily through China Continent Insurance, and our overseas primary P&C insurance business primarily through Chaucer. We utilise and manage our insurance funds in a centralised and professional manner primarily through China Re AMC. In addition, the Group Company operates domestic and overseas legacy P&C reinsurance business and CNIP business through China Re P&C, and operates the domestic legacy life and health reinsurance business through China Re Life.

On 13 September 2018, the Company and The Hanover Insurance Group, Inc. entered into an agreement to acquire 100% equity interests in Chaucer. Chaucer mainly includes CRIH, CIC and CRAH. The Group has completed the closing of the acquisition of CRIH on 28 December 2018¹, the closing of the acquisition of CIC on 14 February 2019¹ and the closing of the acquisition of CRAH on 10 April 2019¹. Chaucer business covers reinsurance and direct insurance business. The financial statements set out in this interim report include the financial information of each entity of Chaucer after the date of acquisition.

Note: 1. The closing dates are Eastern Standard Time (EST).

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:

Unit: in RMB millions, except for percentages

	For the six months ended 30 June		
	2019	2018	Change (%)
Gross written premiums	84,772	66,308	27.8
Gross written premiums by business segment:			
P&C reinsurance ¹	23,033	15,200	51.5
Life and health reinsurance ¹	38,427	30,165	27.4
Primary P&C insurance ¹	24,379	21,948	11.1
Total investment income ²	6,159	5,069	21.5
Annualised total investment yield (%) ³	5.19	5.21	Decrease of 0.02 percentage points
Net investment income ⁴	6,027	5,147	17.1
Annualised net investment yield (%) ⁵	5.07	5.29	Decrease of 0.22 percentage points

- Notes: 1. Gross written premiums of 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 comprise the life and health reinsurance business operated by China Re Life, and the life and health reinsurance business operated by the Group Company through China Re Life;
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. Annualised total investment yield = Total investment income ÷ average of total investment assets as at the beginning and end of the period x 2.
4. Net investment income = Interest + dividends + share of profits of associates.
5. Annualised net investment yield = Net investment income ÷ average of total investment assets as at the beginning and end of the period x 2.

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2019		As at 31 December 2018	
	Core solvency adequacy ratio	Aggregated solvency adequacy ratio	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
China Re Group (%)	195	216	162	184
Group Company (%)	593	593	416	416
China Re P&C (%)	178	213	178	217
China Re Life (%)	183	222	166	214
China Continent Insurance (%)	414	414	434	434

Note: The relevant solvency data as at 30 June 2019 was not audited or reviewed by the auditors of the Company.

Unit: in RMB millions, except for percentages

	As at 30 June 2019	As at 31 December 2018	Change (%)
Embedded value of life and health reinsurance business	24,345	21,763	11.9
Value of one year's new business of life and health reinsurance business	2,186	1,341	63.1

Note: Figures related to life and health reinsurance business in the table only include business of China Re Life, which accounts for more than 99.5% of total life and health reinsurance business.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2019, the Group adhered to the guidance of the “One-Three-Five” Strategy, which contributed to the rapid growth in premium volume, continuous optimisation of business structure, a stable market position, smooth progress of overseas business integration, steady improvement of operation efficiency and further consolidation of high-quality development.

As our business kept growing rapidly, the Group’s gross written premiums recorded an increase of 27.8% from RMB66,308 million in the first half of 2018 to RMB84,772 million in the first half of 2019, of which the gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance business (before inter-segment eliminations) were RMB23,033 million, RMB38,427 million and RMB24,379 million, respectively. The year-on-year rapid growth in gross written premiums was mainly attributable to (1) the rapid development of protection-type business of life and health reinsurance and financial reinsurance business and (2) the incorporation of gross written premiums from Chaucer for the first time after the acquisition.

Our business structure continued optimising. Domestic non-motor insurance business of P&C reinsurance recorded a year-on-year growth of 23.1%, while its proportion of domestic P&C reinsurance business increased 4.1 percentage points; domestic facultative reinsurance business of P&C reinsurance recorded a year-on-year growth of 64.7%, while its proportion of domestic P&C reinsurance business increased 2.2 percentage points; overseas P&C reinsurance and Chaucer business recorded a year-on-year growth of 237.5%, while its proportion of P&C reinsurance business increased 20.2 percentage points; domestic protection-type business of life and health reinsurance recorded a year-on-year growth of 48.6%, while its proportion of domestic life and health reinsurance business increased 3.4 percentage points; non-motor primary P&C insurance business recorded a year-on-year growth of 35.4%, while its proportion of primary P&C insurance business increased 7.7 percentage points.

Our core reinsurance business maintained its solid market position and we continued to maintain the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.60% in primary P&C insurance business, ranking No. 6 in all primary P&C insurance companies in the domestic market. During the Reporting Period, we maintained 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 the first half of 2019, the Group’s total investment income amounted to RMB6,159 million, representing a year-on-year increase of 21.5%. The net investment income amounted to RMB6,027 million, representing a year-on-year increase of 17.1%. The increase of total investment income and net investment income was mainly due to (1) the relatively rapid growth in the scale of total investment assets and (2) the year-on-year growth in income from fixed-income investment and share of profits of associates. Annualised total investment yield was 5.19%, representing a year-on-year decrease of 0.02 percentage points, and annualised net investment yield was 5.07%, representing a year-on-year decrease of 0.22 percentage points, which generally remained stable.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Indicators

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

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

	For the six months ended 30 June		Change (%)
	2019	2018	
Gross written premiums	84,772	66,308	27.8
Profit before tax	4,194	3,204	30.9
Net profit	3,616	2,368	52.7
Net profit attributable to equity shareholders of the parent company	3,320	2,331	42.4
Earnings per share (RMB)	0.08	0.05	42.4
Annualised weighted average return on equity (%) ¹	8.20	6.21	Increase of 1.99 percentage points

Note: 1. Annualised weighted average return on equity = Net profit attributable to equity shareholders of the parent company ÷ balance of weighted average equity x 2.

The net profit attributable to equity shareholders of the parent company of the Group amounted to RMB3,320 million in the first half of 2019, representing a year-on-year increase of 42.4%, which was due to the integrated impact of the increase in investment income and underwriting profit as well as the incorporation of income from Chaucer for the first time after the acquisition.

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

	As at 30 June 2019	As at 31 December 2018	Change (%)
Total assets	384,885	340,907	12.9
Total liabilities	293,096	253,653	15.5
Total equity	91,789	87,254	5.2
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.94	1.84	5.3

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 the first half of 2019, we made efforts to strengthen our position as a leading domestic reinsurer. We continued to facilitate the establishment of platforms for domestic commercial 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 also achieved breakthroughs in emerging business sectors such as construction inherent defects insurance (IDI), catastrophe insurance, construction surety bond insurance and customs bond insurance.

For overseas P&C reinsurance and Chaucer business, we successfully completed the acquisition of Chaucer. The integration progressed smoothly and we began to benefit from Chaucer's synergy with other domestic and overseas business platforms. We seized market development opportunities to actively expand our business and recorded rapid growth in business scale, while adhering to the profit and efficiency orientation, adjusting the business structure proactively by reducing underperformed underwriting business, which greatly improved the overall business quality.

In the first half of 2019, gross written premiums from our P&C reinsurance segment amounted to RMB23,033 million, representing a year-on-year increase of 51.5%, accounting for 26.8% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB1,194 million, and the annualised weighted average return on equity reached 10.57%. The combined ratio was 97.36%, representing a year-on-year decrease of 2.07 percentage points. Of this combined ratio, the loss ratio and expense ratio were 55.81% and 41.55% respectively, representing a year-on-year increase of 2.24 percentage points and a decrease of 4.31 percentage points respectively.

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 the first half of 2019, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB14,914 million, representing a year-on-year increase of 15.6%. The combined ratio was 99.62%, representing a year-on-year increase of 0.02 percentage points. Of this combined ratio, the loss ratio and expense ratio were 56.95% and 42.67% respectively, representing a year-on-year increase of 4.07 percentage points and a decrease of 4.05 percentage points respectively.

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 were generally in line with the business mix of the domestic P&C reinsurance market. Meanwhile, as a result of our active development, reinsurance premium income from our facultative business amounted to RMB1,097 million, representing a year-on-year increase of 64.7%, and an increase of 2.2 percentage points in the proportion of domestic P&C reinsurance business.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Type of reinsurance arrangement	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	13,817	92.6	12,237	94.8
Facultative reinsurance	1,097	7.4	666	5.2
Total	14,914	100.0	12,903	100.0

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Form of cession	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	14,672	98.4	12,654	98.1
Non-proportional reinsurance	242	1.6	249	1.9
Total	14,914	100.0	12,903	100.0

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Business channel	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Direct	14,027	94.1	12,126	94.0
Via broker	887	5.9	777	6.0
Total	14,914	100.0	12,903	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Lines of business

As the largest domestic P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the business characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, primarily including motor, commercial property, agriculture, liability and engineering insurance. We vigorously captured the opportunities made available by the transformation and development of the market, actively developed non-motor reinsurance business and the proportion of non-motor reinsurance business in our domestic P&C reinsurance business for the first half of 2019 increased by 4.1 percentage points on a year-on-year basis, resulting in further optimisation of business structure.

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 six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	4,941	33.1	4,803	37.2
Commercial property	2,722	18.3	2,474	19.2
Agriculture	2,716	18.2	1,590	12.3
Liability	1,916	12.8	1,690	13.1
Engineering	984	6.6	894	6.9
Others ¹	1,635	11.0	1,452	11.3
Total	14,914	100.0	12,903	100.0

Note: 1. Others include, among others, cargo, marine hull, specialty and surety reinsurance.

MANAGEMENT DISCUSSION AND ANALYSIS

Motor reinsurance. In the first half of 2019, the reinsurance premium income from motor insurance amounted to RMB4,941 million, representing a year-on-year increase of 2.9%, and the motor reinsurance business scale remained stable.

Commercial property reinsurance. In the first half of 2019, the reinsurance premium income from commercial property insurance amounted to RMB2,722 million, representing a year-on-year increase of 10.0%, mainly because we actively captured the opportunity of rapid market development and made achievements in exploring cession of governmental pilot business of catastrophe insurance.

Agriculture reinsurance. In the first half of 2019, the reinsurance premium income from agriculture insurance amounted to RMB2,716 million, representing a year-on-year increase of 70.8%, mainly due to the great increase in ceding proportion of some primary insurance companies, as well as an overall relatively high growth of agriculture insurance business cession in the market.

Liability reinsurance. In the first half of 2019, the reinsurance premium income from liability insurance amounted to RMB1,916 million, representing a year-on-year increase of 13.4%, mainly due to the fact that we actively captured the market opportunities arising from the rapid growth of primary liability insurance business and increased our investment in research and development and efforts in promotion of new types of liability insurance product.

Engineering reinsurance. In the first half of 2019, the reinsurance premium income from engineering insurance amounted to RMB984 million, representing a year-on-year increase of 10.1%, mainly because we actively seized business opportunities of engineering insurance brought by infrastructure construction, enhanced our efforts in business development, expanded our business channels and improved the depth and breadth of business participation.

Clients and client services

In the first half of 2019, we continued to maintain good client relationships. We have maintained stable 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. As at the end of the Reporting Period, we maintained business relationships with 83 domestic P&C insurance companies, covering 94.3% of P&C insurance companies in the PRC. In the first half of 2019, we were the leading reinsurer for 32% of our reinsurance contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

Overseas P&C Reinsurance and Chaucer Business

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

In the first half of 2019, gross written premiums from our overseas P&C reinsurance and Chaucer business amounted to RMB8,461 million (before intra-segment eliminations), representing a year-on-year increase of 237.5%, mainly due to the acquisition of Chaucer, which resulted in a significant growth in business scale. The combined ratio was 95.17%, representing a year-on-year decrease of 7.05 percentage points. Of this combined ratio, the loss ratio and expense ratio were 55.15% and 40.02% respectively, representing a year-on-year decrease of 7.77 percentage points and an increase of 0.72 percentage points respectively. The decrease in the combined ratio was mainly due to a lower number of catastrophes in the first half of the year in comparison to the corresponding period of prior years and the inclusion of well-performed Chaucer business, which pulled down the combined ratio; meanwhile, the combined ratio of the overseas P&C reinsurance business improved as compared to the corresponding period of last year.

Overseas P&C Reinsurance Business

In the first half of 2019, gross written premiums from our overseas P&C reinsurance business amounted to RMB2,909 million (before intra-segment eliminations), representing a year-on-year increase of 16.0%. The combined ratio was 96.57%, representing a year-on-year decrease of 5.65 percentage points. Of this combined ratio, the loss ratio and expense ratio were 62.71% and 33.86% respectively, representing a year-on-year decrease of 0.21 percentage points and a decrease of 5.44 percentage points respectively. The decrease in the combined ratio of our overseas P&C reinsurance business was mainly due to: (1) the transfer of China Re Syndicate 2088's managing agency to Chaucer, which partly reduced management expenses; (2) the Singapore Branch entering a stable operation period, with an improved combined ratio compared to the corresponding period of last year; and (3) changes on the business structure by reducing underperformed underwriting business, which apparently improved business quality.

In terms of types of business, treaty reinsurance continued to dominate our overseas P&C reinsurance business. The proportion of facultative reinsurance and direct insurance business increased as a result of a significant expansion in facultative reinsurance business written by the Singapore Branch and an increase in direct insurance business from the Lloyd's channel.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June

Type of business	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	2,592	89.1	2,338	93.3
Direct insurance	233	8.0	158	6.3
Facultative reinsurance	84	2.9	11	0.4
Total	2,909	100.0	2,507	100.0

In terms of geographic areas, Asia, Europe and America continued to be the main source regions of our overseas P&C reinsurance business, representing 35.6%, 34.1% and 26.0% of its gross written premiums, respectively. In the first half of 2019, there was significant increase in gross written premiums from our business in Europe and Asia, mainly due to (1) our business development initiatives and; (2) synergies arising from our multiple business platforms, such as the underwriting capacity we provided for CIC. While proactively developing higher quality business in America, we took the initiative in reducing underperformed underwriting business, resulting in a lower overall business scale in America.

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Source region of business	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Asia	1,037	35.6	998	39.8
Europe	992	34.1	645	25.7
America	756	26.0	826	33.0
Oceania	99	3.4	30	1.2
Africa	25	0.9	8	0.3
Total	2,909	100.0	2,507	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of lines of business, our overseas P&C reinsurance business primarily provided coverage for non-marine, specialty and liability insurance. The business portfolio consisted mainly of short tail business. We achieved rapid growth in specialty and non-marine insurance business, while utilizing the Lloyd's channel to actively expand direct liability insurance and to increase the balance and diversification of the overseas business portfolio.

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 six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-marine	1,423	48.9	1,011	40.3
Specialty	443	15.2	272	10.8
Liability	393	13.5	214	8.6
Others	650	22.4	1,010	40.3
Total	2,909	100.0	2,507	100.0

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 insisted on taking brokers as our main source of business, paid attention to consolidating and strengthening cooperation with reputable international brokers, while exploring business opportunities with distinctive regional brokers. In addition, we continuously strengthened our direct cooperation with quality clients and built up closer business connections.

In terms of our client base, we continued to develop quality clients based on our management philosophy of prioritising profitability and efficiency, while valuing service quality. We established long-term and stable business relationships with a core of quality clients to target at their profitable ceding business. We established comprehensive cooperation relationships with a number of internationally renowned major ceding companies and increased our efforts in the development of quality regional clients through the advantages of owning multiple international platforms, which all contributed to significant progress in expansion of quality client base.

In terms of our service ability, our quotation ability continued to improve, and our service quality became better recognised by the clients. 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 through the provision of more products and international cooperation plans for reinsurance business, exert the synergy advantages of domestic and overseas business especially in response to the Belt and Road Initiative and protecting the overseas interests of domestic clients in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Chaucer Business

In the first half of 2019, gross written premiums from Chaucer business amounted to RMB5,552 million. The combined ratio was 94.17%. Of this combined ratio, the loss ratio and expense ratio were 49.77% and 44.40% respectively. We seized the opportunities provided by the rate increase in certain regions and insurance products in the first half of the year and allocated resources rationally to achieve a steady growth in written premiums. Meanwhile, we actively initiated adjustments to our business structure by reducing underperformed underwriting business. The overall business quality improved steadily. The number of contracts entered into by Chaucer as a leading underwriter accounted for 42% of all of its contracts. Chaucer is at the forefront of the Lloyd's market in terms of leadership.

In terms of types of business and lines of business, Chaucer business primarily consists of treaty reinsurance, facultative reinsurance and direct insurance. Within each of these, treaty reinsurance business primarily comprises property insurance treaty, specialty insurance treaty, liability insurance treaty, etc.; and facultative reinsurance and direct insurance primarily comprise liability insurance, political risk insurance, marine insurance, energy insurance, aerospace insurance, property insurance and political violence insurance globally.

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 six months ended 30 June 2019	
	Amount	Percentage (%)
Treaty reinsurance	2,354	42.4
Facultative reinsurance	1,144	20.6
Direct insurance	2,054	37.0
Total	5,552	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June 2019	
	Amount	Percentage (%)
Liability insurance and political risk insurance	1,235	22.2
Marine insurance, energy insurance, aerospace insurance	1,213	21.9
P&C insurance and political violence insurance	750	13.5
Others ¹	2,354	42.4
Total	5,552	100.0

Note: 1. Others refer to global treaty reinsurance business, including, among others, property insurance treaty, specialty insurance treaty and liability insurance treaty.

In terms of business channels, the broker channel is the main source of business for Chaucer. Chaucer continued to consolidate its business relationships with major international brokers, actively explored opportunities to work with regional brokers, and worked to expand its underwriting agency channels. In addition, Chaucer further strengthened its relationships with other distributors and clients.

In terms of professional advantages, Chaucer continued to utilise the advantages of Lloyd's, providing specialty insurance coverage to the global market through the Lloyd's international insurance licenses, global brand reputation and strong financial rating. Chaucer has a highly-regarded and very experienced senior management team, with an average term of office at Chaucer of approximately 15 years. Chaucer delivers for clients from a deep underwriting bench with over 100 experienced underwriters with distinctive capabilities across more than 45 complex risk classes, including political and nuclear. Chaucer also provides an outstanding claims service through a team with over 100 years of combined London Market claims experience and that efficiently handles in excess of 6,000 claims each year. In addition, Chaucer is actively developing a non-Lloyd's platform for clients through CIC, which, together with Lloyd's provides a flexible platform choice for clients.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In the first half of 2019, our reinsurance premium income from CNIP business amounted to RMB76 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

	2019	Of which: Chaucer business	2018	Change (%)
Gross written premiums	23,033	5,552	15,200	51.5
Less: premiums ceded to reinsurers and retrocessionaires	(2,559)	(2,094)	(579)	342.0
Net written premiums	20,474	3,458	14,621	40.0
Changes in unearned premium reserves	(1,982)	(351)	(875)	126.5
Net premiums earned	18,492	3,107	13,746	34.5
Reinsurance commission income	257	197	61	321.3
Investment income	1,208	191	1,102	9.6
Exchange losses, net	(35)	(14)	(40)	(12.5)
Other income	60	44	4	1,400.0
Total income	19,982	3,525	14,873	34.4
Claims and policyholders' benefits	(10,320)	(1,547)	(7,364)	40.1
Handling charges and commissions	(7,209)	(1,120)	(6,086)	18.5
Finance costs	(167)	—	(114)	46.5
Other operating and administrative expenses	(1,075)	(713)	(321)	234.9
Total benefits, claims and expenses	(18,771)	(3,380)	(13,885)	35.2
Share of profits of associates	160	—	(5)	3,300.0
Profit before tax	1,371	145	983	39.5
Income tax	(177)	(38)	(165)	7.3
Net profit	1,194	107	818	46.0

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our P&C reinsurance segment increased by 51.5% to RMB23,033 million in the first half of 2019, mainly due to the incorporation of gross written premiums from Chaucer into this segment for the first time after the acquisition. In addition, fast growth of domestic business of agriculture, commercial property and liability insurance and overseas business from Asia and Europe was achieved.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment increased by 342.0% from RMB579 million in the first half of 2018 to RMB2,559 million in the first half of 2019, mainly due to the incorporation of premiums ceded to reinsurers and retrocessionaires from Chaucer into this segment for the first time after the acquisition, the premiums ceding ratio was relatively high because of how Chaucer manages risk appetite. Moreover, we purposefully reduced the ceded portion of our domestic business, while increasing outward retrocession of certain overseas business in order to efficiently diversify risks.

Investment Income

Investment income for our P&C reinsurance segment increased by 9.6% from RMB1,102 million in the first half of 2018 to RMB1,208 million in the first half of 2019. 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 40.1% from RMB7,364 million in the first half of 2018 to RMB10,320 million in the first half of 2019, mainly due to the incorporation of claims and policyholders' benefits from Chaucer into this segment for the first time after the acquisition. Besides, the growth in claims and policyholders' benefits of domestic and overseas business was in line with the increase of net written premiums.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 18.5% from RMB6,086 million in the first half of 2018 to RMB7,209 million in the first half of 2019, mainly due to the incorporation of handling charges and commissions from Chaucer into this segment for the first time after the acquisition. Handling charges and commissions remained stable due to the adjustment to certain overseas businesses' operation strategies excluding the foregoing factor.

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment changed from losses of RMB5 million in the first half of 2018 to gains of RMB160 million in the first half of 2019, mainly due to the increase of profits of associates in the first half of 2019.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment increased by 46.0% from RMB818 million in the first half of 2018 to RMB1,194 million in the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

LIFE AND HEALTH REINSURANCE BUSINESS

The business of life and health reinsurance segment comprises the life and health reinsurance business operated by China Re Life, and the life and health reinsurance business operated by the Group Company through China Re Life.

In the first half of 2019, under the overall trend of the insurance industry refocusing on the protection function, we actively grasped the market opportunities and rapidly developed the protection-type reinsurance business; strictly controlled the cost of business and steadily developed the savings-type reinsurance business and controlled its cost; and followed the market trend and picked opportunities to develop the financial reinsurance business. We strengthened the technology empowerment, promoting the integration of health insurance products and health services with “Product+” and “Data+” modes; adhered to being customer-oriented and improved customer service through customised solutions; and strengthened the strategic cooperation, which promoted business growth effectively. China Re Life has a stable position in both domestic market and cross-border savings-type reinsurance market in Hong Kong, with around 80% of all of its reinsurance contracts being entered into as a leading reinsurer.

In the first half of 2019, reinsurance premium income from our life and health reinsurance segment amounted to RMB38,427 million, representing a year-on-year increase of 27.4%, accounting for 44.8% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB837 million, and annualised weighted average return on equity reached 7.81%. In particular, reinsurance premium income from China Re Life amounted to RMB38,369 million, representing a year-on-year increase of 27.4%; total written premiums (“TWPs”) amounted to RMB43,311 million (including TWPs of RMB4,942 million for savings-type non-insurance business), representing a year-on-year increase of 42.8%.

Given the business significance and operational independence of China Re Life and that the reinsurance premium income from China Re Life accounted for more than 99.5% of the whole life and health reinsurance segment, unless otherwise stated, references to our life and health reinsurance business in the business analysis of this section shall be the business of China Re Life.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis

In terms of business lines, the protection-type reinsurance business developed rapidly, the financial reinsurance business remained stable with a moderate growth, and the savings-type reinsurance business remained stable.

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 six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic protection-type reinsurance	9,292	24.2	6,252	20.8
Domestic savings-type reinsurance	2,710	7.1	3,263	10.8
Domestic financial reinsurance	23,932	62.4	18,212	60.5
Domestic in total	35,934	93.7	27,727	92.1
Overseas savings-type reinsurance	2,127	5.5	2,073	6.9
Other overseas business	308	0.8	317	1.0
Overseas in total	2,435	6.3	2,390	7.9
Total	38,369	100.0	30,117	100.0

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

Unit: in RMB millions, except for percentages

Non-insurance business	For the six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic savings-type non-insurance	4,938	99.9	196	88.3
Overseas savings-type non-insurance	4	0.1	26	11.7
Total	4,942	100.0	222	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Domestic Life and Health Reinsurance Business

In the first half of 2019, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB35,934 million, representing a year-on-year increase of 29.6%; and the TWPs amounted to RMB40,872 million (including TWPs from savings-type non-insurance business of RMB4,938 million), representing a year-on-year increase of 46.4%.

In respect of the protection-type reinsurance business, reinsurance premium income amounted to RMB9,292 million in the first half of 2019, representing a year-on-year increase of 48.6%. In particular, reinsurance premium income from the yearly renewable term reinsurance business (i.e., “YRT” reinsurance business, which is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate) amounted to RMB5,400 million, representing a year-on-year increase of 42.6%, accounting for 58.1% of reinsurance premium income from the protection-type reinsurance business. On the one hand, we relied on “Data+” and “Product+” development strategies to actively expand profitable business and build new business growth engines, among which the reinsurance premium income from the mid-end medical care insurance business amounted to RMB1,887 million, representing a year-on-year increase of 140.8%. On the other hand, we actively carried out risk prevention and mitigation work of major business and achieved significant development in “Data + Risk Prevention and Control”. The growth rate of underwriting profits was over 100%, showing our success in high-quality development.

In respect of the savings-type reinsurance business, reinsurance premium income amounted to RMB2,710 million in the first half of 2019, representing a year-on-year decrease of 16.9%; and the TWPs amounted to RMB7,648 million (including TWPs from savings-type non-insurance business of RMB4,938 million), representing a year-on-year increase of 121.1%. On the one hand, we deepened the interactive mechanism of assets and liabilities, proactively developed savings-type non-insurance business, and effectively enlarged the scale of investment assets. On the other hand, we tackled multiple challenges, such as intensified market competition, extensively developed new clients, innovated our business model, effectively controlled the cost of business, and maintained reasonable interest spreads.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB23,932 million in the first half of 2019, representing a year-on-year increase of 31.4%. We paid attention to changes in the regulatory policies, carefully monitored the credit risk of counterparties, innovatively designed reinsurance solutions for our clients, strengthened the capital management and retrocession arrangement, enhanced the efficiency of capital usage, continued to maintain our leading market position in the financial reinsurance business and achieved profitable development.

MANAGEMENT DISCUSSION AND ANALYSIS

Overseas Life and Health Reinsurance Business

In the first half of 2019, reinsurance premium income from our overseas life and health reinsurance business amounted to RMB2,435 million, representing a year-on-year increase of 1.9%; and the TWPs amounted to RMB2,439 million (including TWPs from savings-type non-insurance business of RMB4 million), representing a year-on-year increase of 1.0%.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB2,127 million in the first half of 2019, representing a year-on-year increase of 2.6%; and the TWPs amounted to RMB2,131 million (including TWPs from savings-type non-insurance business of RMB4 million), representing a year-on-year increase of 1.5%. Anticipating a drop in the interest rate of US dollars, we controlled the pace of foreign currencies business development, strengthened the expansion of RMB business, and expanded the business scale of existing key customers while extensively exploring the market demand, thereby achieving overall stable development in the overseas savings-type reinsurance business.

In respect of other overseas business, reinsurance premium income amounted to RMB308 million in the first half of 2019, representing a year-on-year decrease of 2.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Type of reinsurance arrangement	For the six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	38,145	99.4	29,943	99.4
Facultative reinsurance	224	0.6	174	0.6
Total	38,369	100.0	30,117	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 six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	38,332	99.9	30,085	99.9
Non-proportional reinsurance	37	0.1	32	0.1
Total	38,369	100.0	30,117	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of lines of business, the life and health reinsurance business was primarily consisted of life insurance. The business mix remained generally stable despite the slight decrease in proportion of life insurance business due to the rapid year-on-year growth of the protection-type health insurance business.

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

Unit: in RMB millions, except for percentages

Insurance product type	For the six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Life	29,537	77.0	24,022	79.8
Health	7,384	19.2	4,929	16.4
Accident	1,448	3.8	1,166	3.8
Total	38,369	100.0	30,117	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

	2019	2018	Change (%)
Gross written premiums	38,427	30,165	27.4
Less: premiums ceded to retrocessionaires	(2,319)	(3,784)	(38.7)
Net written premiums	36,108	26,381	36.9
Changes in unearned premium reserves	(923)	(1,068)	(13.6)
Net premiums earned	35,185	25,313	39.0
Reinsurance commission income	339	284	19.4
Investment income	1,953	2,251	(13.2)
Exchange (losses)/gains, net	(8)	6	(233.3)
Other income	236	23	926.1
Total income	37,705	27,877	35.3
Claims and policyholders' benefits	(35,093)	(24,830)	41.3
Handling charges and commissions	(1,304)	(1,594)	(18.2)
Finance costs	(170)	(166)	2.4
Other operating and administrative expenses	(766)	(553)	38.5
Total benefits, claims and expenses	(37,333)	(27,143)	37.5
Share of profits of associates	627	462	35.7
Profit before tax	999	1,196	(16.5)
Income tax	(162)	(228)	(28.9)
Net profit	837	968	(13.5)

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment increased by 27.4% from RMB30,165 million in the first half of 2018 to RMB38,427 million in the first half of 2019, mainly due to the growth in the protection-type reinsurance business and the financial reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment decreased by 38.7% from RMB3,784 million in the first half of 2018 to RMB2,319 million in the first half of 2019, mainly due to the year-on-year decrease in the premiums ceded to retrocessionaires of domestic savings-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment decreased by 13.2% from RMB2,251 million in the first half of 2018 to RMB1,953 million in the first half of 2019. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment increased by 41.3% from RMB24,830 million in the first half of 2018 to RMB35,093 million in the first half of 2019, mainly due to the growth in the business scale.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment decreased by 18.2% from RMB1,594 million in the first half of 2018 to RMB1,304 million in the first half of 2019, mainly due to the changes in the financial reinsurance business.

Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment increased by 35.7% from RMB462 million in the first half of 2018 to RMB627 million in the first half of 2019, mainly due to the increase in profits of associates in the first half of 2019.

Net Profit

As a result of the foregoing reasons, net profit for the life and health reinsurance segment decreased by 13.5% from RMB968 million in the first half of 2018 to RMB837 million in the first half of 2019.

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 the first half of 2019, we fully promoted the strategic transformation and established a customer-oriented comprehensive operation system. We actively dealt with the market-oriented reform of commercial motor insurance rates and enhanced the quality of motor insurance business by controlling the proportion of high-risk businesses and increasing the coverage ratio of profitable products. We consistently optimised the business structure, increased our efforts to develop non-motor insurance businesses such as personal loan surety insurance, accident and short-term health insurance, liability insurance and cargo insurance, and maintained rapid growth in gross written premiums. We adhered to facilitating the development through innovation, and continued to improve our ability of technology innovation and application. “Somersault Cloud”, the world’s first core business system with “cloud structure + micro-service” model was fully launched in July. The application of innovative technology achieved positive results in terms of cost control and claims settlement.

In the first half of 2019, gross written premiums from our primary P&C insurance segment amounted to RMB24,379 million, representing a year-on-year increase of 11.1% and accounting for 28.4% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB24,163 million, representing a year-on-year increase of 10.8%. Net profit amounted to RMB840 million, and annualised weighted average return on equity reached 6.59%. The combined ratio was 99.86%, representing a year-on-year decrease of 0.11 percentage points. Of this combined ratio, the loss and expense ratio components were 54.19% and 45.67% respectively, representing a year-on-year decrease of 2.17 percentage points and an increase of 2.06 percentage points respectively. The year-on-year decrease in the combined ratio was mainly attributable to the continuous optimisation of our business structure and the continuous increase in business quality with steady promotion of the strategic layout.

Based on primary premium income of P&C insurance companies in the domestic market in the first half of 2019 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.60%, basically remaining flat year on year, ranking No. 6 in all primary P&C insurance companies in the domestic market.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Line of business	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	13,923	57.6	14,245	65.3
Accident and short-term health	3,775	15.6	2,368	10.9
Surety	2,826	11.7	2,192	10.1
Liability	1,142	4.7	900	4.1
Commercial property	725	3.0	636	2.9
Cargo	529	2.2	378	1.7
Others ¹	1,243	5.2	1,089	5.0
Total	24,163	100.0	21,808	100.0

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

Motor Insurance. In the first half of 2019, primary premium income from our motor insurance amounted to RMB13,923 million, representing a year-on-year decrease of 2.3%. We continued to push forward the strategy of “identifying, controlling and introducing”, and optimised the Xcar index. By introducing factors such as vehicle factor, people factor, credit factor and driving behaviour factor, we effectively improved our pricing capability. We also improved business quality by controlling the proportion of high-risk businesses such as specialty vehicles and trucks. And we effectively increased the average premiums per motor insurance policy and ensured the quality of motor insurance business by increasing the coverage ratio of profitable products and promoting the third-party liability insurance to be fully insured.

Accident and Short-term Health Insurance. In the first half of 2019, primary premium income from accident and short-term health insurance amounted to RMB3,775 million, representing a year-on-year increase of 59.4%, of which primary premium income from accident insurance amounted to RMB2,074 million, representing a year-on-year increase of 102.1%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB1,264 million, representing a year-on-year increase of 31.8%; primary premium income from critical illness insurance amounted to RMB437 million, representing a year-on-year increase of 14.1%. Our “Motor + Personal Accident” business and Million Medical Care business maintained a rapid growth. Under strengthened risk management and control, we continued to expand overseas critical illness, cancer prevention for the elderly and other personal health insurance businesses, and actively promoted critical illness insurance for urban and rural residents, employee supplemental medical insurance, and care insurance, so as to assume the function of insurance in serving the society.

MANAGEMENT DISCUSSION AND ANALYSIS

Surety Insurance. In the first half of 2019, primary premium income from surety insurance amounted to RMB2,826 million, representing a year-on-year increase of 28.9%. We continued to develop the personal loan surety insurance business, and continuously innovated products, channels, technologies and development models. In the first half of 2019, we opened 242 stores/business outlets under the personal loan surety insurance business department covering 147 cities in 30 provinces, with a bad debt ratio of 8.47%. We mainly cooperated with commercial banks. With good risk management ability and stable development strategy, we have cooperated with various national and local joint stock banks and our risk control was at a good level.

Liability Insurance. In the first half of 2019, primary premium income from liability insurance amounted to RMB1,142 million, representing a year-on-year increase of 26.9%. We captured the insurance opportunities from the changes in government management functions, actively undertook the shifted government functions, innovatively developed the government rescue liability insurance and government poverty prevention and rescue liability insurance, further optimised the deployment of business strategies, and focused on developing the business of construction inherent defects insurance (IDI), achieving relatively rapid growth in liability insurance business.

Commercial Property Insurance. In the first half of 2019, primary premium income from commercial property insurance amounted to RMB725 million, representing a year-on-year increase of 14.0%. We integrated resources within the Group, gave full play to the technical advantages of professionals in various fields, expanded the quantity of key projects, in which we underwrote as a leader insurer or sole insurer, and enhanced the level of insurance services for strategic cooperative clients. At the same time, we focused on smart cities based on the Internet of Things technology, the Belt and Road Initiative, environmental protection, “Insurance + Service” and other emerging fields, and increased our efforts in business expansion. On the premise of strengthening risk management and control, our commercial property insurance business has maintained steady growth.

Cargo Insurance. In the first half of 2019, primary premium income from cargo insurance amounted to RMB529 million, representing a year-on-year increase of 39.9%. On the one hand, with the rapid development of domestic online shopping platform and logistics industry, domestic road transportation insurance has achieved relatively rapid development; on the other hand, traditional business such as export cargo insurance has maintained steady development.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June

Business Channel	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	14,198	58.8	14,308	65.6
Of which: Individual insurance agents	8,291	34.3	9,311	42.7
Ancillary insurance agencies	1,917	8.0	2,162	9.9
Professional insurance agencies	3,990	16.5	2,835	13.0
Direct sales	7,532	31.2	5,826	26.7
Insurance brokers	2,433	10.0	1,674	7.7
Total	24,163	100.0	21,808	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June

Region	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	4,064	16.8	3,354	15.4
Zhejiang	1,753	7.3	1,613	7.4
Yunnan	1,484	6.1	1,553	7.1
Shandong	1,253	5.2	1,563	7.2
Guangdong	1,075	4.4	1,190	5.5
Inner Mongolia	1,035	4.3	994	4.6
Jiangxi	863	3.6	783	3.6
Jiangsu	847	3.5	768	3.5
Henan	839	3.5	726	3.3
Sichuan	805	3.3	915	4.2
Others	10,145	42.0	8,349	38.2
Total	24,163	100.0	21,808	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 six months ended 30 June

	2019	2018
Loss ratio (%)	54.19	56.36
Expense ratio (%) ¹	45.67	43.61
Combined ratio (%)	99.86	99.97

Note: 1. The calculation of the expense ratio takes into account of 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 six months ended 30 June

	2019	2018	Change (%)
Gross written premiums	24,379	21,948	11.1
Less: Premiums ceded to reinsurers	(2,137)	(2,048)	4.3
Net written premiums	22,242	19,900	11.8
Changes in unearned premium reserves	(2,823)	(2,543)	11.0
Net premiums earned	19,419	17,357	11.9
Reinsurance commission income	712	681	4.6
Investment income	1,004	1,074	(6.5)
Exchange gains, net	1	17	(94.1)
Other income	358	77	364.9
Total income	21,494	19,206	11.9
Claims and policyholders' benefits	(10,514)	(9,775)	7.6
Handling charges and commissions	(3,035)	(3,977)	(23.7)
Finance costs	(84)	(112)	(25.0)
Other operating and administrative expenses	(6,981)	(4,378)	59.5
Total benefits, claims and expenses	(20,614)	(18,242)	13.0
Share of profits of associates	112	(30)	473.3
Profit before tax	992	934	6.2
Income tax	(152)	(393)	(61.3)
Net profit	840	541	55.3

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 11.1% from RMB21,948 million in the first half of 2018 to RMB24,379 million in the first half of 2019, mainly due to the rapid growth of non-motor insurance businesses, including personal loan surety insurance, accident and short-term health insurance, liability insurance, cargo insurance, etc.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our primary P&C insurance segment increased by 4.3% from RMB2,048 million in the first half of 2018 to RMB2,137 million in the first half of 2019, mainly due to the growth in business scale which led to the increase in premiums ceded.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment increased by 4.6% from RMB681 million in the first half of 2018 to RMB712 million in the first half of 2019, which was basically in line with the increase in premiums ceded.

Investment Income

Investment income for our primary P&C insurance segment decreased by 6.5% from RMB1,074 million in the first half of 2018 to RMB1,004 million in the first half of 2019. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 7.6% from RMB9,775 million in the first half of 2018 to RMB10,514 million in the first half of 2019, mainly due to the growth in business scale, which led to an increase in claims.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment decreased by 23.7% from RMB3,977 million in the first half of 2018 to RMB3,035 million in the first half of 2019, mainly due to the implementation of the market-oriented reform of commercial motor insurance rates and the policy of commissions consistency of motor insurance, which led to the decrease in handling charges and commissions.

Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment increased by 55.3% from RMB541 million in the first half of 2018 to RMB840 million in the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSET MANAGEMENT BUSINESS

The Group principally commissions China Re AMC to manage its investment assets. As at the end of the Reporting Period, the total investment assets balance of the Group was RMB246,494 million, of which RMB216,303 million was under the management of China Re AMC. In addition, China Re AMC managed third-party assets under commissions of RMB16,934 million.

In the first half of 2019, we continued to improve the investment risk management mechanism, strengthened the construction of the investment risk management framework and information system, improved risk monitoring, warning and reporting system to prevent and control the major risks in advance, and continuously raised the level of investment risk management. We continuously optimised the monitoring indicator system covering major risk areas including market risk, credit risk, liquidity risk, concentration risk and operation risk, and made efforts on risk measurement visualization. We also improved the performance attribution model and enhanced asset allocation strategy and effective communication of risk preference. We established a multi-layered and multi-dimensional risk reporting system, which reflected investment risk conditions in a timely and comprehensive manner. In order to cope with the extreme risk condition, we measured the potential loss by scenario analysis, stress test and other methods, focused on the impact of market volatility and interest rate changes on the investment income and the solvency of the Group, and closely monitored risk exposure. In addition, we conducted thematic analysis focusing on specialized risk events, such as the burst of risk in city commercial bank and the rapid increase of risk in supply chain finance to prevent and resolve potential risks.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Portfolio

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

Unit: in RMB millions, except for percentages

Investment assets	As at 30 June 2019		As at 31 December 2018 ⁵	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	20,147	8.2	13,231	5.8
Fixed-income investments	166,340	67.5	166,002	72.5
Time deposits	1,693	0.7	4,409	1.9
Bonds	103,664	42.1	99,898	43.7
Government bonds	8,098	3.3	6,441	2.8
Financial bonds	15,287	6.2	13,878	6.1
Enterprise (corporate) bonds	70,736	28.7	70,368	30.8
Subordinated bonds	9,543	3.9	9,211	4.0
Investments classified as loans and receivables	40,441	16.4	41,065	17.9
Other fixed-income Investments ¹	20,542	8.3	20,630	9.0
Equity and investment funds	45,557	18.4	37,199	16.3
Investment funds ²	21,870	8.9	17,740	7.8
Stocks	16,054	6.4	11,575	5.1
Embedded derivatives	162	0.1	226	0.1
Unlisted equity shares ³	7,471	3.0	7,658	3.3
Other investments	29,595	12.0	26,416	11.6
Investments in associates	21,523	8.7	21,186	9.3
Others ⁴	8,072	3.3	5,230	2.3
Less: securities sold under agreements to repurchase	(15,145)	(6.1)	(14,194)	(6.2)
Total investment assets	246,494	100.0	228,654	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.
5. In order to ensure the comparability of data, the data in this column is not same as the data disclosed in China Reinsurance (Group) Corporation 2018 Annual Report, mainly due to the incorporation of investment assets from Chaucer.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2019, we continued to optimise the asset allocation. For fixed-income investment, we proactively captured the allocation opportunities in the bond market, increased the proportion of high-grade assets, such as local government bonds, policy financial bonds and high quality non-standard debt assets, moderately extended durations and further secured stable sources of income. For equity investment, we adhered to the sound and prudent philosophy of value investment, adjusted the allocation proportion of equity assets flexibly, moderately increased the proportion of secondary market equity, and lowered the volatility of equity investment portfolio through carefully selecting investment categories.

As at the end of the Reporting Period, our significant investments held mainly include Bairong World Trade Center Real Estate Debt Investment Scheme, investments in associated companies, 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 P&C, China Re Life and China Continent Insurance entered into a trust contract respectively with China Re AMC, to subscribe for the real estate debt investment scheme of Bairong World Trade Center 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 RMB1,500 million in total for such scheme was repaid to the investors on 27 June 2017, 27 June 2018 and 27 June 2019, respectively. During the Reporting Period, the underlying assets of such scheme, Towers A, B and C of Bairong World Trade Center, were under normal rental operation, and the repayment entity maintained a normal financial condition.

In the first half of 2019, China Everbright Bank recorded favourable growth in revenue and the profit growth was generally in line with the market expectation. As at the end of the Reporting Period, China Re Group held approximately 4.42% of China Everbright Bank's equity share in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

In the first half of 2019, Great Wall Asset continued to focus on its main business of non-performing asset management, and strived to create revenue by capturing opportunities in the market environment with increased supply of non-performing assets. As at the end of the Reporting Period, China Re P&C and China Continent Insurance respectively held approximately 3.64% and 2.86% of Great Wall Asset's equity shares, China Re Group held 6.5% of Great Wall Asset's equity share in aggregate. It is expected that Great Wall Asset will further develop in non-performing asset management and strive to create more steady returns for the shareholders.

On 15 December 2018, China Continent Insurance (the buyer) entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd. (the vendor), and agreed to acquire a property from the vendor at a consideration of approximately RMB3,085 million, payable in cash. The target of the acquisition is Building No. 1 (located at 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. The property is an investment property for commercial use and is an impermanent self-owned property of the Group. As at the end of the Reporting Period, 70% of the transaction price of the project has been paid, amounted to RMB2,160 million in total. The main structure and outdoor glass curtain walls of the property were completed, while interior decoration works have entered the final stage. Outdoor pipeline works and various inspection works will be conducted subsequently.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Performance

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

Unit: in RMB millions, except for percentages

Investment income	For the six months ended 30 June	
	2019	2018
Cash and fixed-income investments	4,305	3,729
Interest income	4,241	3,744
Realised gains/(losses)	54	(21)
Unrealised gains	10	6
Impairment losses	—	—
Equity and investment funds	818	961
Dividend income	628	532
Realised (losses)/gains	(144)	858
Unrealised gains/(losses)	485	(128)
Impairment losses	(151)	(301)
Other investments	1,224	786
Share of profits of associates	1,158	871
Other gains/(losses) ¹	66	(85)
Less: interest expenses on securities sold under agreements to repurchase	(188)	(407)
Total investment income	6,159	5,069
Annualised total investment yield (%) ²	5.19	5.21
Net investment income	6,027	5,147
Annualised net investment yield (%) ³	5.07	5.29

Notes: 1. Including gains or losses from changes in fair value of derivative financial instruments.

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

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

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

3. Annualised net investment yield = Net investment income ÷ average of total investment assets as at the beginning and end of the period x 2;

Net investment income equals to the sum of interest, dividends and share of profits of associates.

In the first half of 2019, the Group's total investment income amounted to RMB6,159 million, representing a year-on-year increase of 21.5%, and the net investment income amounted to RMB6,027 million, representing a year-on-year increase of 17.1%, which was mainly due to (1) the relatively rapid growth in scale of total investment assets and (2) the larger year-on-year growth in income from fixed-income investment and share of profits of associates. Annualised total investment yield was 5.19%, representing a year-on-year decrease of 0.02 percentage points, and annualised net investment yield was 5.07%, representing a year-on-year decrease of 0.22 percentage points, which generally remained stable.

MANAGEMENT DISCUSSION AND ANALYSIS

INSURANCE INTERMEDIARY BUSINESS

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency & Consultant Service Limited and its subsidiary, Huatai Surveyors & Adjusters Company Limited. In the first half of 2019, under the increasingly fierce competition in the insurance intermediary market, we focused on the general development strategy of “market-oriented development, institutionalized management and professional service”, continuously promoted the “Going Global” marketing tactics, synergetic development, innovative development and refined management, and achieved significant results in development of the four major brokerage business channels, including government projects, shipping and logistics, new energy vehicles and internet platforms. The survey and adjuster business continued to grow rapidly and showed positive growth trends.

In the first half of 2019, revenue from insurance intermediary business amounted to RMB173 million, representing a year-on-year increase of 9.5%. Profit before tax amounted to RMB2.09 million, representing a year-on-year increase of 12.2%.

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:

	30 June 2019	31 December 2018	Change (%)
<i>Unit: in RMB millions, except for percentages</i>			
China Re Group			
Core capital	82,354	66,377	24.1
Available capital	91,349	75,373	21.2
Minimum capital	42,323	40,946	3.4
Core solvency adequacy ratio (%)	195	162	Increase of 33 percentage points
Aggregated solvency adequacy ratio (%)	216	184	Increase of 32 percentage points
Group Company			
Core capital	67,198	56,761	18.4
Available capital	67,198	56,761	18.4
Minimum capital	11,336	13,639	(16.9)
Core solvency adequacy ratio (%)	593	416	Increase of 177 percentage points
Aggregated solvency adequacy ratio (%)	593	416	Increase of 177 percentage points
China Re P&C			
Core capital	19,829	18,608	6.6
Available capital	23,828	22,607	5.4
Minimum capital	11,171	10,429	7.1
Core solvency adequacy ratio (%)	178	178	—
Aggregated solvency adequacy ratio (%)	213	217	Decrease of 4 percentage points
China Re Life			
Core capital	23,946	17,021	40.7
Available capital	28,942	22,018	31.4
Minimum capital	13,058	10,278	27.0
Core solvency adequacy ratio (%)	183	166	Increase of 17 percentage points
Aggregated solvency adequacy ratio (%)	222	214	Increase of 8 percentage points
China Continent Insurance			
Core capital	24,951	24,392	2.3
Available capital	24,951	24,392	2.3
Minimum capital	6,026	5,626	7.1
Core solvency adequacy ratio (%)	414	434	Decrease of 20 percentage points
Aggregated solvency adequacy ratio (%)	414	434	Decrease of 20 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 solvency as at 30 June 2019 of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitted to the CBIRC, which is not audited or reviewed by the auditors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, the consolidated solvency adequacy ratio of China Re Group increased to a certain extent, mainly due to changes in part of the reinsurance business of the Group. In particular, the solvency adequacy ratio of the Group Company increased significantly, mainly due to the changes in Group's retrocession arrangement resulting in release of capital. The solvency adequacy ratio of China Re Life increased, mainly due to significant increase in comprehensive income and business change. The solvency adequacy ratio of China Re P&C generally remained stable and that of China Continent Insurance decreased, mainly due to dividend and business expansion.

According to the requirements of The Solvency Regulatory Rules (No. 1-17) for Insurance Companies (《保險公司償付能力監管規則(1-17號)》) issued by the CBIRC, the "Summary of Solvency Reports" for the second quarter of 2019 of the Group Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, have been disclosed on their official websites respectively and the website of Insurance Association of China. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Reports for the second quarter of 2019:

Unit: in RMB millions

Entities	Group Company	China Re P&C	China Re Life	China Continent Insurance
Indicators				
As at 30 June 2019				
Net assets	57,466	19,860	15,941	25,962
For the six months ended 30 June 2019				
Insurance income	737	16,469	38,369	24,379
Net profit	1,201	622	717	900

- 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 data of solvency as at 30 June 2019 of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitted to the CBIRC, which is not audited or reviewed by the auditors of the Company.

For viewing of the Summary of Solvency Report for the second quarter, 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 the Insurance Association of China at <http://www.iachina.cn> for enquiries.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We control the adverse impacts of the fluctuations of exchange rates through enhancing management of the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency hedging instruments appropriately. As at 30 June 2019, the Group held currency swaps of RMB267 million (31 December 2018: RMB175 million).

DETAILS OF ASSETS CHARGED AND BORROWINGS

As at 30 June 2019, the bonds with market value of RMB23,313 million (31 December 2018: RMB22,783 million) were deposited in the collateral pool as the securities sold under agreements to repurchase by the Group. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

As at 30 June 2019, the Group held a short-term unsecured borrowing of GBP75 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year.

As at 30 June 2019, the Group held a long-term borrowing of USD550 million with a coupon rate of 4.70%, and the term is 60 months.

CONTINGENCIES

As at 30 June 2019, the Group had issued the following guarantees:

As at 30 June 2019, the Company provided maritime guarantee of RMB2,715 million (31 December 2018: RMB2,514 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions, which provided 100% of counter guarantee for the aforesaid maritime guarantee.

As at 30 June 2019, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP100 million (31 December 2018: GBP100 million).

As at 30 June 2019, CRIH provided letter of credit to Lloyd's to support Syndicate 1084 and Syndicate 1176's underwriting business of GBP275 million (31 December 2018: GBP275 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As of 30 June 2019, China Re Group had a total of 60,807 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 provide employees with competitive remuneration packages with reference to market benchmarks and have established an annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits, playing an important role in attracting, motivating and retaining talents.

The Group is devoted to a win-win situation between corporate development and employee development. We particularly focus on trainings for young staff, backbone staff and core talents through strengthening employee career planning management. We provide multi-level trainings, domestic and overseas secondment opportunities to build up a better team with high quality, professionalism and international experience.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR EVENTS

Material Litigation and Arbitration

During the Reporting Period, the Group was not involved in any material litigation or arbitration.

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 34 to the interim financial information 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 30 June 2019, the invested proceeds from the initial public offering of the Company amounted to HKD9,611 million, of which:

- (1) HKD7,167 million was used for the capital increase of the subsidiaries and overseas branches of the Company;
- (2) HKD876 million was used for the payment of underwriting expenses of initial public offering and general corporate purposes; and
- (3) HKD1,568 million was used to pay the consideration for acquisition of subsidiaries by the Company.

During the Reporting Period, the Group did not utilise the proceeds from the initial public offering.

As of 30 June 2019, the balance of the proceeds from the Company's initial public offering amounted to HKD6,781 million, of which: GBP160 million was proposed to be used for the increase of registered capital of China Re UK; and SGD95 million was proposed to be used for the increase of registered working capital of Singapore Branch. The above capital utilisation plan will take effect after obtaining the approval from regulatory authorities. The remaining proceeds will be utilised in accordance with the purposes as disclosed in the Prospectus.

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

During the Reporting Period, the Company and Central Huijin, the controlling shareholder, had 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

China Re Group will continue to focus on three major strategies, namely platform operation, technology advancement and globalisation, adhere to “stabilising growth, adjusting structure and increasing profitability”, to ensure orderly business deployment and to enhance the quality and efficiency of operation. We will also accelerate the implementation of the “One-Three-Five” Strategy and the transformation to high quality development, thereby achieving stable growth in overall value.

For the P&C reinsurance business, we will continue to upgrade our customer service system, accelerate the optimisation and transformation of our operating model. We will consolidate our advantages in traditional business, secure our position as the leading domestic reinsurer, facilitate innovation-driven model, enlarge the business deployment in emerging areas, and lead the market development. We will also strengthen intra-group collaboration, build up an external cooperation network, and enhance core competitiveness of our business. We will continue to be customer-centric and improve customer service through differentiated and customised solutions. We will pursue effective integration of overseas business, strengthen the synergy between the domestic and overseas business, and establish an integrated management of overseas business to support high quality development of businesses. We will strategically strengthen technology empowerment, continue to improve the multi-level catastrophe modeling framework and accelerate the implementation of blockchain technology in trading.

For the life and health reinsurance business, we will actively capture the opportunity of transformation to high-quality development in the industry, optimise the business structure, enhance the business profitability, and promote sustainable development. In order to enhance the quality and efficiency and accelerate the development of protection-type reinsurance business, we will focus on the innovation driven development, continue to facilitate the implementation of “Data +” and “Product +” strategies, put greater efforts in expanding protection-type business, upgrade products on the premise of controllable risks, and accelerate the integration of health industry chain. In order to achieve stable growth in savings-type business, we will continue to enhance the interaction between reinsurance business and investment business, accelerate the facilitation of the establishment of overseas business and investment dual-platforms, and achieve diversified development of the savings-type reinsurance business. We will also pick opportunities to develop the financial reinsurance business on the premise of controllable risks and enhanced capital use efficiency.

For the primary P&C insurance business, we will continuously optimise product structure, facilitate development, and consolidate our market position. In respect of the motor insurance, we will adhere to put efforts in the technology empowerment and refined management, optimise the renewal and claims process, strengthen the cost management and control, effectively enhance production capacity, and achieve cost reduction and efficiency improvement; in respect of the non-motor insurance, we will seize the right timing of non-motor insurance favorable development and continue to deepen the “Non-motor Insurance Business” strategy, strive to make breakthroughs and achieve balanced development in policy-related and profitable insurance types. We will promote continuous optimisation of the core business system “Somersault Cloud” and continue to promote the in-depth implementation of the customer-oriented comprehensive operation model. We will fully enhance the abilities of turning towards on-line, digitisation, and intelligence, so as to build a brand new model for customer management.

For the asset management business, we will continue to adhere to a steady prudent investment concept, continue to optimise the asset allocation structure according to the basic principles and needs of insurance asset and liability management, strengthen investment judgement, optimise the balanced mechanism of strategic asset allocation, thereby facilitating the income increase through allocation optimisation. We will continuously improve our abilities in research, innovation and risk control, while preventing credit risk and liquidity risk, and striving to achieve long-term and stable investment income.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

SECURITIES TRANSACTIONS

During the Reporting Period, the Company has adopted the Model Code for Securities Transactions as its own code in respect of dealings in securities by the Directors and Supervisors. The Company has made enquiries into all the Directors and Supervisors, and 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors who have appropriate professional qualifications or accounting or related financial management expertise as required under the Hong Kong Listing Rules. The Company has appointed four independent non-executive Directors in total, namely Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo.

INTERIM DIVIDEND

The Company does not declare interim dividend for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 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 Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

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
National Council for Social Security Fund of the PRC	Beneficial owner	H Share	607,219,700 (Long position)	1.43	9.09
Great Wall Pan Asia International Investment Co., Ltd.	Beneficial owner	H Share	431,050,000 (Long position)	1.01	6.45
BlackRock, Inc.	Interest of Controlled Corporations	H Share	463,952,229 (Long position)	1.09	6.95
			10,118,000 (Short position)	0.02	0.15

- Notes:
- The data disclosed above were based on the information provided on the website of the Hong Kong Stock Exchange at www.hkexnews.hk.
 - 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.
 - Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.
 - BlackRock, Inc. holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as at the end of the Reporting Period, to the knowledge of the Directors, 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 to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

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

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company, upon the listing of H shares, had any interest and/or short position in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 by the Company under Section 352 of the SFO.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Changes of Directors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Shen Shuhai	Non-executive Director of the fourth session of the Board of Directors	None	Mr. Shen Shuhai ceased to be the non-executive Director of the fourth session of the Board of Directors since May 2019.
Wen Ning	None	Non-executive Director of the fourth session of the Board of Directors	Mr. Wen Ning has been the non-executive Director of the fourth session of the Board of Directors since May 2019.
Wang Xiaoya	None	Non-executive Director of the fourth session of the Board of Directors	Ms. Wang Xiaoya has been the non-executive Director of the fourth session of the Board of Directors since August 2019.

- Notes: 1. Mr. Wen Ning was appointed as a member of the Strategy and Investment Committee, a member of the Risk Management Committee, a member and the vice chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the fourth session of the Board of Directors in June 2019.
2. The Board of Directors has approved the nomination of Mr. Liu Xiaopeng as a non-executive Director candidate for the fourth session of the Board of Directors in June 2019, subject to the approval of his appointment by the general meeting of the Company and the CBIRC and the implementation of the procedural requirements set out by the Articles of Association.

OTHER INFORMATION

For details of Mr. Shen Shuhai's retirement and Mr. Wen Ning's and Ms. Wang Xiaoya's appointment, as well as Mr. Liu Xiaopeng's nomination, please refer to the announcements and circulars of the Company dated 30 January 2019, 1 February 2019, 28 March 2019, 7 May 2019, 14 May 2019, 21 June 2019, 24 June 2019, and 7 August 2019.

Save as the above, during the Reporting Period, there was no other change of the Directors or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

Changes of Supervisors and Their Information

During the Reporting Period, there was no 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
Zhang Xiaohong	Assistant to the President	None	Since January 2019, Ms. Zhang Xiaohong ceased to be the assistant to the President of the Company.
Zhao Wei	Vice President and Chief Financial Officer	None	Since June 2019, Mr. Zhao Wei ceased to be the Vice President and Chief Financial Officer of the Company.

Save as the above, during the Reporting Period, there was no other change of the senior management or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

REVIEW OF INTERIM REPORT

The Group's 2019 interim financial information prepared under International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers. The Group's interim report has been reviewed by the Audit Committee of the Board.



To the Directors of China Reinsurance (Group) Corporation

Dear Sirs,

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

INTRODUCTION

Ernst & Young (China) Advisory Limited (“EY”, “we”) has been engaged by China Reinsurance (Group) Corporation (the “Company”, the “Group Company”) to provide actuarial advisory services and expert opinions for certain matters relating to the Group Company and its subsidiaries’ (“China Re Group”, the “Group”) life and health reinsurance business, covering the domestic legacy life and health reinsurance business of the Group Company and all business of China Life Reinsurance Company Limited (“China Re Life”) (“the Covered Business”).

As one of the core parts of this engagement, we have been asked to quantify and report on embedded value (“EV”) and value of one year’s new business (“1-year VNB”) of the Covered Business. This report has been prepared for inclusion in China Re Group 2019 Interim Report. The report summarises the scope of work carried out by EY, valuation methodology, valuation results as well as valuation assumptions used for the above mentioned work.

The China Association of Actuaries (“CAA”) issued the “Actuarial Practice Standards: Life and Health Insurance Embedded Value Reporting Guidelines” (“EV standards”) in November 2016, which indicated the formal implementation of EV under the China Risk Oriented Solvency System (“C-ROSS”). Based on those standards, we performed China Re Group EV and 1-year VNB calculation as at 30 June 2019.

SCOPE OF WORK

The scope of our work is as follows:

- Quantifying embedded value of China Re Group as at 30 June 2019 under EV standards;
- Quantifying value of one year’s new business underwritten by the Group during the 12 months prior to 30 June 2019 under EV standards;

EMBEDDED VALUE

- Reviewing the assumptions used for value of in-force business (“VIF”) and value of one year’s new business valuation of China Re Group; and
- Performing sensitivity tests under alternative assumptions.

VALUATION METHODOLOGY

We prepared EV results and the report based on the EV standards issued by CAA in November 2016.

In this report, embedded value of China Re Group is defined as the sum of adjusted net worth (“ANW”) of the Group and VIF of the Covered Business.

Since the Group does not hold 100% of all companies within it, ANW has excluded minority interests. As China Re Life is 100% owned by the Group, all of its VIF is 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 standards for the Covered Business;
- The asset value adjustments, which reflect the after-tax difference between market value and book value for certain relevant assets, together with the relevant adjustments to liabilities.

VIF is the present value of the projected after-tax profits arising from the Covered Business less the cost of capital (“CoC”) required to support the in-force business. The CoC is the present value of the difference between the investment return implied by the risk discount rate (“RDR”) and the after-tax investment return earned on assets backing the required capital.

1-year VNB is defined as the present value, at the inception, of the projected after-tax profits arising from the policies accepted during the 12 months prior to the valuation date less CoC required to support the 1-year new business. For short-term reinsurance business of primary insurance with a policy term of one year or less, the renewal business is not considered as new business.

EMBEDDED VALUE

VALUATION RESULTS

The embedded value and value of one year's new business results as at 30 June 2019 and the corresponding results as at prior valuation date are summarised as below.

Table 1: EV and 1-year VNB as at 30 June 2019 and 31 December 2018
(in RMB millions)

Valuation Date	30 Jun 2019	31 Dec 2018
Embedded value		
Adjusted net worth ("ANW")	85,589	81,175
Value of in-force business before CoC	10,183	8,456
Cost of Capital ("CoC")	(4,083)	(2,896)
Value of in-force business after CoC	6,100	5,560
Embedded value	91,689	86,735
including:		
adjusted net worth of life and health reinsurance business	18,421	16,361
value of in-force business after CoC of life and health reinsurance business	5,924	5,402
embedded value of life and health reinsurance business	24,345	21,763
Value of new business of life and health reinsurance business		
Value of one year's new business before CoC	3,151	2,352
Cost of Capital	(965)	(1,011)
Value of one year's new business after CoC	2,186	1,341

Note 1: Figures may not add up due to rounding.

Note 2: Figures related to life and health reinsurance business only include business of China Re Life, which accounts for more than 99.5% of total life and health reinsurance business.

EMBEDDED VALUE

VALUATION ASSUMPTIONS

The key assumptions used in the EV calculation as at 30 June 2019 are the same as those used in 2018 year-end valuation.

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 30 June 2019. 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 2: Sensitivity Test Results of VIF and 1-year VNB of
China Re Group as at 30 June 2019
(in RMB millions)

Scenarios	Value of in-force business after Cost of Capital	Value of one year's new business after Cost of Capital
Base scenario	5,924	2,186
Risk discount rate increased by 100 basis points	5,171	2,001
Risk discount rate decreased by 100 basis points	6,793	2,422
Annual investment return rates increased by 50 basis points	7,193	2,466
Annual investment return rates decreased by 50 basis points	4,650	1,914
Mortality and morbidity rates increased by 10%	5,871	2,185
Mortality and morbidity rates decreased by 10%	5,979	2,186
Discontinuance rates increased by 10%	5,759	2,139
Discontinuance rates decreased by 10%	6,098	2,236
Management expenses increased by 10%	5,804	2,136
Management expenses decreased by 10%	6,044	2,236
Combined ratio of short-term reinsurance contracts increased by 1% on absolute basis	5,554	2,026
Combined ratio of short-term reinsurance contracts decreased by 1% on absolute basis	6,288	2,343

RELIANCE AND LIMITATIONS

In performing our work, we have relied on the information provided verbally and in writing by, or on behalf of, China Re Group for periods up to 30 June 2019.

In particular, we have relied on:

- Information regarding the in-force reinsurance contracts and retrocession reinsurance contracts of the Group Company and China Re Life;
- Policy data covering the in-force long-term reinsurance contracts of the Group Company and China Re Life;
- Model points of the in-force yearly renewable term reinsurance contracts of the Group Company and China Re Life;
- Information regarding the accumulated amount of the in-force survival benefit and policy dividend of the Group Company and China Re Life;
- Information regarding the C-ROSS reserve and accounting reserve of the Group Company and China Re Life;
- Information regarding the gross written premium from short-term reinsurance contracts of the Group Company and China Re Life;
- Information regarding the ceded gross premium for short-term retrocessional contracts of the Group Company and China Re Life;
- Information relevant to adjusted net worth and historical financial information of the Group Company and China Re Life;
- Information regarding the experience statistics and experience analysis results of the Group Company and China Re Life in 2017, 2018 and the first half of 2019;
- Information regarding the future investment strategy and tax exempted proportion of investment income of the Group Company and China Re Life; and
- Information regarding the foreign currency policies and foreign exchange rate of the Group Company and China Re Life.

We have reviewed the reasonableness of the limited information obtained and checked its consistency with our understanding of China life and health insurance market and international reinsurance industry. It should be noted that the scope of our work did not include independent verification or audit of the accuracy or completeness of the policy data and other information provided to us. We did not review the adequacy of various reserves in the balance sheet.

Embedded value and value of one year's new business highly depend on the results of financial projection. In performing the projection, numerous assumptions have been made, including but not limited to macroeconomic environment and investment strategy, operational costs, taxation policy, discontinuance rate, mortality rate, morbidity rate and regulations. Changes in the internal or external environment may affect the stability of the parameters used in the projection and could change the projection results materially.

This report is based on the information obtained by EY as at 30 June 2019, and any future development and changes of such information after that date will not be accounted for.

EMBEDDED VALUE

DISCLOSURE

EY has been engaged by the Group Company in providing opinions and assistance regarding to actuarial matters of embedded value of life and health reinsurance business of China Re Group. Readers should consider all contents of this report in their entirety, as a section or several sections in isolation may not provide the right context or sufficient information for drawing proper conclusion. EY will take no responsibility for contents other than those contained in this actuarial consultants' report.

On behalf of
Ernst & Young (China) Advisory Limited

Bonny Fu, FSA
Partner, Actuarial and Insurance Advisory Services

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 56 to 104, which comprises the interim condensed consolidated statement of financial position of China Reinsurance (Group) Corporation (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2019

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Gross written premiums	5	84,771,557	66,307,888
Less: Premiums ceded to reinsurers and retrocessionaires	5	(5,959,943)	(5,416,641)
Net written premiums	5	78,811,614	60,891,247
Changes in unearned premium reserves		(5,729,204)	(4,478,187)
Net premiums earned		73,082,410	56,413,060
Reinsurance commission income		903,957	643,395
Investment income	6	5,189,255	4,604,762
Exchange losses, net		(15,012)	(44,257)
Other income		878,459	322,175
Total income		80,039,069	61,939,135

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Total income		80,039,069	61,939,135
Claims and policyholders' benefits	7	(55,914,408)	(41,965,707)
— Claims incurred		(25,973,382)	(19,787,336)
— Life and health reinsurance death and other benefits paid		(17,716,183)	(3,302,024)
— Changes in long-term life and health reinsurance contract liabilities		(12,224,843)	(18,876,347)
Handling charges and commissions		(11,136,890)	(11,270,364)
Finance costs		(613,306)	(578,089)
Other operating and administrative expenses	8	(9,338,892)	(5,791,358)
Total benefits, claims and expenses		(77,003,496)	(59,605,518)
Share of profits of associates		1,157,975	870,846
Profit before tax	9	4,193,548	3,204,463
Income tax	10	(577,480)	(836,553)
Profit for the period		3,616,068	2,367,910
Attributable to:			
Equity shareholders of the parent		3,319,727	2,330,540
Non-controlling interests		296,341	37,370
Profit for the period		3,616,068	2,367,910
Earnings per share (in RMB)	12		
— Basic		0.08	0.05
— Diluted		0.08	0.05

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	3,616,068	2,367,910
Other comprehensive income for the period after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	(9)	(9,456)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates, after tax	6,258	23,150
Available-for-sale financial assets, after tax	2,519,864	(453,787)
Exchange differences on translation of financial statements of foreign operations	22,525	(14,559)
Other comprehensive income for the period after tax	2,548,638	(454,652)
Total comprehensive income for the period	6,164,706	1,913,258
Attributable to:		
Equity shareholders of the parent	5,678,803	1,878,280
Non-controlling interests	485,903	34,978
Total comprehensive income for the period	6,164,706	1,913,258

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Assets			
Cash and short-term time deposits	13	20,147,203	13,230,928
Financial assets at fair value through profit or loss	14	14,613,929	10,725,714
Derivative financial instruments		267,281	175,403
Financial assets held under resale agreements		2,855,200	2,596,387
Premiums receivable	15	12,964,700	11,055,676
Reinsurance debtors	16	66,954,685	49,648,266
Investment contracts receivable	17	5,064,370	2,831,865
Reinsurers' share of insurance contract liabilities	26	17,348,941	14,890,956
Time deposits		1,693,116	4,408,928
Available-for-sale financial assets	18	101,007,470	91,979,646
Held-to-maturity investments	19	35,158,594	35,897,556
Investments classified as loans and receivables	20	40,440,513	41,065,284
Reinsurers' share of policy loans		454,775	454,775
Investments in associates	21	21,523,391	21,185,891
Statutory deposits	22	15,673,184	16,073,184
Investment properties		7,804,317	5,054,425
Property and equipment		2,856,360	2,778,951
Right-of-use assets	2(3)(a)	1,213,260	—
Intangible assets		2,165,706	2,204,303
Goodwill		1,603,953	1,559,664
Deferred tax assets		1,288,852	1,542,887
Other assets	23	11,785,308	11,546,284
Total assets		384,885,108	340,906,973

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Liabilities and equity			
Liabilities			
Short-term borrowings	24	654,235	521,569
Securities sold under agreements to repurchase		15,144,540	14,193,976
Reinsurance payables		17,797,367	12,929,525
Income tax payable		424,524	444,972
Policyholders' deposits		3,336,074	1,946,566
Investment contract liabilities	25	20,462,813	15,809,209
Insurance contract liabilities	26	191,669,521	168,731,390
Notes and bonds payable	27	19,222,828	19,192,123
Long-term borrowings	28	3,763,787	3,577,107
Lease liabilities	2(3)(a)	1,117,936	—
Deferred tax liabilities		1,910,222	1,136,075
Other liabilities	29	17,592,515	15,170,644
Total liabilities		293,096,362	253,653,156
Equity			
Share capital	30	42,479,808	42,479,808
Reserves		20,051,845	17,546,922
Retained profits		19,924,749	18,254,471
Total equity attributable to equity shareholders of the parent		82,456,402	78,281,201
Non-controlling interests		9,332,344	8,972,616
Total equity		91,788,746	87,253,817
Total liabilities and equity		384,885,108	340,906,973

Approved and authorized for issue by the board of Directors on 28 August 2019.

Yuan Linjiang
Director

He Chunlei
Director, temporary responsible for accounting

Tian Meipan
Chief Actuary

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent											Total equity
	Reserves										Non-controlling interests	
	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal		
Note												
As at 31 December 2018												
(Audited)	42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	154,428	(26,702)	18,254,471	78,281,201	8,972,616	87,253,817
Impact of change in accounting policy in associate	2(3)(b)	—	—	—	—	—	145,192	—	(332,575)	(187,383)	(34,918)	(222,301)
Restated total equity at 1 January 2019	42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	299,620	(26,702)	17,921,896	78,093,818	8,937,698	87,031,516
Profit for the period	—	—	—	—	—	—	—	—	3,319,727	3,319,727	296,341	3,616,068
Other comprehensive income	—	—	—	—	—	(9)	2,336,560	22,525	—	2,359,076	189,562	2,548,638
Total comprehensive income	—	—	—	—	—	(9)	2,336,560	22,525	3,319,727	5,678,803	485,903	6,164,706
Distributions to shareholders of the parent	11	—	—	—	—	—	—	—	(1,316,874)	(1,316,874)	—	(1,316,874)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(91,620)	(91,620)
Others	—	655	—	—	—	—	—	—	—	655	363	1,018
As at 30 June 2019												
(Unaudited)	42,479,808	10,725,377	2,021,523	4,690,828	9,968	(27,854)	2,636,180	(4,177)	19,924,749	82,456,402	9,332,344	91,788,746

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent												
	Note	Reserves									Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation	Fair value reserve	Exchange reserve	Retained profits			Subtotal
As at 31 December 2017													
(Audited)		42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	272,582	(9,797)	17,632,428	74,366,907	1,003,592	75,370,499
Impact of change in accounting policy in associates		—	—	—	—	—	—	27,839	—	(313,184)	(285,345)	—	(285,345)
Restated total equity at 1 January 2018		42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	300,421	(9,797)	17,319,244	74,081,562	1,003,592	75,085,154
Profit for the period		—	—	—	—	—	—	—	—	2,330,540	2,330,540	37,370	2,367,910
Other comprehensive income		—	—	—	—	—	(9,456)	(428,406)	(14,398)	—	(452,260)	(2,392)	(454,652)
Total comprehensive income		—	—	—	—	—	(9,456)	(428,406)	(14,398)	2,330,540	1,878,280	34,978	1,913,258
Distributions to shareholders of the parent	11	—	—	—	—	—	—	—	—	(2,039,031)	(2,039,031)	—	(2,039,031)
Dividend paid to non-controlling interests		—	—	—	—	—	—	—	—	—	—	(200)	(200)
Transaction with non-controlling interests		—	2,704,751	—	—	—	—	—	—	—	2,704,751	7,968,151	10,672,902
Others		—	385	—	—	—	—	—	—	—	385	27	412
As at 30 June 2018													
(Unaudited)		42,479,808	10,746,031	1,793,095	4,163,620	9,968	(25,148)	(127,985)	(24,195)	17,610,753	76,625,947	9,006,548	85,632,495

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Operating activities		
Cash generated from/(used in) operations	8,200,059	(74,696)
Income tax paid	(729,131)	(963,382)
Net cash flows generated from/(used in) operating activities	7,470,928	(1,038,078)
Investing activities		
Interests received	4,793,959	2,827,958
Dividends received	512,604	388,816
Purchases of property and equipment, investment properties and intangible assets	(1,272,747)	(101,108)
Proceeds from disposals of property and equipment, investment properties and intangible assets	58,813	4,778
Acquisition of subsidiary, net of cash and cash equivalent acquired	(184,474)	—
Purchases of investments	(80,121,352)	(81,766,583)
Proceeds from disposals of investments	75,349,745	66,528,307
Net cash flows used in investing activities	(863,452)	(12,117,832)

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	(529,256)	438,723
Capital injection from minority shareholders	—	10,672,902
Bank borrowings	309,611	340,840
Interests paid	(375,233)	(559,718)
Principal elements of lease payments	(254,402)	—
Dividends paid by subsidiaries to non-controlling interests	(91,620)	—
Securities sold under agreements to repurchase, net	667,436	15,736,829
Net cash flows (used in)/generated from financing activities	(273,464)	26,629,576
Net increase in cash and cash equivalents	6,334,012	13,473,666
Cash and cash equivalents at the beginning of the period	14,701,860	12,068,596
Effect of foreign exchange rate changes	93,708	96,364
Cash and cash equivalents at the end of the period	21,129,580	25,638,626
Cash and short-term time deposits	20,147,203	24,995,288
Add: Financial assets held under resale agreements with original maturity of no more than three months	2,855,200	1,392,612
Less: Restricted cash and short-term time deposits	(1,872,823)	(749,274)
Cash and cash equivalents at the end of the period	21,129,580	25,638,626

The accompanying notes on pages 65 to 104 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

(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 interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board, and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

(2) Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2018, except in relation to the following standards and amendments.

IFRS 16	Leases
Amendment to IAS 28	Investments in associates and joint ventures
Annual Improvements to 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
Amendments to IAS 19	Employee Benefits

Adoption of the above standards and amendments does not have a significant impact on the interim financial information. The impact of the adoption of IFRS 16 are disclosed in note 2(3)(a) below.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies

(a) Impact of adoption of IFRS 16

In January 2016, the International Accounting Standards Board (“IASB”) issued IFRS 16 Lease, which is effective for annual periods beginning on or after 1 January 2019. The IASB decided that an entity is not required to reassess whether contracts are, or contain, leases on transition to IFRS 16.

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. For contracts existing before the date of initial application of IFRS 16, the Group has chosen not to reassess whether or not it is a lease or includes a lease on the date of initial application of IFRS 16. For the operating lease prior to the date of initial application of IFRS 16, the Group has recognised the lease liabilities and the right-of-use assets according to IFRS 16, except the short-term lease and low-value asset lease. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

In applying IFRS 16, for the first time, the Group has used the following practical expedients permitted under the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- for contracts that contain options to extend or terminate the lease, the Group shall consider the actual exercising condition of the lease option before the date of initial application of IFRS 16 and all the other relevant facts, and will not assess the judgement of the determination to exercise the options for the period before the date of initial application of IFRS 16.

On adoption of IFRS 16, on 1 January 2019, the Group recognised lease liabilities RMB1,076 million, and right-of-use assets RMB1,198 million, including prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018, with no impact on retained earnings on 1 January 2019.

The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.73%.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

(a) Impact of adoption of IFRS 16 (continued)

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. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

Payments associated with short-term leases and 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.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

(b) Impact of adoption of IFRS 9 by the Group's associate

One of the Group's associates applied IFRS 9 retrospectively from 1 January 2019, with the practical expedients permitted under the standard. The adoption of IFRS 9 by the associate has decreased the total equity of the Group by RMB222 million as at 1 January 2019.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2018, except for the below changes in accounting estimates regarding the determination of the insurance contract liabilities.

In determining insurance contract liabilities, assumptions such as discount rates, mortality and morbidity, surrender rates, 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 30 June 2019 (mainly the risk free discount rate) and updated estimates for future cash flows, with the corresponding impact on insurance contract liabilities taken into the current period'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 RMB38 million as at 30 June 2019 and the profit before tax for the six months ended 30 June 2019 was decreased by RMB38 million.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(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 purpose, the Group classifies business units based on business management and internal reporting systems, and has the following operating and reportable segments:

- The property and casualty reinsurance segment, includes a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("China Re P&C"), China Re UK Limited ("China Re UK"), etc., and also includes the business operated by Chaucer. Chaucer mainly includes CRIH (China Re International Holdings Limited, the former "The Hanover Insurance International Holdings Limited"), CIC (Chaucer Insurance Company Designated Activity Company) and CRAH (China Re Australia HoldCo Pty Ltd, the former "Hanover Australia HoldCo Pty Ltd").
- The life and health reinsurance segment, operated by the Company and the subsidiary of the 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 to both personal and corporate customers 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 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 90% of the Group's revenue is derived from its operation in Mainland China.

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2019 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	23,032,630	38,426,901	24,378,888	—	—	(1,066,862)	84,771,557
Less: Premiums ceded to reinsurers and retrocessionaires	(2,558,532)	(2,318,486)	(2,137,329)	—	—	1,054,404	(5,959,943)
Net written premiums	20,474,098	36,108,415	22,241,559	—	—	(12,458)	78,811,614
Changes in unearned premium reserves	(1,982,274)	(923,368)	(2,822,389)	—	—	(1,173)	(5,729,204)
Net premiums earned	18,491,824	35,185,047	19,419,170	—	—	(13,631)	73,082,410
Reinsurance commission income	256,850	339,270	712,045	—	—	(404,208)	903,957
Investment income	1,208,443	1,953,233	1,004,852	730,564	913,926	(621,763)	5,189,255
Exchanges (losses)/gains, net	(35,175)	(7,982)	934	20,973	3,202	3,036	(15,012)
Other income	59,563	235,143	357,628	246,077	231,973	(251,925)	878,459
Total income	19,981,505	37,704,711	21,494,629	997,614	1,149,101	(1,288,491)	80,039,069
— External income	19,050,755	37,683,305	22,019,746	801,151	484,112	—	80,039,069
— Inter-segment income	930,750	21,406	(525,117)	196,463	664,989	(1,288,491)	—
Claims and policyholders' benefits	(10,319,901)	(35,093,182)	(10,514,340)	—	—	13,015	(55,914,408)
— Claims incurred	(10,319,901)	(5,152,156)	(10,514,340)	—	—	13,015	(25,973,382)
— Life and health reinsurance death and other benefits paid	—	(17,716,183)	—	—	—	—	(17,716,183)
— Changes in long-term life and health reinsurance contract liabilities	—	(12,224,843)	—	—	—	—	(12,224,843)
Handling charges and commissions	(7,209,212)	(1,303,941)	(3,034,560)	—	—	410,823	(11,136,890)
Finance costs	(166,832)	(170,355)	(83,749)	(184,508)	(7,862)	—	(613,306)
Other operating and administrative expenses	(1,074,686)	(765,063)	(6,980,784)	(179,416)	(590,177)	251,234	(9,338,892)
Total benefits, claims and expenses	(18,770,631)	(37,332,541)	(20,613,433)	(363,924)	(598,039)	675,072	(77,003,496)
Share of profits of associates	160,497	627,305	111,107	(290)	442,105	(182,749)	1,157,975
Profit before tax	1,371,371	999,475	992,303	633,400	993,167	(796,168)	4,193,548
Income tax	(177,590)	(162,918)	(152,010)	(33,435)	(51,527)	—	(577,480)
Profit for the period	1,193,781	836,557	840,293	599,965	941,640	(796,168)	3,616,068

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2018 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	15,200,483	30,165,466	21,947,696	—	—	(1,005,757)	66,307,888
Less: Premiums ceded to reinsurers and retrocessionaires	(579,330)	(3,783,989)	(2,048,056)	—	—	994,734	(5,416,641)
Net written premiums	14,621,153	26,381,477	19,899,640	—	—	(11,023)	60,891,247
Changes in unearned premium reserves	(875,482)	(1,068,795)	(2,542,570)	—	—	8,660	(4,478,187)
Net premiums earned	13,745,671	25,312,682	17,357,070	—	—	(2,363)	56,413,060
Reinsurance commission income	60,701	284,322	681,343	—	—	(382,971)	643,395
Investment income	1,102,368	2,250,748	1,073,889	(49,392)	234,162	(7,013)	4,604,762
Exchanges (losses)/gains, net	(39,758)	6,151	16,856	(37,005)	13,138	(3,639)	(44,257)
Other income	3,988	22,953	77,355	193,892	210,454	(186,467)	322,175
Total income	14,872,970	27,876,856	19,206,513	107,495	457,754	(582,453)	61,939,135
— External income	14,012,573	27,876,805	19,677,651	(28,528)	400,634	—	61,939,135
— Inter-segment income	860,397	51	(471,138)	136,023	57,120	(582,453)	—
Claims and policyholders' benefits	(7,363,983)	(24,830,039)	(9,775,419)	—	—	3,734	(41,965,707)
— Claims incurred	(7,363,983)	(2,651,668)	(9,775,419)	—	—	3,734	(19,787,336)
— Life and health reinsurance death and other benefits paid	—	(3,302,024)	—	—	—	—	(3,302,024)
— Changes in long-term life and health reinsurance contract liabilities	—	(18,876,347)	—	—	—	—	(18,876,347)
Handling charges and commissions	(6,085,615)	(1,594,032)	(3,977,127)	—	—	386,410	(11,270,364)
Finance costs	(114,228)	(165,601)	(111,846)	(176,451)	(9,963)	—	(578,089)
Other operating and administrative expenses	(320,501)	(552,751)	(4,378,164)	(194,403)	(534,915)	189,376	(5,791,358)
Total benefits, claims and expenses	(13,884,327)	(27,142,423)	(18,242,556)	(370,854)	(544,878)	579,520	(59,605,518)
Share of profits of associates	(5,411)	462,066	(29,939)	(168)	361,820	82,478	870,846
Profit before tax	983,232	1,196,499	934,018	(263,527)	274,696	79,545	3,204,463
Income tax	(164,922)	(228,331)	(393,220)	(4,283)	(45,797)	—	(836,553)
Profit for the period	818,310	968,168	540,798	(267,810)	228,899	79,545	2,367,910

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	30 June 2019 (Unaudited)							Total
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination		
Segment assets	105,626,743	166,493,924	76,101,049	13,406,634	60,402,211	(37,145,453)	384,885,108	
Segment liabilities	(82,235,669)	(145,168,102)	(50,314,242)	(10,861,030)	(9,127,250)	4,609,931	(293,096,362)	

	31 December 2018 (Audited)							Total
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination		
Segment assets	99,089,336	143,520,460	65,338,584	12,780,380	56,438,871	(36,260,658)	340,906,973	
Segment liabilities	(77,315,725)	(122,027,800)	(40,124,017)	(10,919,571)	(7,375,419)	4,109,376	(253,653,156)	

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Long-term life and health reinsurance	28,954,193	23,655,629
Short-term life and health reinsurance	9,458,096	6,509,837
Property and casualty reinsurance	19,912,352	14,177,189
Primary property and casualty insurance	26,446,916	21,965,233
Total	84,771,557	66,307,888

(b) Premiums ceded to reinsurers and retrocessionaires

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Long-term life and health reinsurance	—	1,860,743
Short-term life and health reinsurance	2,318,486	1,923,246
Property and casualty reinsurance	1,811,997	586,913
Primary property and casualty insurance	1,829,460	1,045,739
Total	5,959,943	5,416,641

(c) Net written premiums

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net written premiums	78,811,614	60,891,247

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest and dividend (a)	4,868,878	4,276,566
Realised (losses)/gains (b)	(89,952)	837,175
Unrealised gains/(losses) (c)	561,548	(208,006)
Impairment losses (d)	(151,219)	(300,973)
Total	5,189,255	4,604,762

(a) Interest and dividend

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest income		
Current and time deposits	633,374	508,071
Fixed maturity investment		
— Held-to-maturity investment	915,633	879,755
— Available-for-sale financial assets	1,369,621	1,212,074
— Financial assets at fair value through profit or loss	35,051	32,084
— Investment classified as loans and receivables	1,257,007	1,083,165
Financial assets held under resale agreements	30,301	24,124
Reinsurers' share of policy loans	—	5,014
Subtotal	4,240,987	3,744,287
Dividend income		
Equity securities		
— Available-for-sale financial assets	502,231	470,097
— Financial assets at fair value through profit or loss	103,030	39,494
Others		
— Available-for-sale financial assets	22,630	22,688
Subtotal	627,891	532,279
Total	4,868,878	4,276,566

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME (continued)

(b) Realised (losses)/gains

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Fixed maturity investment		
— Available-for-sale financial assets	41,153	(9,695)
— Financial assets at fair value through profit or loss	12,409	(11,121)
Equity securities		
— Available-for-sale financial assets	(200,769)	992,378
— Financial assets at fair value through profit or loss	57,255	(134,387)
Total	(89,952)	837,175

(c) Unrealised gains/(losses)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Fixed maturity investment		
— Financial assets at fair value through profit or loss	9,970	5,623
Equity securities		
— Financial assets at fair value through profit or loss	485,432	(128,089)
Others	66,146	(85,540)
Total	561,548	(208,006)

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME (continued)

(d) Impairment losses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Equity securities		
— Available-for-sale financial assets	(151,219)	(300,973)
Total	(151,219)	(300,973)

7 CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2019 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	29,648,100	(3,674,718)	25,973,382
— Short-term life and health reinsurance	6,885,835	(1,745,151)	5,140,684
— Property and casualty reinsurance	10,476,576	(1,033,379)	9,443,197
— Primary property and casualty insurance	12,285,689	(896,188)	11,389,501
Life and health reinsurance death and other benefits	17,839,210	(123,027)	17,716,183
Changes in long-term life and health reinsurance contract liabilities	12,162,402	62,441	12,224,843
Total	59,649,712	(3,735,304)	55,914,408

	Six months ended 30 June 2018 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	21,753,178	(1,965,842)	19,787,336
— Short-term life and health reinsurance	4,092,721	(1,441,053)	2,651,668
— Property and casualty reinsurance	7,118,280	(197,193)	6,921,087
— Primary property and casualty insurance	10,542,177	(327,596)	10,214,581
Life and health reinsurance death and other benefits	3,932,527	(630,503)	3,302,024
Changes in long-term life and health reinsurance contract liabilities	20,154,565	(1,278,218)	18,876,347
Total	45,840,270	(3,874,563)	41,965,707

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Employee costs	2,568,118	1,773,531
Advertising and promotion expenses	1,356,291	509,452
Official and travel expenses	577,674	351,509
Interest expenses of policyholders' deposits and investment contracts liability	494,458	360,003
Rental expenses	85,269	213,493
Consulting and service fee	858,784	507,514
Depreciation and amortisation	479,299	128,527
Insurance guarantee fund	189,807	171,406
Taxes and surcharges	274,470	250,458
Impairment losses charges	110,659	63,861
Outsourcing costs	1,160,885	811,033
Others	1,183,178	650,571
Total	9,338,892	5,791,358

9 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Employee costs (including directors' and supervisors' emoluments) (note)	3,119,784	2,270,576
Depreciation of property and equipment (note)	138,429	123,653
Depreciation of right-of-use assets (note)	161,581	—
Depreciation of investment properties	81,116	—
Amortisation of intangible assets (note)	131,482	38,324
Rental expenses (note)	124,276	253,015
Impairment losses on available-for-sale financial assets	151,219	300,973
Impairment losses on premiums receivable	104,721	60,430
Impairment losses on reinsurance debtors	5,938	3,431

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INCOME TAX

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current income tax		
Charge for the period	407,304	900,614
Adjustments in respect of prior years	(68,032)	3,828
Deferred income tax	238,208	(67,889)
Total	577,480	836,553

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

11 DIVIDENDS

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
In respect of previous year:		
2018 final dividend (declared in 2019): RMB0.031 per ordinary share	1,316,874	
2017 final dividend (declared in 2018): RMB0.048 per ordinary share		2,039,031

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

12 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 during the six months ended 30 June 2019 and the six months ended 30 June 2018.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net profit attributable to the equity shareholders of the parent	3,319,727	2,330,540
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.08	0.05

There were no potential diluted ordinary shares in issue during the six months ended 30 June 2019 and the six months ended 30 June 2018, so the diluted earnings per share were the same as the basic earnings per share.

13 CASH AND SHORT-TERM TIME DEPOSITS

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
Cash at banks and on hand	8,307,105	6,270,431
Time deposits with original maturity of no more than three months	10,642,776	6,132,310
Other monetary deposits	1,197,322	828,187
Total	20,147,203	13,230,928

As at 30 June 2019, cash and short-term time deposits of RMB1,872,823 thousand (31 December 2018: RMB1,125,455 thousand) were restricted from use, which are mainly trading deposits and securities settlement deposits.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Listed		
Fixed maturity investment		
Corporate bonds	1,164,106	635,440
Equity securities		
Investment funds	1,792,557	938,491
Stocks	305,937	357,687
Sub-total	3,262,600	1,931,618
Unlisted		
Fixed maturity investment		
Government bonds	—	259,198
Equity securities		
Investment funds	7,570,542	5,133,605
Embedded derivatives	161,670	226,360
Structured notes	3,619,117	3,174,933
Sub-total	11,351,329	8,794,096
Total	14,613,929	10,725,714

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

15 PREMIUMS RECEIVABLE

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Premiums receivable	13,280,515	11,266,770
Less: impairment provision	(315,815)	(211,094)
Premiums receivable, net	12,964,700	11,055,676

(a) Aging analysis

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 3 months (inclusive)	12,517,164	10,684,959
3 months to 1 year (inclusive)	516,465	388,856
1 to 2 years (inclusive)	154,700	105,400
Over 2 years	92,186	87,555
Total	13,280,515	11,266,770
Less: impairment provision	(315,815)	(211,094)
Net	12,964,700	11,055,676

(b) Impairment provision of premiums receivable

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
At the beginning of the period	211,094	129,477
Charge for the period	104,721	60,430
Written off	—	(32)
At the end of the period	315,815	189,875

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

16 REINSURANCE DEBTORS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Reinsurance debtors	67,087,445	49,774,984
Less: impairment provision	(132,760)	(126,718)
Reinsurance debtors, net	66,954,685	49,648,266

(a) Aging analysis

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 3 months (inclusive)	62,386,028	44,867,509
3 months to 1 year (inclusive)	2,818,896	2,452,189
1 to 2 years (inclusive)	1,222,063	1,242,676
Over 2 years	660,458	1,212,610
Total	67,087,445	49,774,984
Less: impairment provision	(132,760)	(126,718)
Net	66,954,685	49,648,266

(b) Impairment provision of reinsurance debtors

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
At the beginning of the period	126,718	118,685
Charge for the period	5,938	3,431
Exchange difference	104	683
At the end of the period	132,760	122,799

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

17 INVESTMENT CONTRACTS RECEIVABLE

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Investment contracts receivable	5,064,370	2,831,865
Less: impairment provision	—	—
Investment contracts receivable, net	5,064,370	2,831,865
Within 3 months (inclusive)	5,064,370	2,831,865
Total	5,064,370	2,831,865
Less: impairment provision	—	—
Net	5,064,370	2,831,865

Investment contracts receivable represents receivable from cedants arising from reinsurance contracts which do not meet the definition of insurance contracts.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Listed		
Fixed maturity investment		
Government bonds	1,689,893	452,854
Financial bonds	446,801	726,336
Corporate bonds	20,146,030	18,903,974
Assets backed securities	209,232	197,847
Equity securities		
Investment funds	1,863,611	884,630
Stocks	15,748,108	11,217,096
Others	154,721	—
Sub-total	40,258,396	32,382,737
Unlisted		
Fixed maturity investment		
Government bonds	6,283,928	5,515,809
Financial bonds	13,801,719	12,112,484
Corporate bonds	24,116,626	24,569,478
Subordinated bonds	856,449	824,692
Others	1,195,391	1,307,662
Equity securities		
Investment funds	7,024,245	7,608,288
Unlisted equity investment	6,293,140	6,414,147
Others	1,177,576	1,244,349
Sub-total	60,749,074	59,596,909
Total	101,007,470	91,979,646

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

19 HELD-TO-MATURITY INVESTMENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Listed		
Government bonds	12,713	102,158
Corporate bonds	12,120,299	12,385,310
Sub-total	12,133,012	12,487,468
Unlisted		
Government bonds	110,975	110,703
Financial bonds	1,038,936	1,038,939
Corporate bonds	13,188,866	13,874,152
Subordinated bonds	8,686,805	8,386,294
Sub-total	23,025,582	23,410,088
Total	35,158,594	35,897,556

20 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Debt investment schemes	28,243,058	31,200,184
Trust schemes	8,529,233	6,997,253
Subordinated debts	800,000	1,000,000
Asset backed securities	2,868,222	1,867,847
Total	40,440,513	41,065,284

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Share of net assets		
— Listed shares (i)	16,481,617	15,885,680
— Unlisted shares	5,041,774	5,300,211
Total	21,523,391	21,185,891

(i) As at 30 June 2019, the Group held an aggregate interest in China Everbright Bank of 4.42% (31 December 2018: 4.42%).

22 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:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
The Company	8,500,000	8,500,000
China Re P&C	2,300,000	2,300,000
China Re Life	1,850,000	2,250,000
China Continent Insurance	3,023,184	3,023,184
Total	15,673,184	16,073,184

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Investment contract assets	1,283,950	1,115,941
Subscription prepayment for securities and securities clearance receivable	144,762	125,511
Interest receivables	3,767,018	3,915,944
Deposits retained by other parties	1,576,842	1,752,142
Handling charges prepaid	189,264	227,979
Claims prepaid	788,542	958,194
Deferred expenses	37,265	170,513
Value added tax assets	429,070	238,478
Income tax refundable	486,959	193,443
Dividend receivable	482,335	6,256
Overseas deposits	806,367	795,912
Prepayment for investment property	57,645	1,234,132
Prepayment for supplier	468,381	77,056
Others	1,288,613	756,464
Total	11,807,013	11,567,965
Less: impairment provision	(21,705)	(21,681)
Net	11,785,308	11,546,284

24 SHORT-TERM BORROWINGS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Short-term borrowings	654,235	521,569
Total	654,235	521,569

As at 30 June 2019, the Group holds an unsecured borrowing of GBP75 million (31 December 2018: GBP60 million) with a coupon rate of Libor plus 1.85%, which will be repayable within one year.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INVESTMENT CONTRACT LIABILITIES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
At the beginning of the period	15,809,209	12,946,807
Additions	15,170,200	600,760
Payments, surrenders, recaptures	(10,732,240)	(1,238,538)
Fees deducted	(108,888)	60,083
Interest credited	324,532	266,678
At the end of the period	20,462,813	12,635,790

26 INSURANCE CONTRACT LIABILITIES

	30 June 2019 (Unaudited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	88,535,179	(1,921,224)	86,613,955
Short-term life and health reinsurance contracts			
— Claim reserves	9,891,301	(3,837,029)	6,054,272
— Unearned premium reserves	5,180,445	(552,087)	4,628,358
Property and casualty reinsurance contracts			
— Claim reserves	34,354,214	(4,539,582)	29,814,632
— Unearned premium reserves	12,617,937	(1,243,909)	11,374,028
Primary property and casualty insurance contracts			
— Claim reserves	18,414,021	(3,733,507)	14,680,514
— Unearned premium reserves	22,676,424	(1,521,603)	21,154,821
Total insurance contract liabilities	191,669,521	(17,348,941)	174,320,580

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

26 INSURANCE CONTRACT LIABILITIES (continued)

	31 December 2018 (Audited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	76,329,229	(1,983,665)	74,345,564
Short-term life and health reinsurance contracts			
— Claim reserves	6,844,034	(2,424,774)	4,419,260
— Unearned premium reserves	4,047,348	(340,835)	3,706,513
Property and casualty reinsurance contracts			
— Claim reserves	33,846,203	(4,226,966)	29,619,237
— Unearned premium reserves	10,018,068	(767,487)	9,250,581
Primary property and casualty insurance contracts			
— Claim reserves	18,027,205	(3,890,104)	14,137,101
— Unearned premium reserves	19,619,303	(1,257,125)	18,362,178
Total insurance contract liabilities	168,731,390	(14,890,956)	153,840,434

27 NOTES AND BONDS PAYABLE

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bonds payable	8,995,102	8,996,100
Notes payable	10,227,726	10,196,023
Total	19,222,828	19,192,123

As of 17 August 2018 and 29 November 2018, China Re P&C and China Re Life had issued the capital supplementary bonds publicly in the National Interbank Bond Market. The total principal amount of capital supplementary bonds issued was RMB4,000 million and RMB5,000 million respectively, with a term of ten years. The annual coupon rate is 4.97% and 4.80% for the first five years, and China Re P&C and China Re Life have conditional redemption rights at the end of the fifth year. In the event that China Re P&C or China Re Life does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.97% and 5.80% in the remaining five years respectively.

China Reinsurance Finance Corporation Limited issued notes in aggregate principal amounts of USD800 million on 9 March 2017 and USD700 million on 30 June 2017 respectively. The notes carry a fixed interest yield of 3.375% per annum. The two tranches of notes are consolidated and form a single series. Unless earlier redeemed in accordance with the terms thereof, the notes will mature on 9 March 2022 at their principal amounts. The net proceeds from the issue of the notes will be used for general corporate purposes and investments in offshore projects.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

28 LONG-TERM BORROWINGS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Long-term borrowings	3,763,787	3,577,107
Total	3,763,787	3,577,107

As at 30 June 2019, the Group holds a long-term borrowings of USD550.00 million (31 December 2018: USD523.97 million) with a coupon rate of 4.70%, and the term is 60 months.

29 OTHER LIABILITIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Claims payable	337,157	586,761
Premiums received in advance	1,884,255	2,260,928
Salaries and welfare payable	1,243,731	1,686,679
Defined benefit obligation	203,042	202,542
Unallocated cash	363,722	390,054
Insurance guarantee fund payable	105,901	115,091
Property and equipment payable	286,279	361,588
Deposits from cedants	506,364	581,601
Securities clearance payable	1,013,472	225,556
Handling charges and commissions payable	824,899	601,536
Taxes payable	229,663	247,709
Payable to third party investors of consolidated structured entities	4,850,708	5,212,674
Investment contracts payable	1,102,010	918,340
Dividends payable	1,316,939	—
Interest payable	424,659	204,727
Traffic accident relief fund	114,862	107,188
Vehicle and vessel tax withheld	276,785	221,640
Real estate payable	932,888	—
Others	1,575,179	1,246,030
Total	17,592,515	15,170,644

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

30 SHARE CAPITAL

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
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

31 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.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 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.

(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 and the 82.5% 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.

(b) Assumptions for long-term 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 loss adjustment 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, premiums and related expenses, etc. are reflected through risk margin.

Residual margin related to life and health insurance contract reserves is amortised during the expected benefit period using assumptions as at policy inception, including discount rates, incident rates, lapse rates and expenses assumptions.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 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 is exposed to credit risks primarily associated with commercial banks, bond issuers, 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 schemes, trust schemes and wealth management products with high credit ratings and time deposits in state-owned commercial banks, etc. 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.

(i) Credit risk exposure

The Group's maximum exposure to credit risk is the carrying amount of the financial assets in the interim condensed consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 35, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at 30 June 2019 is disclosed in Note 35.

(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 financial instruments mainly including cash and short-term time deposits, time deposits and debt investments. 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.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk

The Group is exposed to currency risk primarily through holding monetary financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities denominated in foreign currencies, which mainly including cash and short-term time deposits, time deposits, debt investments, reinsurance debtors, reinsurance payables and insurance contract liabilities.

(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), no matter 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%.

(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 flow.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	30 June 2019 (Unaudited)					Total	Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years			
Assets:							
Cash and short-term time deposits	20,195,122	—	—	—	20,195,122	20,147,203	
Fixed maturity investments at fair value through profit or loss	584,305	245,877	216,073	122,622	1,168,877	1,164,106	
Equity securities at fair value through profit or loss	13,449,823	—	—	—	13,449,823	13,449,823	
Derivative financial instruments	267,281	—	—	—	267,281	267,281	
Financial assets held under resale agreements	2,855,429	—	—	—	2,855,429	2,855,200	
Premiums receivable	7,833,716	3,528,761	1,569,238	32,985	12,964,700	12,964,700	
Reinsurance debtors	65,340,935	1,127,339	416,929	69,482	66,954,685	66,954,685	
Reinsurers' share of insurance contract liabilities	9,885,810	2,428,860	7,329,848	1,749,197	21,393,715	17,348,941	
Time deposits	1,390,799	—	331,717	—	1,722,516	1,693,116	
Available-for-sale fixed maturity investments	6,616,174	13,598,290	38,767,029	21,383,503	80,364,996	68,746,069	
Available-for-sale equity securities	32,261,401	—	—	—	32,261,401	32,261,401	
Held-to-maturity investments	2,635,075	6,260,248	15,561,182	22,128,356	46,584,861	35,158,594	
Investments classified as loans and receivables	5,157,483	8,192,412	21,452,864	20,591,674	55,394,433	40,440,513	
Reinsurers' share of policy loans	454,775	—	—	—	454,775	454,775	
Investment contracts receivable	5,064,370	—	—	—	5,064,370	5,064,370	
Statutory deposits	8,770,476	2,509,771	5,810,432	—	17,090,679	15,673,184	
Other financial assets	7,658,184	410,197	(22,746,560)	586,333,684	571,655,505	9,328,182	
Total	190,421,158	38,301,755	68,708,752	652,411,503	949,843,168	343,972,143	
Liabilities:							
Short-term borrowings	668,636	—	—	—	668,636	654,235	
Securities sold under agreements to repurchase	15,146,715	—	—	—	15,146,715	15,144,540	
Reinsurance payables	16,411,108	381,096	781,793	223,370	17,797,367	17,797,367	
Income tax payable	424,524	—	—	—	424,524	424,524	
Policyholders' deposits	3,239,587	96,487	—	—	3,336,074	3,336,074	
Investment contract liabilities	(3,913,994)	(4,875,542)	(19,099,343)	718,068,589	690,179,710	20,462,813	
Insurance contract liabilities	73,168,174	20,397,583	76,114,187	49,715,964	219,395,908	191,669,521	
Notes and bonds payable	364,858	786,832	11,976,484	11,644,000	24,772,174	19,222,828	
Lease liabilities	298,021	318,492	451,801	98,136	1,166,450	1,117,936	
Long-term borrowings	180,673	180,179	4,231,780	—	4,592,632	3,763,787	
Other financial liabilities	10,931,365	286,164	1,692,828	5,360,813	18,271,170	15,708,260	
Total	116,919,667	17,571,291	76,149,530	785,110,872	995,751,360	289,301,885	

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	31 December 2018 (Audited)					Total	Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years			
Assets:							
Cash and short-term time deposits	13,258,365	—	—	—	13,258,365	13,230,928	
Fixed maturity investments at fair value through profit or loss	428,793	238,078	198,670	39,250	904,791	894,638	
Equity securities at fair value through profit or loss	9,831,076	—	—	—	9,831,076	9,831,076	
Derivative financial instruments	175,403	—	—	—	175,403	175,403	
Financial assets held under resale agreements	2,597,029	—	—	—	2,597,029	2,596,387	
Premiums receivable	6,814,625	3,010,298	1,198,360	32,393	11,055,676	11,055,676	
Reinsurance debtors	48,176,737	712,933	719,201	39,395	49,648,266	49,648,266	
Reinsurers' share of insurance contract liabilities	7,229,520	4,016,925	2,834,226	821,133	14,901,804	14,890,956	
Time deposits	4,132,466	—	339,802	—	4,472,268	4,408,928	
Available-for-sale fixed maturity investments	6,465,536	9,257,993	41,059,741	16,740,991	73,524,261	64,611,136	
Available-for-sale equity securities	27,368,510	—	—	—	27,368,510	27,368,510	
Held-to-maturity investments	2,537,795	4,781,539	18,388,162	22,438,012	48,145,508	35,897,556	
Investments classified as loan and receivables	5,583,046	6,858,662	19,282,058	26,644,800	58,368,566	41,065,284	
Reinsurers' share of policy loans	454,775	—	—	—	454,775	454,775	
Investment contracts receivable	2,831,865	—	—	—	2,831,865	2,831,865	
Statutory deposits	5,073,902	8,452,506	3,956,794	—	17,483,202	16,073,184	
Other financial assets	6,459,921	304,183	(669,484)	54,798,881	60,893,501	8,446,489	
Total	149,419,364	37,633,117	87,307,530	121,554,855	395,914,866	303,481,057	
Liabilities:							
Short-term borrowings	529,618	—	—	—	529,618	521,569	
Securities sold under agreements to repurchase	14,199,777	—	—	—	14,199,777	14,193,976	
Reinsurance payables	11,852,437	631,465	313,214	132,409	12,929,525	12,929,525	
Income tax payable	444,972	—	—	—	444,972	444,972	
Policyholders' deposits	1,780,034	166,532	—	—	1,946,566	1,946,566	
Investment contract liabilities	288,372	(432,513)	(2,942,839)	398,410,695	395,323,715	15,809,209	
Insurance contract liabilities	63,414,489	27,315,847	56,514,186	50,589,879	197,834,401	168,731,390	
Notes and bonds payable	573,237	773,765	11,911,228	11,434,000	24,692,230	19,192,123	
Long-term borrowings	168,124	168,124	4,081,479	—	4,417,727	3,577,107	
Other financial liabilities	8,788,285	295,293	1,690,282	5,600,318	16,374,178	12,909,716	
Total	102,039,345	28,918,513	71,567,550	466,167,301	668,692,709	250,256,153	

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 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 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.

32 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 30 June 2019 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.

(Unaudited)	Fair value as at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
— Fixed maturity investment	1,164,106	1,164,106	—	—
— Equity securities	13,449,823	8,065,837	4,492,459	891,527
Available-for-sale financial assets				
— Fixed maturity investment	68,746,069	1,087,757	66,831,104	827,208
— Equity securities	32,261,401	19,572,014	1,185,924	11,503,463
Derivative financial instruments	267,281	—	—	267,281
Total	115,888,680	29,889,714	72,509,487	13,489,479

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

32 FAIR VALUE MEASUREMENT (continued)

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

Fair value hierarchy (continued)

(Audited)	Fair value as at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
— Fixed maturity investment	894,638	894,638	—	—
— Equity securities	9,831,076	4,986,302	3,925,039	919,735
Available-for-sale financial assets				
— Fixed maturity investment	64,611,136	1,172,181	62,609,394	829,561
— Equity securities	27,368,510	15,721,933	94,123	11,552,454
Derivative financial instruments	175,403	—	—	175,403
Total	102,880,763	22,775,054	66,628,556	13,477,153

Reconciliation of movements in Level 3 financial instruments measured at fair value

(Unaudited)	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Derivative financial instruments
At 1 January 2019	12,382,015	919,735	175,403
Additions	9,340	21,537	—
Reductions	(363,798)	—	—
Change in profit or loss/equity	303,114	(49,745)	91,878
At 30 June 2019	12,330,671	891,527	267,281

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

32 FAIR VALUE MEASUREMENT (continued)

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

Fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value (continued)

(Unaudited)	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Derivative financial instruments
At 1 January 2018	11,464,539	793,411	—
Transferred from Level 2	—	—	(47,608)
Additions	281,539	5,126	—
Change in profit or loss/equity	(8,486)	49,091	73,604
At 30 June 2018	11,737,592	847,628	25,996

Valuation techniques and inputs used in Level 2 fair value measurements

As at 30 June 2019, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilise a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

Due to changes in availability of quoted prices in active markets, the Group transferred certain securities between Level 1 and Level 2. As at 30 June 2019, the Group transferred securities of RMB253 million (31 December 2018: Nil) from Level 1 to Level 2 and did not transfer securities from Level 2 to Level 1 (31 December 2018: Nil).

During the six months ended 30 June 2019, the Group did not transfer securities from Level 2 to Level 3 (31 December 2018: RMB48 million).

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

32 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 30 June 2019 except for the following financial instruments, for which their carrying amounts, fair value and the level of fair value hierarchy are disclosed below:

(Unaudited)	30 June 2019		30 June 2019 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Assets					
Held-to-maturity financial assets	35,158,594	36,967,397	—	36,967,397	—
Liabilities					
Notes and bonds payable	19,222,828	19,444,484	—	19,444,484	—

(Audited)	31 December 2018		31 December 2018 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Assets					
Held-to-maturity financial assets	35,897,556	37,668,256	—	37,668,256	—
Liabilities					
Notes and bonds payable	19,192,123	18,774,596	—	18,774,596	—

The fair values of the financial assets included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair values of investments classified as loans and receivables are considered approximate to their carrying values recognised in these condensed consolidated interim financial information.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

33 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.

34 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Ultimate parent

The immediate parent the Company is Central Huijin Investment Ltd. ("Central Huijin") and the ultimate parent of the Company is the Ministry of Finance of the PRC ("Ministry of Finance").

(2) Significant related parties

Name of 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 China Everbright Bank are as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest income	40,099	82,830
Premium income	3,844	3,221
Claims payments	440,376	158,522
Fees and commissions	85	116

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

34 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

- (b) The balances of significant related-party transactions between the Group and China Everbright Bank are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash and short-term time deposits	197,580	353,961
Time deposits	—	80,025
Statutory deposits	826,157	826,157
Interest receivables	74,702	88,643
Dividends receivable	307,151	—
Debt investments	999,298	999,015
Premiums receivable	2,787	—

(4) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of Central Huijin and Ministry of Finance. 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.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

35 CONTINGENCIES

As at 30 June 2019, the Group has issued the following guarantees:

- (1) As at 30 June 2019, the Company provided maritime guarantee of RMB2,715 million (31 December 2018: RMB2,514 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 30 June 2019, the Company provided letter of credit GBP100 million to Lloyd's to support China Re Syndicate 2088's underwriting business (31 December 2018: GBP100 million). As at 30 June 2019, CRIH provided letter of credit GBP275 million to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business (31 December 2018: GBP275 million).

36 COMMITMENTS

(1) Capital commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contracted for		
— Intangible assets commitments	32,187	48,494
— Investment properties commitments	—	1,901,199
— Property and equipment commitments	13,708	14,355
— Investment commitments	537,856	844,025
Total	583,751	2,808,073

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

36 COMMITMENTS (continued)

(2) Lease commitments

The Group leases certain of its office properties and office equipment under lease arrangements.

The total future minimum lease payments under non-cancellable leases are summarised as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	52,657	411,539
1 to 2 years	1,924	320,085
2 to 3 years	819	220,736
3 to 5 years	730	150,687
Over 5 years	—	191,777
Total	56,130	1,294,824

The Group has adopted IFRS 16 from 1 January 2019, and the impact of the adoption of IFRS 16 are disclosed in note 2(3)(a).

37 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

38 APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board of Directors on 28 August 2019.

DEFINITIONS

“Articles of Association”	the articles of association of the Company as adopted at our Shareholders’ general meeting held on 26 June 2015, 24 October 2017 and 28 June 2018 respectively, and approved by the CBIRC on 9 July 2015, 2 March 2016 and 16 January 2019 respectively
“Belt and Road Initiative”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of our Company
“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 CRIH, CIC and CRAH
“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 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

DEFINITIONS

“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 and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“CRAH”	China Re Australia HoldCo Pty Ltd, a company registered in Australia, of which the former name is Hanover Australia HoldCo Pty Ltd (the “ HAH ”)
“CRIH”	China Re International Holdings Limited, a company registered in England and Wales, of which the former name is The Hanover Insurance International Holdings Limited (the “ HIH ”)
“Director(s)”	the director(s) of the Company
“GBP”	pounds sterling, the lawful currency of the United Kingdom
“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)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China

DEFINITIONS

“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
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2019 until 30 June 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of Hong Kong Laws)
“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

Unit 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

WEBSITE

<http://www.chinare.com.cn>

INVESTOR RELATIONS DEPARTMENT

Office of the Board of Directors
Telephone: (8610) 66576880
Email: IR@chinare.com.cn

LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

SECRETARY TO THE BOARD

Ms. Zhu Xiaoyun

AUTHORISED REPRESENTATIVES

Mr. He Chunlei
Ms. Ng Sau Mei

JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun
Ms. Ng Sau Mei

AUDITORS

Domestic auditor:
PricewaterhouseCoopers Zhong Tian LLP

Overseas auditor:
PricewaterhouseCoopers

ACTUARIAL CONSULTANT

Ernst & Young (China) Advisory Limited

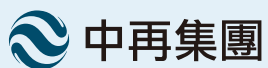
HONG KONG LEGAL ADVISER

Clifford Chance

UNIFIED SOCIAL CREDIT CODE

9110000010002371XD

專業 讓 保險 更 保險
Empower your insurance by expertise



Address : China Re Building, No. 11 Jinrong Avenue,
Xicheng District, Beijing, China
Post Code : 100033
Tel : (8610) 6657 6880
Fax : (8610) 6657 6789
Website: www.chinare.com.cn
地址：北京市西城區金融大街 11 號中國再保險大廈
郵編：100033
電話：(8610) 6657 6880
傳真：(8610) 6657 6789
網址：www.chinare.com.cn

